

November 10, 2014

**To:** Governor Sam Brownback and Legislative Coordinating Council  
**From:** Kansas Division of the Budget and Kansas Legislative Research Department  
**Re:** State General Fund Revenue Estimate for FY 2015, FY 2016, and FY 2017

The Consensus Estimating Group met today to revise the State General Fund revenue estimate for FY 2015 and to make its first official assessment of FY 2016 and FY 2017.

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.

For FY 2015, the estimate was decreased by \$205.9 million, or 3.4 percent, below the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). The revised estimate of \$5.769 billion represents 2.0 percent above final FY 2014 receipts.

The initial estimate for FY 2016 is \$5.811 billion, which is \$42.7 million, or 0.7 percent, above the newly revised FY 2015 figure. Various factors influencing this change in revenues in addition to the state of the economy include phasing in of further income tax changes and a net change in transfers out of the SGF based on current statutory requirements for FY 2016. The amount of total taxes is estimated to increase by 2.4 percent in FY 2016, following a 3.5 percent increase in FY 2015.

The initial estimate for FY 2017 is \$5.877 billion, which is \$65.2 million, or 1.1 percent, above the FY 2016 figure. Additional discussion will be provided in the detailed memo.

Table 1 compares the new FY 2015 and initial estimates for FY 2016 and FY 2017 with actual receipts from FY 2014. Table 2 shows the changes within the FY 2015 estimate.

**Table 1**  
**State General Fund Receipts**  
**(Dollars in Thousands)**

	Consensus Estimate November 10, 2014							
	FY 2014 (Actual)		FY 2015 (Revised)		FY 2016		FY 2017	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax/Fee:								
Motor Carrier	\$ 35,708	23.8 %	\$ 12,000	(66.4) %	\$ 12,000	-- %	\$ 12,000	-- %
Income Taxes:								
Individual	\$ 2,218,239	(24.3) %	\$ 2,280,000	2.8 %	\$ 2,300,000	0.9 %	\$ 2,315,000	0.7 %
Corporation	399,383	7.6	455,000	13.9	470,000	3.3	485,000	3.2
Financial Inst.	32,439	1.1	38,000	17.1	39,000	2.6	41,000	5.1
Total	\$ 2,650,061	(20.5) %	\$ 2,773,000	4.6 %	\$ 2,809,000	1.3 %	\$ 2,841,000	1.1 %
Excise Taxes:								
Retail Sales	\$ 2,102,239	(3.8) %	\$ 2,180,000	3.7 %	\$ 2,270,000	4.1 %	\$ 2,360,000	4.0 %
Compensating Use	344,017	1.2	365,000	6.1	380,000	4.1	400,000	5.3
Cigarette	90,612	(1.4)	89,000	(1.8)	88,000	(1.1)	87,000	(1.1)
Tobacco Products	7,201	2.0	7,500	4.2	7,700	2.7	7,900	2.6
Cereal Malt Bev.	1,685	(9.2)	1,700	0.9	1,700	--	1,700	--
Liquor Gallonage	19,081	0.1	19,200	0.6	19,300	0.5	19,400	0.5
Liquor Enforcement	64,538	6.7	67,000	3.8	68,000	1.5	69,000	1.5
Liquor Drink	10,155	3.6	10,400	2.4	10,500	1.0	10,600	1.0
Corp. Franchise	6,632	259.1	6,700	1.0	6,900	3.0	7,100	2.9
Severance	125,758	25.6	121,600	(3.3)	115,900	(4.7)	114,200	(1.5)
Gas	37,003	14.1	32,600	(11.9)	31,400	(3.7)	28,700	(8.6)
Oil	88,755	31.1	89,000	0.3	84,500	(5.1)	85,500	1.2
Total	\$ 2,771,918	(1.4) %	\$ 2,868,100	3.5 %	\$ 2,968,000	3.5 %	\$ 3,076,900	3.7 %
Other Taxes:								
Insurance Prem.	\$ 172,758	10.1 %	\$ 176,000	1.9 %	\$ 180,000	2.3 %	\$ 182,000	1.1 %
Miscellaneous	1,634	(18.7)	1,600	(2.1)	1,600	--	1,600	--
Total	\$ 174,392	9.7 %	\$ 177,600	1.8 %	\$ 181,600	2.3 %	\$ 183,600	1.1 %
Total Taxes	\$ 5,632,080	(11.1) %	\$ 5,830,700	3.5 %	\$ 5,970,600	2.4 %	\$ 6,113,500	2.4 %
Other Revenues:								
Interest	\$ 11,525	4.2 %	\$ 12,000	4.1 %	\$ 8,000	(33.3) %	\$ 8,100	1.3 %
Net Transfers	(39,957)	34.5	(129,300)	(223.6)	(222,500)	(72.1)	(301,700)	(35.6)
Agency Earnings	49,550	(14.4)	55,300	11.6	55,300	--	56,700	2.5
Total	\$ 21,117	166.4 %	\$ (62,000)	(393.6) %	\$ (159,200)	(156.8) %	\$ (236,900)	(48.8) %
Total Receipts	\$ 5,653,197	(10.8) %	\$ 5,768,700	2.0 %	\$ 5,811,400	0.7 %	\$ 5,876,600	1.1 %

**Table 2**  
**State General Fund Receipts**  
**FY 2015 Revised**  
**Comparison of November 2014 Estimate to June 2014 Estimate**  
*(Dollars in Thousands)*

	FY 2015 CRE Est. as Adj. for Legis.	FY 2015 CRE Estimate	Difference	
			Amount	Pct. Chg.
<b>Property Tax/Fee:</b>				
Motor Carrier	\$ 24,000	\$ 12,000	\$ (12,000)	(50.0) %
<b>Income Taxes:</b>				
Individual	\$ 2,519,288	\$ 2,280,000	\$ (239,288)	(9.5) %
Corporation	425,000	455,000	30,000	7.1
Financial Inst.	37,450	38,000	550	1.5
<b>Total</b>	<b>\$ 2,981,738</b>	<b>\$ 2,773,000</b>	<b>\$ (208,738)</b>	<b>(7.0) %</b>
<b>Excise Taxes:</b>				
Retail Sales	\$ 2,168,188	\$ 2,180,000	\$ 11,812	0.5 %
Compensating Use	358,984	365,000	6,016	1.7
Cigarette	89,000	89,000	--	--
Tobacco Product	7,200	7,500	300	4.2
Cereal Malt Beverage	1,800	1,700	(100)	(5.6)
Liquor Gallonage	19,200	19,200	--	--
Liquor Enforcement	66,000	67,000	1,000	1.5
Liquor Drink	10,300	10,400	100	1.0
Corporate Franchise	6,500	6,700	200	3.1
Severance	129,546	121,600	(7,946)	(6.1)
Gas	32,348	32,600	252	0.8
Oil	97,198	89,000	(8,198)	(8.4)
<b>Total</b>	<b>\$ 2,856,718</b>	<b>\$ 2,868,100</b>	<b>\$ 11,382</b>	<b>0.4 %</b>
<b>Other Taxes:</b>				
Insurance Premium	\$ 170,000	\$ 176,000	\$ 6,000	3.5 %
Miscellaneous	2,000	1,600	(400)	(20.0)
<b>Total</b>	<b>\$ 172,000</b>	<b>\$ 177,600</b>	<b>\$ 5,600</b>	<b>3.3 %</b>
<b>Total Taxes</b>	<b>\$ 6,034,456</b>	<b>\$ 5,830,700</b>	<b>\$ (203,756)</b>	<b>(3.4) %</b>
<b>Other Revenues:</b>				
Interest	\$ 10,000	\$ 12,000	\$ 2,000	20.0 %
Net Transfers	(120,175)	(129,300)	(9,125)	(7.6)
Agency Earnings	50,294	55,300	5,006	10.0
<b>Total Other Revenue</b>	<b>\$ (59,881)</b>	<b>\$ (62,000)</b>	<b>\$ (2,119)</b>	<b>(3.5) %</b>
<b>Total Receipts</b>	<b>\$ 5,974,575</b>	<b>\$ 5,768,700</b>	<b>\$ (205,875)</b>	<b>(3.4) %</b>

**STATE GENERAL FUND PROFILE**  
**FY 2014 - FY 2017**  
(Dollars in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017
<b>Revenue</b>				
Beginning Balance	\$ 709.3	\$ 379.8	\$ -	\$ -
Consensus Revenue Estimate (November 10, 2014)	5,653.2	5,768.7	5,811.4	5,876.6
Total Revenue Available	<u>\$ 6,362.5</u>	<u>\$ 6,148.5</u>	<u>\$ 5,811.4</u>	<u>\$ 5,876.6</u>
<b>Expenditures</b>				
Estimated Expenditures	\$ 5,982.7	\$ 6,300.9	\$ 6,148.5	\$ 5,811.4
Estimated State General Fund Expenditures Shifted from FY 2014	-	21.4	(21.4)	-
Human Services Caseloads	-	46.2	76.6	44.5
School Finance Adjustments	-	53.1	(9.0)	(34.3)
KPERS State and School	-	5.6	52.4	55.4
Reductions Needed to Maintain Zero Ending Balance	-	(278.7)	(435.7)	(0.4)
Total Adjusted Expenditures	<u>5,982.7</u>	<u>6,148.5</u>	<u>5,811.4</u>	<u>5,876.6</u>
Ending Balance	<u><u>\$ 379.8</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Ending Balance as a Percentage of Expenditures	6.3%	0.0%	0.0%	0.0%
Receipts in Excess of Expenditures	\$ (329.5)	\$ (379.8)	\$ -	\$ -