

Approved: May 2, 2008
Date

MINUTES OF THE JOINT SESSION OF THE
HOUSE TAXATION AND APPROPRIATIONS COMMITTEES

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on May 1, 2008, in Room 313-S of the Capitol.

All members of the Taxation Committee were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Ryan Hoffman, Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Chris Courtwright, Legislative Research Department
Alan D. Conroy, Director, Legislative Research Department

Others attending:

See attached list.

It was noted that minutes from the Taxation meetings on: March 5, 18, 19, 20, 24, were sent electronically to the Taxation committee on March 24st. By consensus they were considered approved on March 31st, 2008. It was further noted that minutes from the Taxation meetings on: March 25 and 26th were sent electronically to the Taxation committee on March 27st. By consensus they were considered approved on April 4th, 2008. Minutes from the Joint Session of House Taxation and Appropriations meeting on May 1, were sent electronically to the Taxation committee on May 1st. By consensus they were considered approved on May 2st, 2008.

Representative Wilk said the reason for the joint session was to explain the discrepancy between the Consensus Revenue Estimates and actual State General Fund Receipts and provide an opportunity to question staff regarding the figures and possible ramifications. He invited Chris Courtwright to the podium for a review of the data.

Chris Courtwright, Legislative Research Department, distributed a memorandum on the State General Fund Receipts Revisions for FY 2008 and FY 2009 (Attachment 1). He explained the consensus process, which involves the Legislative Research Department, Division of the Budget, Department of Revenue, and three consulting economists from state universities. This estimate is the base from which the Governor and the Legislature build the annual budget.

The Consensus Group met April 16, 2008, and decreased the overall estimate for both fiscal years by a combined \$129.9 million relative to a previous estimate made in November. He said the decrease was largely attributable to the new federal stimulus legislation, reduction of SGF interest earnings, and a significant increase in transfers.

Mr. Courtwright said that although economic growth continued through the end of 2007 at a relatively strong pace, indications are that the rate of growth has been slowing substantially during the early months of 2008. As a result of wide variance in many national forecasts with respect to the severity and duration of the looming economic downturn, the level of uncertainty for the balance of 2008 now appears to be much higher than it might have been in the Fall of 2007 relative to many of the key Kansas economic variables. The current 2008 estimates of nominal Kansas Personal Income and Kansas Gross State Product growth of 3.7 and 4.0 percent, respectively, are significantly less than the similar estimates of 5.1 and 5.0 percent used in November. Nevertheless, the expectation of the consensus group is that Kansas will not be affected as dramatically as will the national economy by the impact of turmoil associated with the housing market. Moreover, the relative health of certain key sectors of the state's economy, including agriculture, energy, and aviation manufacturing, will enable Kansas to experience a milder slowdown than the country as a whole.

Mr. Courtwright reviewed the remainder of the memorandum that contained explanations on: Employment; Agriculture; Oil and Gas; Inflation Rate; Interest Rates; Table 1 - Comparisons of the new FY

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on May 1, 2008 in Room 519-S of the Capitol.

2008 and FY 2009 estimates by source with actual receipts from FY 2007; and Tables 2 and 3 - Changes in the estimates by source for each fiscal year.

Alan Conroy, Director, Legislative Research Department, distributed and explained the following data memoranda:

- Comparison of Fiscal Year 2008 and 2007 Actual General Fund Collections
Preliminary *tax only* information, which reflects \$4.6 million below the estimate, provided by the Department of Revenue ([Attachment 2](#)).
- State General Fund Transfers - FY 2009
This report is based on November 2007 and April 2008 Consensus Revenue Estimates and reflects the net transfers in and out of the State General Fund. He explained significant changes in the line items and said some expenditures in the past have been switched to revenue funds ([Attachment 3](#)).
- Total Receipts - FY 2006 and FY 2007
A spreadsheet listing *total taxes and other receipts* that summarizes all revenue sources. A support memorandum, Division of Accounts and Reports Policy and Procedure Manual, lists the sub-object codes - uniform classifications of accounts and reports was distributed ([Attachment 4](#)).

Questions were discussed regarding: The inclusion of University Endowment Funds in the revenue report; the significance of the increase of BioSciences Initiatives; and what the economic historical trends mean to Kansas.

The meeting was adjourned at 9:20 A.M. No further meetings were scheduled.