

November 7, 2019

To: Governor Laura Kelly and Legislative Coordinating Council
From: Division of the Budget and Kansas Legislative Research Department
Subject: State General Fund Revenue Estimate for FY 2020 and FY 2021

The Consensus Estimating Group met today to revise the State General Fund revenue estimate for 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.

The overall estimate for FY 2020 and FY 2021 was increased by a combined \$525.5 million. The estimate for total taxes was increased by \$510.0 million, and other revenues were increased by \$15.5 million for the two years combined.

For FY 2020, the estimate was increased by \$220.4 million, or 3.0 percent, above the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). The estimate for total taxes was increased by \$207.0 million, while the estimate for other revenues was increased by \$13.4 million. The revised estimate of \$7.652 billion represents 3.8 percent above final FY 2019 receipts.

The revised estimate for FY 2021 is \$7.676 billion, which is \$305.1 million, or 4.1 percent, above the previous estimate. The estimate for total taxes was increased by \$303.0 million, while the estimate for other revenues was increased by \$2.1 million. The revised forecast for FY 2021 represents a 0.3 percent increase above the newly revised FY 2020 figure.

Table 1 compares the revised estimates for FY 2020 and FY 2021 with actual receipts from FY 2019. Tables 2 and 3 show the revisions in each fiscal year's estimates.

Table 1
State General Fund Receipts
(Dollars in Thousands)

| | Consensus Estimate November 7, 2019 | | | | | |
|----------------------------|-------------------------------------|---------------------|---------------------------|---------------------|---------------------------|---------------------|
| | FY 2019 (Actual) | | FY 2020 (Revised) | | FY 2021 (Revised) | |
| | Amount | Percent Change | Amount | Percent Change | Amount | Percent Change |
| Property Tax/Fee: | | | | | | |
| Motor Carrier | \$ 11,852 | (4.7) % | \$ 12,400 | 4.6 % | \$ 12,500 | 0.8 % |
| Income Taxes: | | | | | | |
| Individual | \$3,755,710 | 11.3 % | \$3,910,000 | 4.1 % | \$4,065,000 | 4.0 % |
| Corporation | 437,400 | 11.5 | 465,000 | 6.3 | 475,000 | 2.2 |
| Financial Institutions | 48,648 | 6.9 | 43,000 | (11.6) | 44,000 | 2.3 |
| Total | <u>\$4,241,759</u> | <u>11.3 %</u> | <u>\$4,418,000</u> | <u>4.2 %</u> | <u>\$4,584,000</u> | <u>3.8 %</u> |
| Excise Taxes: | | | | | | |
| Retail Sales | \$2,335,436 | (0.3) % | \$2,395,000 | 2.6 % | \$2,430,000 | 1.5 % |
| Compensating Use | 431,967 | 6.3 | 445,000 | 3.0 | 475,000 | 6.7 |
| Cigarette | 116,693 | (2.8) | 110,000 | (5.7) | 107,000 | (2.7) |
| Tobacco Products | 8,968 | 3.4 | 8,900 | (0.8) | 9,000 | 1.1 |
| Tobacco Products | 22,080 | 3.5 | 21,500 | (2.6) | 22,000 | 2.3 |
| Liquor Enforcement | 74,267 | 1.1 | 74,500 | 0.3 | 75,500 | 1.3 |
| Liquor Drink | 12,208 | 5.7 | 12,500 | 2.4 | 13,000 | 4.0 |
| Severance | 41,696 | 0.7 | 20,500 | (50.8) | 22,000 | 7.3 |
| Gas | 9,905 | (23.3) | 700 | (92.9) | 1,700 | 142.9 |
| Oil | 31,791 | 11.6 | 19,800 | (37.7) | 20,300 | 2.5 |
| Total | <u>\$3,043,314</u> | <u>0.6 %</u> | <u>\$3,087,900</u> | <u>1.5 %</u> | <u>\$3,153,500</u> | <u>2.1 %</u> |
| Other Taxes: | | | | | | |
| Insurance Premiums | \$ 163,283 | (4.6) % | \$ 171,500 | 5.0 % | \$ 171,500 | -- % |
| Corporate Franchise | 7,352 | (1.8) | 7,200 | (2.1) | 7,200 | -- |
| Miscellaneous | 3,743 | 38.7 | 4,000 | 6.9 | 4,200 | 5.0 |
| Total | <u>\$ 174,378</u> | <u>(3.8) %</u> | <u>\$ 182,700</u> | <u>4.8 %</u> | <u>\$ 182,900</u> | <u>0.1 %</u> |
| Total Taxes | \$7,471,302 | 6.3 % | \$7,701,000 | 3.1 % | \$7,932,900 | 3.0 % |
| Other Revenues & Receipts: | | | | | | |
| Interest | \$ 48,943 | 114.8 % | \$ 50,000 | 2.2 % | \$ 30,000 | (40.0) % |
| Transfers & Other Receipts | (202,361) | (202.0) | (146,600) | 27.6 | (335,100) | (128.6) |
| Agency Earnings | 50,549 | 9.8 | 47,700 | (5.6) | 47,700 | -- |
| Total | <u>\$ (102,870)</u> | <u>(138.5) %</u> | <u>\$ (48,900)</u> | <u>52.5 %</u> | <u>\$ (257,400)</u> | <u>(426.4) %</u> |
| Total Receipts | <u><u>\$7,368,432</u></u> | <u><u>1.0 %</u></u> | <u><u>\$7,652,100</u></u> | <u><u>3.8 %</u></u> | <u><u>\$7,675,500</u></u> | <u><u>0.3 %</u></u> |

Table 2
State General Fund Receipts
FY 2020 Revised
Comparison of November 2019 Estimate to May 2019 Estimate
(Dollars in Thousands)

| | FY 2020 CRE Est. | FY 2020 CRE Est. | Difference | |
|---------------------------------------|---------------------|---------------------|--------------------|----------------|
| | As Adj. for Legis. | Revised 11/07/19 | Amount | Pct. Chg. |
| Property Tax/Fee: | | | | |
| Motor Carrier | \$ 12,400 | \$ 12,400 | \$ -- | -- % |
| Income Taxes: | | | | |
| Individual | \$ 3,750,000 | \$ 3,910,000 | \$ 160,000 | 4.3 % |
| Corporation | 450,000 | 465,000 | 15,000 | 3.3 |
| Financial Institutions | 42,000 | 43,000 | 1,000 | 2.4 |
| Total | \$ 4,242,000 | \$ 4,418,000 | \$ 176,000 | 4.1 % |
| Excise Taxes: | | | | |
| Retail Sales | \$ 2,344,993 | \$ 2,395,000 | \$ 50,007 | 2.1 % |
| Compensating Use | 440,000 | 445,000 | 5,000 | 1.1 |
| Cigarette | 110,000 | 110,000 | -- | -- |
| Tobacco Products | 8,900 | 8,900 | -- | -- |
| Liquor Gallonage | 21,100 | 21,500 | 400 | 1.9 |
| Liquor Enforcement | 74,500 | 74,500 | -- | -- |
| Liquor Drink | 12,200 | 12,500 | 300 | 2.5 |
| Severance | 34,700 | 20,500 | (14,200) | (40.9) |
| Gas | 7,500 | 700 | (6,800) | (90.7) |
| Oil | 27,200 | 19,800 | (7,400) | (27.2) |
| Total | \$ 3,046,393 | \$ 3,087,900 | \$ 41,507 | 1.4 % |
| Other Taxes: | | | | |
| Insurance Premiums | \$ 182,000 | \$ 171,500 | \$ (10,500) | (5.8) % |
| Corporate Franchise | 7,400 | 7,200 | (200) | (2.7) |
| Miscellaneous | 3,800 | 4,000 | 200 | 5.3 |
| Total | \$ 193,200 | \$ 182,700 | \$ (10,500) | (5.4) % |
| Total Taxes | \$ 7,493,993 | \$ 7,701,000 | \$ 207,007 | 2.8 % |
| Other Revenues & Receipts: | | | | |
| Interest | \$ 54,000 | \$ 50,000 | \$ (4,000) | (7.4) % |
| Transfers & Other Receipts | (167,600) | (146,600) | 21,000 | 12.5 |
| Agency Earnings | 51,300 | 47,700 | (3,600) | (7.0) |
| Total | \$ (62,300) | \$ (48,900) | \$ 13,400 | 21.5 % |
| Total Receipts | \$ 7,431,693 | \$ 7,652,100 | \$ 220,407 | 3.0 % |

Table 3
State General Fund Receipts
FY 2021 Revised
Comparison of November 2019 Estimate to May 2019 Estimate
(Dollars in Thousands)

| | FY 2021 CRE Est. | FY 2021 CRE Est. | Difference | |
|----------------------------|--------------------|------------------|-------------|-----------|
| | As Adj. for Legis. | Revised 11/07/19 | Amount | Pct. Chg. |
| Property Tax/Fee: | | | | |
| Motor Carrier | \$ 12,500 | \$ 12,500 | \$ -- | -- % |
| Income Taxes: | | | | |
| Individual | \$ 3,850,000 | \$ 4,065,000 | \$ 215,000 | 5.6 % |
| Corporation | 455,000 | 475,000 | 20,000 | 4.4 |
| Financial Institutions | 43,000 | 44,000 | 1,000 | 2.3 |
| Total | \$ 4,348,000 | \$ 4,584,000 | \$ 236,000 | 5.4 % |
| Excise Taxes: | | | | |
| Retail Sales | \$ 2,359,993 | \$ 2,430,000 | \$ 70,007 | 3.0 % |
| Compensating Use | 455,000 | 475,000 | 20,000 | 4.4 |
| Cigarette | 107,000 | 107,000 | -- | -- |
| Tobacco Products | 9,000 | 9,000 | -- | -- |
| Liquor Gallonage | 21,500 | 22,000 | 500 | 2.3 |
| Liquor Enforcement | 75,500 | 75,500 | -- | -- |
| Liquor Drink | 12,300 | 13,000 | 700 | 5.7 |
| Severance | 32,600 | 22,000 | (10,600) | (32.5) |
| Gas | 6,800 | 1,700 | (5,100) | (75.0) |
| Oil | 25,800 | 20,300 | (5,500) | (21.3) |
| Total | \$ 3,072,893 | \$ 3,153,500 | \$ 80,607 | 2.6 % |
| Other Taxes: | | | | |
| Insurance Premiums | \$ 185,000 | \$ 171,500 | \$ (13,500) | (7.3) % |
| Corporate Franchise | 7,500 | 7,200 | (300) | (4.0) |
| Miscellaneous | 4,000 | 4,200 | 200 | 5.0 |
| Total | \$ 196,500 | \$ 182,900 | \$ (13,600) | (6.9) % |
| Total Taxes | \$ 7,629,893 | \$ 7,932,900 | \$ 303,007 | 4.0 % |
| Other Revenues & Receipts: | | | | |
| Interest | \$ 55,000 | \$ 30,000 | \$ (25,000) | (45.5) % |
| Transfers & Other Receipts | (365,800) | (335,100) | 30,700 | 8.4 |
| Agency Earnings | 51,300 | 47,700 | (3,600) | (7.0) |
| Total | \$ (259,500) | \$ (257,400) | \$ 2,100 | 0.8 % |
| Total Receipts | \$ 7,370,393 | \$ 7,675,500 | \$ 305,107 | 4.1 % |