

STATE OF KANSAS

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GOVERNOR JEFF COLYER, M.D.
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November 9, 2018

To: Governor Jeff Colyer, M.D., Governor-Elect Laura Kelly, and Legislative Coordinating Council

From: Kansas Division of the Budget and Kansas Legislative Research Department

Subject: State General Fund Estimates for FY 2019, FY 2020, and FY 2021

The Consensus Estimating Group met today to revise the State General Fund revenue estimate for FY 2019 and to make its first official assessment of FY 2020 and FY 2021. A more detailed memo will be available soon which contains the economic forecast for Kansas upon which the estimates are based, as well as a discussion of other factors influencing the individual source estimates. Estimates for the State General Fund are developed using a consensus process that involves the Division of the Budget, Legislative Research Department, 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. Consensus revenue estimates are based on current federal and state laws and their current interpretation.

For FY 2019, the estimate was increased by \$306.4 million, or 4.4 percent, above the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). The revised estimate of \$7.310 billion represents 0.2 percent above final FY 2018 receipts.

The initial estimate for FY 2020 is \$7.271 billion, which is \$38.4 million, or 0.5 percent, below the newly revised FY 2019 figure. Various factors influencing this change in revenues in addition to the state of the economy include net change in transfers out of the SGF based on current statutory requirements for FY 2020. The amount of total taxes is estimated to increase by 2.7 percent in FY 2020, following a 2.9 percent increase in FY 2019.

The initial estimate for FY 2021 is \$7.235 billion, which is \$36.5 million, or 0.5 percent, below the FY 2020 figure. Additional discussion will be provided in the detailed memo.

Table 1 compares the new FY 2019 and initial estimates for FY 2020 and FY 2021 with actual receipts from FY 2018. Table 2 shows the changes within the FY 2019 estimate.

Table 1
State General Fund Receipts
(Dollars in Thousands)

	Consensus Estimate November 9, 2018							
	FY 2018 (Actual)		FY 2019 (Revised)		FY 2020		FY 2021	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax/Fee:								
Motor Carrier	\$ 12,430	14.4 %	\$ 12,100	(2.7) %	\$ 12,300	1.7 %	\$ 12,500	1.6 %
Income Taxes:								
Individual	\$3,374,420	46.5 %	\$3,550,000	5.2 %	\$3,700,000	4.2 %	\$3,770,000	1.9 %
Corporation	392,440	20.8	420,000	7.0	425,000	1.2	430,000	1.2
Financial Institutions	45,527	10.7	43,000	(5.6)	44,000	2.3	44,000	--
Total	\$3,812,387	42.8 %	\$4,013,000	5.3 %	\$4,169,000	3.9 %	\$4,244,000	1.8 %
Excise Taxes:								
Retail Sales	\$2,341,693	2.4 %	\$2,345,000	0.1 %	\$2,370,000	1.1 %	\$2,400,000	1.3 %
Compensating Use	406,514	5.7	420,000	3.3	435,000	3.6	450,000	3.4
Cigarette	120,073	(7.7)	114,000	(5.1)	110,000	(3.5)	106,000	(3.6)
Tobacco Products	8,676	3.0	8,700	0.3	8,800	1.1	8,900	1.1
Cereal Malt Beverage	1,479	(4.2)	1,200	(18.8)	900	(25.0)	600	(33.3)
Liquor Gallonage	19,851	2.1	20,200	1.8	20,400	1.0	20,600	1.0
Liquor Enforcement	73,475	2.7	73,000	(0.6)	74,000	1.4	75,000	1.4
Liquor Drink	11,548	4.6	11,800	2.2	11,900	0.8	12,000	0.8
Corporate Franchise	7,487	(1.9)	7,300	(2.5)	7,400	1.4	7,500	1.4
Severance	41,401	(1.6)	41,000	(1.0)	36,200	(11.7)	33,700	(6.9)
Gas	12,920	(13.2)	6,500	(49.7)	4,400	(32.3)	3,300	(25.0)
Oil	28,481	4.7	34,500	21.1	31,800	(7.8)	30,400	(4.4)
Total	\$3,032,195	2.4 %	\$3,042,200	0.3 %	\$3,074,600	1.1 %	\$3,114,300	1.3 %
Other Taxes:								
Insurance Premiums	\$ 171,100	(0.7) %	\$ 165,000	(3.6) %	\$ 170,000	3.0 %	\$ 172,000	1.2 %
Miscellaneous	2,699	99.6	3,500	29.7	3,800	8.6	4,000	5.3
Total	\$ 173,799	0.1 %	\$ 168,500	(3.0) %	\$ 173,800	3.1 %	\$ 176,000	1.3 %
Total Taxes	\$7,030,811	20.9 %	\$7,235,800	2.9 %	\$7,429,700	2.7 %	\$7,546,800	1.6 %
Other Revenues & Receipts:								
Interest	\$ 22,786	(65.3) %	\$ 50,000	119.4 %	\$ 57,000	14.0 %	\$ 65,000	14.0 %
Transfers & Other Receipts	198,441	(48.0)	(31,200)	(115.7)	(268,000)	(759.0)	(429,600)	(60.3)
Agency Earnings	46,034	(38.4)	55,100	19.7	52,600	(4.5)	52,600	--
Total	\$ 267,261	(48.8) %	\$ 73,900	(72.3) %	\$ (158,400)	(314.3) %	\$ (312,000)	(97.0) %
Total Receipts	\$7,298,073	15.1 %	\$7,309,700	0.2 %	\$7,271,300	(0.5) %	\$7,234,800	(0.5) %

Table 2
State General Fund Receipts
FY 2019 Revised
Comparison of November 2018 Estimate to May 2018 Estimate
(Dollars in Thousands)

	FY 2019 CRE Est. as Adj. for Legis.	FY 2019 CRE Est. Revised 11/09/18	Difference	
			Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,100	\$ 12,100	\$ --	-- %
Income Taxes:				
Individual	\$ 3,334,170	\$ 3,550,000	\$ 215,830	6.5 %
Corporation	351,000	420,000	69,000	19.7
Financial Institutions	43,000	43,000	--	--
Total	\$ 3,728,170	\$ 4,013,000	\$ 284,830	7.6 %
Excise Taxes:				
Retail Sales	\$ 2,361,427	\$ 2,345,000	\$ (16,427)	(0.7) %
Compensating Use	405,000	420,000	15,000	3.7
Cigarette	112,000	114,000	2,000	1.8
Tobacco Products	8,700	8,700	--	--
Cereal Malt Beverage	1,200	1,200	--	--
Liquor Gallonage	20,200	20,200	--	--
Liquor Enforcement	75,161	73,000	(2,161)	(2.9)
Liquor Drink	11,600	11,800	200	1.7
Corporate Franchise	6,900	7,300	400	5.8
Severance	36,300	41,000	4,700	12.9
Gas	7,800	6,500	(1,300)	(16.7)
Oil	28,500	34,500	6,000	21.1
Total	\$ 3,038,488	\$ 3,042,200	\$ 3,712	0.1 %
Other Taxes:				
Insurance Premiums	\$ 163,000	\$ 165,000	\$ 2,000	1.2 %
Miscellaneous	2,800	3,500	700	25.0
Total	\$ 165,800	\$ 168,500	\$ 2,700	1.6 %
Total Taxes	\$ 6,944,558	\$ 7,235,800	\$ 291,242	4.2 %
Other Revenues & Receipts:				
Interest	\$ 20,000	\$ 50,000	\$ 30,000	150.0 %
Transfers & Other Receipts	(7,800)	(31,200)	(23,400)	(300.0)
Agency Earnings	46,588	55,100	8,512	18.3
Total Other Revenue	\$ 58,788	\$ 73,900	\$ 15,112	25.7 %
Total Receipts	\$ 7,003,346	\$ 7,309,700	\$ 306,354	4.4 %

State General Fund Profile FY 2017 - FY 2021
(Dollars in Millions)

	Actual FY 2017	Actual FY 2018	Approved FY 2019	Estimated FY 2020	Estimated FY 2021
Beginning Balance	\$ 37.1	\$ 108.5	\$ 761.7	\$ 905.0	\$ 722.0
Revenue					
Consensus Revenue Estimates (November 9, 2018)	\$ 6,348.0	\$ 7,298.1	\$ 7,309.7	\$ 7,271.3	\$ 7,234.8
Revenue Adjustments					
Prior year released encumbrances/payables	-	4.8	-	-	-
Federal Tax Adjustment Impact on Kansas	-	-	-		
Total Available Revenue	\$ 6,385.1	\$ 7,411.4	\$ 8,071.4	\$ 8,176.3	\$ 7,956.8
Expenditures					
Expenditures	\$ 6,276.5	\$ 6,649.7	\$ 7,071.0	\$ 7,166.4	\$ 7,454.3
Human Services Caseload	-	-	54.6	(20.5)	50.9
School Finance Consensus	-	-	(6.5)	89.3	99.3
Full year KPERS w/statutory increase	-	-	-	266.4	44.2
Reappropriations	-	-	47.3	(47.3)	-
Total Adjusted Expenditures	\$ 6,276.5	\$ 6,649.7	\$ 7,166.4	\$ 7,454.3	\$ 7,648.7
Ending Balance	\$ 108.5	\$ 761.7	\$ 905.0	\$ 722.0	\$ 308.1
Ending balance as a percentage of expenditures	1.7%	11.5%	12.6%	9.7%	4.0%

Profile 19-007

Note: Individual items in bold are KLRD estimates only and do not include any consensus estimates.
Transfers in FY 2020 and FY 2021 do not include \$293.1 million from the State Highway Fund to the State General Fund. Transfers in FY 2021 include \$54.0 million to the LAVTRF and \$78.1 million to the CCRSF from the State General Fund.