

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: Chris Courtwright, Principal Economist

Re: Legislative Adjustments to Consensus Estimates for FY 2012 and FY 2013

Pursuant to KSA 75-6701, the Kansas Legislative Research Department has adjusted the most recent estimates of State General Fund (SGF) receipts for FY 2012 and FY 2013. These adjustments reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2012 Legislative Session subsequent to the Consensus Revenue Estimate made on April 13, 2012. The attached tables show changes by source and incorporate those changes into the overall FY 2012 and FY 2013 estimates. FY 2012 receipts were increased by \$29.800 million relative to the April estimate, while FY 2013 receipts were decreased by \$239.880 million.

An additional section of this report discusses the implications for SGF receipts in FY 2014 and subsequent years relative to certain legislation enacted in prior years.

The Consensus Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2013 estimate and to make an initial estimate for FY 2014.

FY 2012

The following FY 2012 adjustments were made:

- House Sub. for SB 294, the Omnibus budget bill, increases net transfers and agency earnings by \$29.400 million. The largest change relative to prior law is the elimination of an estimated \$22.678 million transfer from the SGF to the Bioscience Authority.
- Senate Sub. for HB 2597, concerning oil and gas, increases net transfers by an additional \$0.400 million based on a new administrative fee associated with establishment of county-specific Oil and Gas Valuation Depletion Trust Fund accounts.

FY 2013

The following FY 2013 adjustments were made:

- Sub. for HB 2689, a liquor bill, is expected to generate an estimated \$0.010 million in additional agency earnings receipts attributable to new micro-distillery and public venue licenses and special permit fees. The new authority to sell wine at special events will have a slightly positive, but unquantifiable, impact on liquor

enforcement tax receipts. Finally, the liquor drink tax exemption for wine manufactured and sold on licensed premises will have a slightly negative, but unquantifiable, impact on receipts from that source.

- Senate Sub. for HB 2117, the tax bill, reduces receipts by \$231.200 million. Individual income taxes are reduced by \$249.200 million, and oil severance taxes are increased \$18.000 million. The legislation implements a number of major rate and structural changes for the individual income tax beginning in tax year 2013; repeals a severance tax exemption; and restricts participation in the Homestead Property Tax Refund program.
- Senate Sub. for HB 2597 increases net transfers by \$0.300 million as a result of the aforementioned new administrative fee.
- House Sub. for SB 294, the omnibus bill, decreases net transfers \$8.990 million. The largest change related to elimination of a previously scheduled \$30.9 million transfer to the SGF from the State Highway Fund that was subsequently to be appropriated for highway patrol funding. (This Highway Patrol money ultimately was provided through another methodology without first coming to the SGF.)

FY 2014 and Thereafter

Sales and Use Tax. Under current law enacted in 2010, SGF sales and use tax collections will decrease by \$412.650 million in FY 2014 below the level they would be at if two upcoming changes in law --both a rate reduction and an increased share to the State Highway Fund (SHF) -- did not occur.

Individual Income Tax. Relative to the pre-2012 law, individual income tax receipts are expected to be reduced by \$847.800 million in FY 2014; \$884.300 million in FY 2015; \$924.200 million in FY 2016; \$967.900 million in FY 2017; and 1.0137 billion in FY 2018. The cumulative individual income tax reduction for FY 2013-18 is therefore \$4.8871 billion.

Severance Tax. Oil severance tax receipts are expected to be increased by \$45.0 million in FY 2014 relative to the prior law; \$60.0 million in FY 2015; \$70.0 million in FY 2016; \$75.0 million in FY 2017; and \$80.0 million in FY 2018. The cumulative oil severance tax increase for FY 2013-18 is therefore \$348.0 million.

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Table 1
Consensus Revenue Estimate for Fiscal Years 2012 and 2013 (Revised 6/15/12)
and FY 2011 Actual Receipts
(Dollars in Thousands)

	FY 2011 (Actual)		FY 2012		FY 2013	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$23,167	0.8 %	\$23,000	(0.7) %	\$21,000	(8.7) %
Income Taxes:						
Individual	\$2,709,717	(7.4) %	\$2,955,000	9.1 %	\$2,870,800	(2.8) %
Corporation	224,865	(44.4)	250,000	11.2	270,000	8.0
Financial Inst.	21,651	(21.0)	24,000	10.8	26,000	8.3
Total	\$2,956,234	(12.3) %	\$3,229,000	9.2 %	\$3,166,800	(1.9) %
Excise Taxes:						
Retail Sales	\$1,965,388	(1.3) %	\$2,120,000	7.9 %	\$2,225,000	5.0 %
Compensating Use	287,730	(4.6)	330,000	14.7	350,000	6.1
Cigarette	95,923	(4.9)	93,000	(3.0)	92,000	(1.1)
Tobacco Products	6,573	3.2	6,800	3.5	6,900	1.5
Cereal Malt Bev.	1,905	(6.2)	1,900	(0.3)	1,900	0.0
Liquor Gallonage	18,276	3.6	19,000	4.0	19,000	0.0
Liquor Enforcement	56,120	7.6	58,500	4.2	59,500	1.7
Liquor Drink	9,003	2.7	9,200	2.2	9,300	1.1
Corp. Franchise	30,283	(10.6)	10,000	(67.0)	6,000	(40.0)
Severance	98,666	(16.1)	108,700	10.2	119,800	10.2
Gas	41,228	(19.3)	39,500	(4.2)	27,300	(30.9)
Oil	57,437	(11.0)	69,200	20.5	92,500	33.7
Total	\$2,569,868	(2.7) %	\$2,757,100	7.3 %	\$2,889,400	4.8 %
Other Taxes:						
Insurance Prem.	\$141,707	1.7 %	\$142,000	0.2 %	\$140,000	(1.4) %
Miscellaneous	2,029	(65.7)	2,500	23.2	2,000	(20.0)
Total	\$143,735	(1.2) %	\$144,500	0.5 %	\$142,000	(1.7) %
Total Taxes	\$5,693,003	(8.4) %	\$6,153,600	8.1 %	\$6,219,200	1.1 %
Other Revenues:						
Interest	\$19,764	(42.3) %	\$10,400	(47.4) %	\$7,900	(24.0) %
Net Transfers	118,879	109.4	180,500	51.8	(104,290)	(157.8)
Agency Earnings	50,441	50.1	59,800	18.6	51,510	(13.9)
Total	\$189,084	185.0 %	\$250,700	32.6 %	(\$44,880)	(117.9) %
Total Receipts	\$5,882,087	(1.9) %	\$6,404,300	8.9 %	\$6,174,320	(3.6) %

Table 2
State General Fund Receipts
FY 2012 Revised
Comparison of April 2012 Estimate to June 2012 Estimate
(Dollars in Thousands)

	FY 2012 CRE Est.	FY 2012 CRE Est.	Difference	
	04/13/12	Revised 06/15/12	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$23,000	\$23,000	\$0	-- %
Income Taxes:				
Individual	\$2,955,000	\$2,955,000	0	-- %
Corporation	250,000	250,000	0	--
Financial Inst.	24,000	24,000	0	--
Total	\$3,229,000	\$3,229,000	\$0	-- %
Excise Taxes:				
Retail Sales	\$2,120,000	\$2,120,000	\$0	-- %
Compensating Use	330,000	330,000	0	--
Cigarette	93,000	93,000	0	--
Tobacco Product	6,800	6,800	0	--
Cereal Malt Beverage	1,900	1,900	0	--
Liquor Gallonage	19,000	19,000	0	--
Liquor Enforcement	58,500	58,500	0	--
Liquor Drink	9,200	9,200	0	--
Corporate Franchise	10,000	10,000	0	--
Severance	108,700	108,700	0	--
Gas	39,500	39,500	0	--
Oil	69,200	69,200	0	--
Total	\$2,757,100	\$2,757,100	\$0	-- %
Other Taxes:				
Insurance Premiums	\$142,000	\$142,000	\$0	-- %
Miscellaneous	2,500	2,500	0	--
Total	\$144,500	\$144,500	\$0	-- %
Total Taxes	\$6,153,600	\$6,153,600	\$0	-- %
Other Revenues:				
Interest	\$10,400	\$10,400	\$0	-- %
Net Transfers	159,000	180,500	21,500	13.5
Agency Earnings	51,500	59,800	8,300	16.1
Total Other Revenue	\$220,900	\$250,700	\$29,800	13.5 %
Total Receipts	\$6,374,500	\$6,404,300	\$29,800	0.5

Table 3
State General Fund Receipts
FY 2013 Revised
Comparison of April 2012 Estimate to June 2012 Estimate
(Dollars in Thousands)

	FY 2013 CRE Est.	FY 2013 CRE Est.	Difference	
	04/13/12	Revised 06/15/12	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$21,000	\$21,000	\$0	-- %
Income Taxes:				
Individual	\$3,120,000	\$2,870,800	(\$249,200)	(8.0) %
Corporation	270,000	270,000	0	--
Financial Inst.	26,000	26,000	0	--
Total	\$3,416,000	\$3,166,800	(\$249,200)	(7.3) %
Excise Taxes:				
Retail Sales	\$2,225,000	\$2,225,000	\$0	-- %
Compensating Use	350,000	350,000	0	--
Cigarette	92,000	92,000	0	--
Tobacco Product	6,900	6,900	0	--
Cereal Malt Beverage	1,900	1,900	0	--
Liquor Gallonage	19,000	19,000	0	--
Liquor Enforcement	59,500	59,500	0	--
Liquor Drink	9,300	9,300	0	--
Corporate Franchise	6,000	6,000	0	--
Severance	101,800	119,800	18,000	17.7
Gas	27,300	27,300	0	--
Oil	74,500	92,500	18,000	24.2
Total	\$2,871,400	\$2,889,400	\$18,000	0.6 %
Other Taxes:				
Insurance Premiums	\$140,000	\$140,000	\$0	-- %
Miscellaneous	2,000	2,000	0	--
Total	\$142,000	\$142,000	\$0	-- %
Total Taxes	\$6,450,400	\$6,219,200	(\$231,200)	(3.6) %
Other Revenues:				
Interest	\$7,900	\$7,900	\$0	-- %
Net Transfers	(95,600)	(104,290)	(8,690)	--
Agency Earnings	51,500	51,510	10	0.0
Total Other Revenue	(\$36,200)	(\$44,880)	(\$8,680)	24.0 %
Total Receipts	\$6,414,200	\$6,174,320	(\$239,880)	(3.7)

Table 4
Legislative Adjustments by Bill Source
to FY 2012 Estimates
(\$ in millions)

		<u>Transfers</u>		<u>Ag Earn</u>		<u>Total</u>
H. Sub. for SB 294	\$	21.100	\$	8.300	\$	29.400
S. Sub. for HB 2597	\$	0.400			\$	0.400
Total by Source	\$	21.500	\$	8.300	\$	29.800

Table 5
Legislative Adjustments by Bill Source
to FY 2013 Estimates
(\$ in millions)

		<u>Transfers</u>	<u>Ind. Inc.</u>	<u>Sev.</u>		<u>Ag Earn</u>		<u>Total</u>
H. Sub. for SB 294	\$	(8.990)					\$	(8.990)
S. Sub. for HB 2597	\$	0.300					\$	0.300
S. Sub. HB 2117			\$ (249.200)	\$ 18.000			\$	(231.200)
Sub. HB 2689					\$ 0.010		\$	0.010
Total by Source	\$	(8.690)	\$ (249.200)	\$ 18.000	\$	0.010	\$	(239.880)