

April 16, 2007

To: Governor Kathleen Sebelius and Legislative Budget Committee

From: Kansas Legislative Research Department
Kansas Division of the Budget

Re: Initial SGF Memo for Revised FY 2007 and FY 2008 Estimates

The Consensus Revenue Estimating Group met today to revise the November 3 estimates for FY 2007 and FY 2008. The revised estimates incorporate the fiscal impact of all 2007 legislation signed into law and expected to be signed into law.

A far more detailed memo will be available soon which contains the economic forecast for Kansas upon which the forecasts are based, as well as a discussion of other factors influencing the individual source estimates.

The overall estimate for both fiscal years was decreased by a combined \$13.5 million. The revised FY 2007 estimate is \$5.732 billion and the revised FY 2008 estimate is \$5.547 billion.

For FY 2007, the estimate was increased by \$140.1 million, or 2.5 percent, above the November estimate. The overall revised SGF estimate of \$5.732 billion represents a 6.3 percent growth forecast above final FY 2006 receipts.

The revised estimate for FY 2008 of \$5.547 billion was decreased by \$153.6 million, or 2.7 percent below the November estimate. The revised FY 2008 estimate is \$185.6 million, or 3.2 percent, below the newly revised FY 2007 figure. Factors influencing the FY 2008 growth rate relate to: legislation enacted in 2004 for the Comprehensive Transportation Program reducing the amount of sales and use tax receipts deposited directly into the SGF; new legislation increasing net transfers from the SGF by over \$200.0 million (\$122.7 million for FY 2009 school finance and \$80.0 million for statewide maintenance and disaster relief); and \$36.0 million in various tax cuts.

Table 1 compares the new FY 2007 and FY 2008 estimates with actual receipts from FY 2006. Tables 2 and 3 show the changes in the estimates for each fiscal year.

Table 1
Consensus Revenue Estimate for Fiscal Years 2007 and 2008
and FY 2006 Actual Receipts
(Dollars in Thousands)

	FY 2006 (Actual)		FY 2007 (Revised)		FY 2008 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$22,056	7.8 %	\$25,000	13.3 %	\$25,500	2.0 %
Income Taxes:						
Individual	\$2,371,253	15.6 %	\$2,650,000	11.8 %	\$2,785,000	5.1 %
Corporation	350,201	54.9	420,000	19.9	375,000	(10.7)
Financial Inst.	31,058	40.8	33,000	6.3	35,000	6.1
Total	\$2,752,511	19.7 %	\$3,103,000	12.7 %	\$3,195,000	3.0 %
Estate Tax	\$51,806	(0.1) %	\$55,000	6.2 %	\$46,000	(16.4) %
Excise Taxes:						
Retail Sales*	\$1,736,048	5.4 %	\$1,767,000	1.8 %	\$1,732,000	(2.0) %
Compensating Use*	269,250	10.0	286,000	6.2	290,000	1.4
Cigarette	117,899	(0.9)	112,000	(5.0)	111,000	(0.9)
Tobacco Products	5,093	1.1	5,200	2.1	5,400	3.8
Cereal Malt Bev.	2,090	0.6	2,000	(4.3)	2,100	5.0
Liquor Gallonage	16,676	6.0	17,000	1.9	17,500	2.9
Liquor Enforcement	44,234	5.6	46,700	5.6	48,000	2.8
Liquor Drink	8,009	7.6	8,500	6.1	8,700	2.4
Corp. Franchise	46,898	(0.4)	47,000	0.2	41,000	(12.8)
Severance	133,432	29.1	111,300	(16.6)	120,300	8.1
Gas	96,539	28.0	73,900	(23.5)	81,500	10.3
Oil	36,893	31.9	37,400	1.4	38,800	3.7
Total	\$2,379,629	6.5 %	\$2,402,700	1.0 %	\$2,376,000	(1.1) %
Other Taxes:						
Insurance Prem.	\$112,207	5.0 %	\$114,000	1.6 %	\$115,000	0.9 %
Miscellaneous	7,048	64.3	5,000	(29.1)	2,000	(60.0)
Total	\$119,255	7.3 %	\$119,000	(0.2) %	\$117,000	(1.7) %
Total Taxes	\$5,325,257	12.9 %	\$5,704,700	7.1 %	\$5,759,500	1.0 %
Other Revenues:						
Interest	\$54,335	133.6 %	\$91,200	67.8 %	\$104,000	14.0 %
Net Transfers	(42,243)	(279.3)	(128,000)	203.0	(380,700)	197.4
Agency Earnings	57,018	(24.9)	64,500	13.1	64,000	(0.8)
Total	\$69,110	(47.9) %	\$27,700	(59.9) %	(\$212,700)	(867.9) %
Total Receipts	\$5,394,367	11.3 %	\$5,732,400	6.3 %	\$5,546,800	(3.2) %

* 2004 legislation reduces FY 2008 anticipated receipts

Table 2
State General Fund Receipts
FY 2007 Revised
Comparison of November 2006 Estimate to April 2007 Estimate
(Dollars in Thousands)

	FY 2007 CRE Est.	FY 2007 CRE Est.	Difference	
	Revised 11/03/06	Revised 04/16/07	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$23,500	\$25,000	\$1,500	6.4 %
Income Taxes:				
Individual	\$2,585,000	\$2,650,000	65,000	2.5 %
Corporation	375,000	\$420,000	45,000	12.0
Financial Inst.	31,000	\$33,000	2,000	6.5
Total	2,991,000	\$3,103,000	112,000	3.7 %
Estate Tax	\$55,000	\$55,000	--	-- %
Excise Taxes:				
Retail Sales	\$1,775,000	\$1,767,000	(\$8,000)	(0.5) %
Compensating Use	290,000	\$286,000	(4,000)	(1.4)
Cigarette	115,000	\$112,000	(3,000)	(2.6)
Tobacco Product	5,200	\$5,200	--	--
Cereal Malt Beverage	2,000	\$2,000	--	--
Liquor Gallonage	17,000	\$17,000	--	--
Liquor Enforcement	46,500	\$46,700	200	0.4
Liquor Drink	8,500	\$8,500	--	--
Corporate Franchise	47,000	\$47,000	--	--
Severance	111,100	\$111,300	200	0.2
Gas	72,300	\$73,900	1,600	2.2
Oil	38,800	\$37,400	(1,400)	(3.6)
Total	\$2,417,300	\$2,402,700	(\$14,600)	(0.6) %
Other Taxes:				
Insurance Premiums	\$113,000	\$114,000	1,000	0.9 %
Miscellaneous	5,000	\$5,000	--	--
Total	\$118,000	\$119,000	1,000	0.8 %
Total Taxes	\$5,604,800	\$5,704,700	\$99,900	1.8 %
Other Revenues:				
Interest	\$89,000	\$91,200	\$2,200	2.5 %
Net Transfers	(161,096)	(\$128,000)	33,096	(20.5)
Agency Earnings	59,554	\$64,500	4,946	8.3
Total Other Revenue	(\$12,542)	\$27,700	\$40,242	(320.9) %
Total Receipts	\$5,592,258	\$5,732,400	\$140,142	2.5 %

Table 3
State General Fund Receipts
FY 2008 Revised
Comparison of November 2006 Estimate to April 2007 Estimate
(Dollars in Thousands)

	FY 2008 CRE Est.	FY 2008 CRE Est.	Difference	
	Revised 11/03/06	Revised 04/16/07	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$24,000	\$25,500	\$1,500	6.3 %
Income Taxes:				
Individual	\$2,750,000	\$2,785,000	35,000	1.3 %
Corporation	355,000	\$375,000	20,000	5.6
Financial Inst.	31,000	\$35,000	4,000	12.9
Total	3,136,000	\$3,195,000	59,000	1.9 %
Estate Tax	\$46,000	\$46,000	--	-- %
Excise Taxes:				
Retail Sales	\$1,745,000	\$1,732,000	(\$13,000)	(0.7) %
Compensating Use	290,000	\$290,000	--	--
Cigarette	115,000	\$111,000	(4,000)	(3.5)
Tobacco Product	5,400	\$5,400	--	--
Cereal Malt Beverage	2,100	\$2,100	--	--
Liquor Gallonage	17,500	\$17,500	--	--
Liquor Enforcement	47,500	\$48,000	500	1.1
Liquor Drink	8,700	\$8,700	--	0.0
Corporate Franchise	48,000	\$41,000	(7,000)	(14.6)
Severance	113,500	\$120,300	6,800	6.0
Gas	74,700	\$81,500	6,800	9.1
Oil	38,800	\$38,800	--	--
Total	\$2,392,700	\$2,376,000	(\$16,700)	(0.7) %
Other Taxes:				
Insurance Premiums	\$115,000	\$115,000	--	-- %
Miscellaneous	2,000	\$2,000	--	--
Total	\$117,000	\$117,000	--	-- %
Total Taxes	\$5,715,700	\$5,759,500	\$43,800	0.8 %
Other Revenues:				
Interest	\$104,000	\$104,000	--	-- %
Net Transfers	(181,308)	(\$380,700)	(199,392)	110.0
Agency Earnings	62,000	\$64,000	2,000	3.2
Total Other Revenue	(\$15,308)	(\$212,700)	(\$197,392)	1,289.5 %
Total Receipts	\$5,700,392	\$5,546,800	(\$153,592)	(2.7) %