

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

68-West-Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 ♦ FAX (785) 296-3824

kslegres@klrd.ks.gov

<http://www.kslegislature.org/klrd>

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To: Governor Sam Brownback and Legislative Budget Committee

From: Kansas Legislative Research Department
Kansas Division of the Budget

Re: Initial SGF Memo for Revised FY 2011 and FY 2012 Estimates

The Consensus Estimating Group met today to revise the November 2 estimates for FY 2011 and FY 2012. The revised estimates incorporate the fiscal impact of all 2011 legislation signed into law thus far. The impact of all other Kansas legislation becoming law after April 15 will be quantified in a separate legislative adjustments report prepared at the conclusion of the *sine die* adjournment. A far more detailed memo will be available next week 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 \$31.7 million.

For FY 2011, the estimate was decreased by \$10.2 million, or 0.2 percent, below the November estimate. The estimate for total taxes was decreased by \$1.3 million, while the estimate for other revenues was decreased by \$8.9 million. The overall revised SGF estimate of \$5.775 billion represents an 11.2 percent increase above final FY 2010 receipts. The increase includes the impact of the retail sales and compensating use tax increase enacted last year.

The revised estimate for FY 2012 of \$5.789 billion was decreased by \$21.5 million, or 0.4 percent below the November estimate. The estimate for total taxes was decreased by \$15.7 million, while the estimate for other revenues was decreased by \$5.8 million. The new forecast for FY 2012 represents a 0.2 percent increase above the newly revised FY 2011 figure.

Significant adjustments for both years include the impact of the new federal tax legislation approved in December, which is estimated to reduce SGF revenues for the two fiscal years by a total of \$77.0 million (\$24.0 million in FY 2011 and \$53.0 million in FY 2012). The new federal tax provisions for expensing, bonus depreciation, removal of limitations on itemized deductions by high-income taxpayers, expansion of dependent care credits, and expansion of earned income tax credits are estimated to affect SGF revenues because calculations for state income taxes are based on the federal income tax system.

Table 1 compares the new FY 2011 and FY 2012 estimates with actual receipts from FY 2010. Tables 2 and 3 show the revisions in the estimates for each fiscal year.

Table 1
Consensus Revenue Estimate for Fiscal Years 2011 and 2012
and FY 2010 Actual Receipts
(Dollars in Thousands)

	FY 2010 (Actual)		FY 2011 (Revised)		FY 2012 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$ 24,993	(14.6) %	\$ 25,500	2.0 %	\$ 27,000	5.9 %
Income Taxes:						
Individual	\$2,418,208	(9.8) %	\$2,595,000	7.3 %	\$2,726,000	5.0 %
Corporation	224,940	(6.4)	231,000	2.7	231,000	--
Financial Inst.	16,515	(36.9)	21,000	27.2	21,500	2.4
Total	\$2,659,663	(9.8) %	\$2,847,000	7.0 %	\$2,978,500	4.6 %
Estate Tax	\$ 8,396	(62.7) %	\$ 500	(94.0) %	\$ --	(100.0) %
Excise Taxes:						
Retail Sales	\$1,652,037	(2.2) %	\$1,990,000	20.5 %	\$2,080,000	4.5 %
Compensating Use	205,540	(12.5)	283,000	37.7	297,000	4.9
Cigarette	99,829	(6.9)	94,000	(5.8)	92,000	(2.1)
Tobacco Products	6,352	10.9	6,500	2.3	6,700	3.1
Cereal Malt Bev.	1,989	(4.8)	1,850	(7.0)	1,850	--
Liquor Gallonage	17,953	(1.4)	18,800	4.7	19,200	2.1
Liquor Enforcement	54,827	1.9	57,000	4.0	58,000	1.8
Liquor Drink	8,930	(2.3)	9,000	0.8	9,100	1.1
Corp. Franchise	41,462	(0.6)	24,000	(42.1)	8,000	(66.7)
Severance	81,870	(34.1)	102,900	25.7	107,700	4.7
Gas	39,988	(45.8)	41,600	4.0	41,600	--
Oil	41,882	(17.0)	61,300	46.4	66,100	7.8
Total	\$2,170,788	(5.1) %	\$2,587,050	19.2 %	\$2,679,550	3.6 %
Other Taxes:						
Insurance Prem.	\$ 120,375	0.7 %	\$ 132,000	9.7 %	\$ 133,000	0.8 %
Miscellaneous	1,655	(7.7)	1,800	8.8	2,000	11.1
Total	\$ 122,030	0.5 %	\$ 133,800	9.6 %	\$ 135,000	0.9 %
Total Taxes	\$4,985,870	(7.8) %	\$5,593,850	12.2 %	\$5,820,050	4.0 %
Other Revenues:						
Interest	\$ 24,629	(61.6) %	\$ 18,400	(25.3) %	\$ 13,000	(29.3) %
Net Transfers	128,586	261.4	113,700	(11.6)	(95,100)	(183.6)
Agency Earnings	53,365	(34.0)	49,000	(8.2)	51,200	4.5
Total	\$ 206,579	14.3 %	\$ 181,100	(12.3) %	\$ (30,900)	(117.1) %
Total Receipts	<u>\$5,192,449</u>	<u>(7.1) %</u>	<u>\$5,774,950</u>	<u>11.2 %</u>	<u>\$5,789,150</u>	<u>0.2 %</u>

Table 2
State General Fund Receipts
FY 2011 Revised
Comparison of November 2010 Estimate to April 2011 Estimate
(Dollars in Thousands)

	FY 2011 CRE Est.	FY 2011 CRE Est.	Difference	
	Revised 11/02/10	Revised 04/15/11	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$ 26,000	\$ 25,500	\$ (500)	(1.9) %
Income Taxes:				
Individual	\$ 2,577,175	\$ 2,595,000	\$ 17,825	0.7 %
Corporation	260,000	231,000	(29,000)	(11.2)
Financial Inst.	20,770	21,000	230	1.1
Total	\$ 2,857,945	\$ 2,847,000	\$ (10,945)	(0.4) %
Estate Tax	\$ 3,000	\$ 500	\$ (2,500)	(83.3) %
Excise Taxes:				
Retail Sales	\$ 2,000,000	\$ 1,990,000	\$ (10,000)	(0.5) %
Compensating Use	280,000	283,000	3,000	1.1
Cigarette	97,000	94,000	(3,000)	(3.1)
Tobacco Product	6,600	6,500	(100)	(1.5)
Cereal Malt Beverage	1,900	1,850	(50)	(2.6)
Liquor Gallonage	18,800	18,800	--	--
Liquor Enforcement	58,000	57,000	(1,000)	(1.7)
Liquor Drink	9,300	9,000	(300)	(3.2)
Corporate Franchise	18,000	24,000	6,000	33.3
Severance	92,800	102,900	10,100	10.9
Gas	38,700	41,600	2,900	7.5
Oil	54,100	61,300	7,200	13.3
Total	\$ 2,582,400	\$ 2,587,050	\$ 4,650	0.2 %
Other Taxes:				
Insurance Premiums	\$ 124,000	\$ 132,000	\$ 8,000	6.5 %
Miscellaneous	1,800	1,800	--	--
Total	\$ 125,800	\$ 133,800	\$ 8,000	6.4 %
Total Taxes	\$ 5,595,145	\$ 5,593,850	\$ (1,295)	(0.0) %
Other Revenues:				
Interest	\$ 17,400	\$ 18,400	\$ 1,000	5.7 %
Net Transfers	116,300	113,700	(2,600)	(2.2)
Agency Earnings	56,320	49,000	(7,320)	(13.0)
Total Other Revenue	\$ 190,020	\$ 181,100	\$ (8,920)	(4.7) %
Total Receipts	\$ 5,785,165	\$ 5,774,950	\$ (10,215)	(0.2) %

Table 3
State General Fund Receipts
FY 2012 Revised
Comparison of November 2010 Estimate to April 2011 Estimate
(Dollars in Thousands)

	FY 2012 CRE Est.	FY 2012 CRE Est.	Difference	
	Revised 11/02/10	Revised 04/15/11	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$ 27,000	\$ 27,000	\$ --	-- %
Income Taxes:				
Individual	\$ 2,705,000	\$ 2,726,000	\$ 21,000	0.8 %
Corporation	275,000	231,000	(44,000)	(16.0)
Financial Inst.	21,000	21,500	500	2.4
Total	\$ 3,001,000	\$ 2,978,500	\$ (22,500)	(0.7) %
Estate Tax	\$ --	\$ --	\$ --	-- %
Excise Taxes:				
Retail Sales	\$ 2,090,000	\$ 2,080,000	\$ (10,000)	(0.5) %
Compensating Use	295,000	297,000	2,000	0.7
Cigarette	97,000	92,000	(5,000)	(5.2)
Tobacco Product	6,800	6,700	(100)	(1.5)
Cereal Malt Beverage	1,900	1,850	(50)	(2.6)
Liquor Gallonage	19,200	19,200	--	--
Liquor Enforcement	59,000	58,000	(1,000)	(1.7)
Liquor Drink	9,500	9,100	(400)	(4.2)
Corporate Franchise	8,000	8,000	--	--
Severance	94,300	107,700	13,400	14.2
Gas	39,400	41,600	2,200	5.6
Oil	54,900	66,100	11,200	20.4
Total	\$ 2,680,700	\$ 2,679,550	\$ (1,150)	(0.0) %
Other Taxes:				
Insurance Premiums	\$ 125,000	\$ 133,000	\$ 8,000	6.4 %
Miscellaneous	2,000	2,000	--	--
Total	\$ 127,000	\$ 135,000	\$ 8,000	6.3 %
Total Taxes	\$ 5,835,700	\$ 5,820,050	\$ (15,650)	(0.3) %
Other Revenues:				
Interest	\$ 11,800	\$ 13,000	\$ 1,200	10.2 %
Net Transfers	(93,700)	(95,100)	(1,400)	(1.5)
Agency Earnings	56,800	51,200	(5,600)	(9.9)
Total Other Revenue	\$ (25,100)	\$ (30,900)	\$ (5,800)	(23.1) %
Total Receipts	\$ 5,810,600	\$ 5,789,150	\$ (21,450)	(0.4) %