

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:00 a.m. on January 12, 2011, in Room 346-S of the Capitol.

All members were present except:

Representative Owen Donohoe - Excused  
Representative Harold Lane - Excused  
Representative Clark Shultz- Excused

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes  
Nobuko Folmsbee, Office of the Revisor of Statutes  
Alan Conroy, Kansas Legislative Research Department  
J.G. Scott, Kansas Legislative Research Department  
Jarod Waltner, Kansas Legislative Research Department  
Shirley Morrow, Kansas Legislative Research Department  
Cindy O'Neal, Administrative Assistant, Appropriations Committee  
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 Legislative Research Department Staff
- Attachment 2 House Appropriations Committee Rules
- Attachment 3 State of Kansas Budget Outlook

Chairman Rhoades welcomed committee members and introduced staff. Introductions by committee members followed.

J.G. Scott, Chief Fiscal Analyst, Legislative Research Department, introduced staff members, (Attachment 1).

Chairman Rhoades noted that copies of the House Appropriations Committee Rules were distributed, (Attachment 2). He encouraged members to bring their laptop to committee meetings to review bills. Copies of bills worked in committee would be provided, he added.

Alan Conroy, Director, Legislative Research Department, presented an overview of the State of Kansas Budget Outlook, (Attachment 3). He reported that the FY 2010 actual receipts were \$98.6 million below the April revenue estimates and that FY 2010 taxes were \$0.422 billion below actual FY 2009 receipts. Mr. Conroy noted that state aid to the school districts in the amount of \$131 million was delayed from FY 2010 until FY 2011. He reviewed the economic forecast for Kansas. Based on personal income, employment, oil and gas and inflation rate estimates modest economic growth is projected for FY 2011 and FY 2012. Mr. Conroy provided an overview of the Consensus Revenue Estimating Group and stated that this process provides estimates for the State General Fund (SGF) and is also the basis on which the Governor and Legislature builds the annual budget. He stated that the FY 2011 revised estimate is \$17.9 million above the April 2010 estimate, and the FY 2012 estimate is an increase of \$25.4 million. Mr. Conroy discussed the impact of SGF transfers and tax receipts. The new revenue estimates reflect a shortfall of \$88.5 million for FY 2011. The replacement of Federal Economic Stimulus Funds, human services entitlements, education consensus estimates, Kansas Public Employees Retirement System (KPERS) and SGF net transfers reflect a projected shortfall of \$549.6 million for FY 2012, he stated. Future budget issues were reviewed for FY 2013 and FY 2014 in regards to the sales tax rate reduction to the SGF and increased KPERS contributions by FY 2019 and FY 2024.

Mr. Conroy responded to questions from committee members. The 1% sales tax increase provided financial support for the State Highway Fund and SGF. The committee will be receiving additional information on reported sales, as requested. Discussion followed regarding corporate quarterly taxes, interest rate determination, and increased human services caseloads.

## CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:00 a.m. on January 12, 2011, in Room 346-S of the Capitol.

Chairman Rhoades stated that Landon Fulmer, Policy Director, Office of the Governor, will be presenting an overview of the Governor's budget at the committee meeting tomorrow. He reviewed the committee agenda for the following week.

The meeting was adjourned at 10:00 a.m.



Marc Rhoades, Chairman

# APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 1-12-11

NAME	REPRESENTING
Bernie Koch	Ks. Economic Progress Council
Kim Fowler	Judicial Branch
Stephanie Buntin	Judicial Branch
Dodie Weelshear	Ad Astra Group
Paul Johnson	Ks Rural Center
Jane Carter	KOSE
Mark Tallman	KASD
Craig K. [unclear]	K4A
MARK HEIN	KDA
DEREK HEIN	HEIN LAW FIRM
KOS MICHAEL	Kennedy & Assoc.
MARK DESSETTI	KNETT
Gene Meyer	Kansas Reporter
Vicki Lynn Helzel	Budget
Travis Louf	Little Gov Relations
[unclear]	
Kevin Buore	The CLG LLC.
Ben Cleaves	Engel
[unclear]	KCSL





# LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2012

Abstracters Board **SHIRLEY MORROW** (8-7260)  
 Accountancy Board **DYLAN DEAR** (1-0515)  
 Adjutant General **AARON KLAASSEN** (6-4396)  
 Administration, Department of **DYLAN DEAR** (1-0515)  
 Administrative Hearings, Office of **RYAN WEIR** (6-0665)  
 Aging, Department on **ESTELLE MONTGOMERY** (6-4409)  
 Agriculture, Department of **CHRISTINA ALLEN** (6-2802)  
 Animal Health Department **CHRISTINA ALLEN** (6-2802)  
 Arts Commission, Kansas **SHIRLEY MORROW** (8-7260)  
 Atchison Juvenile Correctional Facility **RYAN WEIR** (6-0665)  
 Attorney General **LEAH ROBINSON** (6-4447)

Bank Commissioner **RYAN WEIR** (6-0665)  
 Barbering, Board of **ESTELLE MONTGOMERY** (6-4409)  
 Behavioral Sciences Regulatory Board **DOROTHY HUGHES** (6-3184)  
 Beloit Juvenile Correctional Facility **RYAN WEIR** (6-0665)

Citizen Utility Ratepayer Board **MICHAEL WALES** (1-0513)  
 Commerce, Department of **MICHAEL STEINER** (6-4181)  
 Corrections, Department of **JAROD WALTNER** (8-7041)  
 Cosmetology, Board of **ESTELLE MONTGOMERY** (6-4409)  
 Credit Unions, Department of **RYAN WEIR** (6-0665)

Dental Board **DOROTHY HUGHES** (6-3184)

Education, State Department of **REAGAN CUSSIMANIO** (6-4443)  
 El Dorado Correctional Facility **JAROD WALTNER** (8-7041)  
 Ellsworth Correctional Facility **JAROD WALTNER** (8-7041)  
 Emergency Medical Services Board **DOROTHY HUGHES** (6-3184)  
 Emporia State University **AUDREY DUNKEL** (6-3183)

Fair Board, Kansas State **CHRISTINA ALLEN** (6-2802)  
 Fire Marshal, State **AARON KLAASSEN** (6-4396)  
 Fort Hays State University **AUDREY DUNKEL** (6-3183)

Governmental Ethics Commission **ESTELLE MONTGOMERY** (6-4409)  
 Governor **LEAH ROBINSON** (6-4447)  
 Guardianship Program, Kansas **MICHAEL WALES** (1-0513)

Healing Arts, Board of **DOROTHY HUGHES** (6-3184)  
 Health and Environment, Department of **LEAH ROBINSON** (6-4447)  
 Health Care Stabilization Bd. of Gov. **DOROTHY HUGHES** (6-3184)  
 Health Policy Authority, Kansas **AMY DECKARD** (6-4429)  
 Hearing Instruments, Kansas Board of Examiners  
 in Fitting and Dispensing of **ESTELLE MONTGOMERY** (6-4409)  
 Highway Patrol **AARON KLAASSEN** (6-4396)  
 Home Inspection Registration Board **SHIRLEY MORROW** (8-7260)  
 Human Rights, Commission on **RYAN WEIR** (6-0665)  
 Hutchinson Correctional Facility **JAROD WALTNER** (8-7041)

Indigents' Defense Services, Board of **DYLAN DEAR** (1-0515)  
 Insurance Department **DOROTHY HUGHES** (6-3184)

Judicial Branch **DYLAN DEAR** (1-0515)  
 Judicial Council **DYLAN DEAR** (1-0515)  
 Juvenile Justice Authority **RYAN WEIR** (6-0665)

Kansas Bureau of Investigation (Attorney Gen.) **AARON KLAASSEN** (6-4396)  
 Kansas Corporation Commission **LAURA YOUNKER** (6-4440)  
 Kansas Development Finance Authority **DYLAN DEAR** (1-0515)  
 Kansas Juvenile Correctional Complex **RYAN WEIR** (6-0665)  
 Kansas Inc. **MICHAEL STEINER** (6-4181)  
 Kansas Lottery **DYLAN DEAR** (1-0515)  
 Kansas Neurological Institute **ESTELLE MONTGOMERY** (6-4409)  
 Kansas Public Employees Retirement System **MICHAEL STEINER** (6-4181)  
 Kansas State University **AUDREY DUNKEL** (6-3183)  
 KSU-Agricultural Extension **AUDREY DUNKEL** (6-3183)  
 KSU-Veterinary Medical Center **AUDREY DUNKEL** (6-3183)  
 Kansas Technology Enterprise Corp. **MICHAEL STEINER** (6-4181)

Labor, Department of **SHIRLEY MORROW** (8-7260)  
 Lansing Correctional Facility **JAROD WALTNER** (8-7041)  
 Larned Correctional Facility **JAROD WALTNER** (8-7041)  
 Larned Juvenile Correctional Facility **RYAN WEIR** (6-0665)  
 Larned State Hospital **ESTELLE MONTGOMERY** (6-4409)  
 Legislative Coordinating Council **J. G. SCOTT** (6-4397)  
 Legislative Research Department **J. G. SCOTT** (6-4397)  
 Legislature **J. G. SCOTT** (6-4397)  
 Lieutenant Governor **LEAH ROBINSON** (6-4447)

Mortuary Arts Board **ESTELLE MONTGOMERY** (6-4409)

Norton Correctional Facility **JAROD WALTNER** (8-7041)  
 Nursing, Board of **DOROTHY HUGHES** (6-3184)

Optometry Board **DOROTHY HUGHES** (6-3184)  
 Osawatimie State Hospital **ESTELLE MONTGOMERY** (6-4409)

Parole Board **LAURA YOUNKER** (6-4440)  
 Parsons State Hospital **ESTELLE MONTGOMERY** (6-4409)  
 Peace Officers Standards and Training **AARON KLAASSEN** (6-4396)  
 Pharmacy, Board of **RYAN WEIR** (6-0665)  
 Pittsburg State University **AUDREY DUNKEL** (6-3183)  
 Post Audit, Division of **J. G. SCOTT** (6-4397)

Racing and Gaming Commission **DYLAN DEAR** (1-0515)  
 Rainbow Mental Health Facility **ESTELLE MONTGOMERY** (6-4409)  
 Real Estate Appraisal Board **SHIRLEY MORROW** (8-7260)  
 Real Estate Commission **SHIRLEY MORROW** (8-7260)  
 Regents, Board of **AUDREY DUNKEL** (6-3183)  
 Revenue, Department of **MICHAEL STEINER** (6-4181)  
 Revisor of Statutes **J. G. SCOTT** (6-4397)

School for the Blind **REAGAN CUSSIMANIO** (6-4443)  
 School for the Deaf **REAGAN CUSSIMANIO** (6-4443)  
 Secretary of State **LEAH ROBINSON** (6-4447)  
 Securities Commissioner **RYAN WEIR** (6-0665)  
 Sentencing Commission **JAROD WALTNER** (8-7041)  
 Social and Rehabilitation Services, Dept. of **AMY DECKARD** (6-4429)  
 State Conservation Commission **CHRISTINA ALLEN** (6-2802)  
 State Historical Society **SHIRLEY MORROW** (8-7260)  
 State Library **SHIRLEY MORROW** (8-7260)  
 State Treasurer **DOROTHY HUGHES** (6-3184)

Tax Appeals, Kansas Court of **MICHAEL STEINER** (6-4181)  
 Technical Professions, Board of **SHIRLEY MORROW** (8-7260)  
 Topeka Correctional Facility **JAROD WALTNER** (8-7041)  
 Transportation, Department of **AARON KLAASSEN** (6-4396)

University of Kansas **AUDREY DUNKEL** (6-3183)  
 University of Kansas Medical Center **AUDREY DUNKEL** (6-3183)

Veterans Affairs/Soldiers Home/Veterans Home **DOROTHY HUGHES** (6-3184)  
 Veterinary Medical Examiners, Board of **SHIRLEY MORROW** (8-7260)

Water Office, Kansas **CHRISTINA ALLEN** (6-2802)  
 Wichita State University **AUDREY DUNKEL** (6-3183)  
 Wildlife and Parks, Department of **CHRISTINA ALLEN** (6-2802)  
 Winfield Correctional Facility **JAROD WALTNER** (8-7041)

Appropriations Committee

Date January 12, 2011

Attachment 1-1



# LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2012

**J. G. SCOTT (6-4397)**  
**JG.Scott@klrd.ks.gov**  
 422 Legislative Coordinating Council  
 425 Legislative Research Department  
 428 Legislature  
 540 Division of Post Audit  
 579 Revisor of Statutes

**LEAH ROBINSON (6-4447)**  
**Leah.Robinson@klrd.ks.gov**  
 264 Department of Health and Environment  
 622 Secretary of State  
 082 Attorney General  
 252 Governor  
 446 Lieutenant Governor  
**Coordinator, Budget Data**

**AUDREY DUNKEL (6-3183)**  
**Audrey.Dunkel@klrd.ks.gov**  
 561 Board of Regents  
 246 Fort Hays State University  
 379 Emporia State University  
 367 Kansas State University  
 367 KSU-Veterinary Medical Center  
 367 KSU-Agricultural Extension  
 385 Pittsburg State University  
 682 University of Kansas  
 683 University of Kansas Medical Center  
 715 Wichita State University  
**Coordinator, Joint Committee on State Building Construction**

**CHRISTINA ALLEN (6-2802)**  
**Christina.Allen@klrd.ks.gov**  
 710 Department of Wildlife and Parks  
 046 Department of Agriculture  
 709 Kansas Water Office  
 055 Animal Health Department  
 373 Kansas State Fair Board  
 634 State Conservation Commission  
**Coordinator, Water Plan Fund**

**REAGAN CUSSIMANIO (6-4443)**  
**Reagan.Cussimanio@klrd.ks.gov**  
 652 Department of Education  
 604 School for the Blind  
 610 School for the Deaf

**DYLAN DEAR (1-0515)**  
**Dylan.Dear@klrd.ks.gov**  
 173 Department of Administration  
 677 Judicial Branch  
 349 Judicial Council  
 450 Kansas Lottery  
 553 Racing and Gaming Commission  
 176 Kansas Development Finance Authority  
 328 Board of Indigents' Defense Services  
 028 Accountancy Board  
**Coordinator, Expanded Lottery Act Revenue Fund**

**AMY DECKARD (6-4429)**  
**Amy.Deckard@klrd.ks.gov**  
 629 Department of Social and Rehabilitation Services  
 171 Health Policy Authority  
**Coordinator, Children's Initiatives Fund**

**DOROTHY HUGHES (6-3184)**  
**Dorothy.Hughes@klrd.ks.gov**  
 670 State Treasurer  
 331 Insurance Department  
 694 Comm. Veterans Affairs/Soldiers Home/Veterans Home  
 270 Health Care Stabilization Board of Governors  
 206 Emergency Medical Services Board  
 482 Board of Nursing  
 102 Behavioral Sciences Regulatory Board  
 105 Board of Healing Arts  
 488 Optometry Board  
 167 Dental Board

**AARON KLAASSEN (6-4396)**  
**Aaron.Klaassen@klrd.ks.gov**  
 276 Department of Transportation  
 034 Adjutant General  
 280 Highway Patrol  
 083 Attorney General-Kansas Bureau of Investigation  
 234 State Fire Marshal  
 529 Commission on Peace Officers Standards and Training  
**Coordinator, Joint Committee on Information Technology**  
**Coordinator, Fiscal Database**

**ESTELLE MONTGOMERY (6-4409)**  
**Estelle.Montgomery@klrd.ks.gov**  
 039 Department on Aging  
 410 Larned State Hospital  
 494 Osawatomie State Hospital  
 555 Rainbow Mental Health Facility  
 363 Kansas Neurological Institute  
 507 Parsons State Hospital  
 247 Governmental Ethics Commission  
 100 Board of Barbering  
 149 Board of Cosmetology  
 204 Mortuary Arts Board  
 266 Kansas Board of Examiners in Fitting and Dispensing of Hearing Instruments

**SHIRLEY MORROW (8-7260)**  
**Shirley.Morrow@klrd.ks.gov**  
 296 Department of Labor  
 434 State Library  
 359 Kansas Arts Commission  
 288 State Historical Society  
 016 Abstracters Board  
 543 Real Estate Appraisal Board  
 549 Real Estate Commission  
 291 Home Inspection Registration Board  
 663 Board of Technical Professions  
 700 Board of Vet. Medical Examiners

**MICHAEL STEINER (6-4181)**  
**Michael.Steiner@klrd.ks.gov**  
 565 Department of Revenue  
 300 Department of Commerce  
 562 Kansas Court of Tax Appeals  
 360 Kansas Inc.  
 371 Kansas Technology Enterprise Corp.  
 365 Kansas Public Employees Retirement System (KPERs)  
**Coordinator, Economic Development Initiatives Fund**

**JAROD WALTNER (8-7041)**  
**Jarod.Waltner@klrd.ks.gov**  
 521 Department of Corrections  
 177 Ellsworth Correctional Facility  
 195 El Dorado Correctional Facility  
 313 Hutchinson Correctional Facility  
 400 Lansing Correctional Facility  
 408 Larned Correctional Facility  
 581 Norton Correctional Facility  
 660 Topeka Correctional Facility  
 712 Winfield Correctional Facility  
 626 Sentencing Commission

**RYAN WEIR (6-0665)**  
**Ryan.Weir@klrd.ks.gov**  
 350 Juvenile Justice Authority  
 325 Beloit Juvenile Correctional Facility  
 355 Atchison Juvenile Correctional Facility  
 412 Larned Juvenile Correctional Facility  
 352 Kansas Juvenile Correctional Complex  
 058 Commission on Human Rights  
 178 Office of Administrative Hearings  
 625 Securities Commissioner  
 159 Department of Credit Unions  
 094 Bank Commissioner  
 531 Board of Pharmacy

**LAURA YOUNKER (6-4440)**  
**Laura.Younker@klrd.ks.gov**  
 523 Parole Board  
 143 Kansas Corporation Commission

**MICHAEL WALES (1-0513)**  
**Michael.Wales@klrd.ks.gov**  
 261 Kansas Guardianship Program  
 122 Citizen's Utility Ratepayer Board

AGENCY NUMBER LISTED NEXT TO  
 AGENCY NAME

Appropriations Committee

Date January 12, 2011

Attachment 1-2

## HOUSE APPROPRIATIONS COMMITTEE RULES

1. In any case where committee rules do not apply, House Rules shall govern. All powers, duties and responsibilities not addressed herein are reserved to the chair.
2. Cellular phones and other electronic devices with audible tones are prohibited in the Appropriations Committee Room, unless audible tones or ringers are disabled.
3. The chair shall determine the committee agenda, including scheduling and the order of business.
4. The chair reserves the right to limit testimony that is cumulative in nature and may limit testimony, when necessary, to a specific number of minutes.
5. Committee members shall not address conferees until and unless permission is granted by the chair.
6. The chair reserves the right to limit questioning of conferees by committee members in the interest of time and in the interest of fairness to conferees and other committee members.
7. No conferee shall be interrupted during the presentation of their testimony, except with the permission of the chair.
8. Questioning of a conferee shall be limited to the subject matter on the agenda for the day, except as may otherwise be allowed by the chair.
9. Committee members shall not be approached during a committee hearing or deliberations by anyone other than fellow legislative members or legislative staff.
10. No bill or resolution shall be taken up for a committee vote unless announced by the chair.
11. A motion requires a second to be in order.
12. A substitute motion is in order, but no additional substitute motion shall be in order until the prior substitute motion is disposed of.
13. Amendments to motions are not in order except upon consent of the member making the motion and his or her second.
14. A motion to table or take from the table shall be in order only when such item is on the agenda or is taken up by the chair. The motion requires a simple majority of those present and is, unless otherwise determined by the chair, non-debatable.
15. There shall be no recording, audibly, photographically or otherwise, of committee voting except by the committee secretary.
16. A request from any member that their vote be recorded shall be granted.
17. Granting excused absences is reserved to the chair.
18. The chair reserves the right to take such action as may be necessary to prevent disruptive behavior in the committee room during hearings and deliberations.
19. Adjournment is reserved to the chair.

Appropriations Committee

Date January 12, 2011

Attachment 2



# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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

kslegres@klrd.ks.gov

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

January 12, 2011

**To:** House Appropriations Committee  
**From:** Alan D. Conroy, Director  
**Re:** State of Kansas Budget Outlook

## STATE OF KANSAS BUDGET OUTLOOK

### 1. State General Fund Revenue and Expenditures - Actual FY 2010:

- a. Actual FY 2010 receipts were \$98.6 million or 1.9 percent below the April revenue estimates; and
- b. Actual FY 2010 "taxes only" were \$0.422 billion below actual FY 2009 receipts.
- c. \$131 million in state aid for local school districts was delayed from FY 2010 to FY 2011.

### 2. Economic forecast for Kansas:

"While the US economy has been growing since the third quarter of 2009, the rate of growth has slowed somewhat in 2010. Concerns of a double-dip recession nevertheless have waned over the summer, and assumptions are that modest growth will continue in the national and state economies in 2011 and 2012. Significant uncertainty remains relative to employment in several of the state's key sectors, including aviation manufacturing, though there is some evidence that rural areas of Kansas may be emerging from the economic downturn faster than the nation as a whole as a result of a weak dollar and strong demand for exports. The estimates, therefore, are premised on a continued recovery of the state's economy during the balance of FY 2011 and slightly accelerating growth throughout FY 2012."

- a. **Kansas personal income** - Increase by 3.4 percent in 2011 and 5.6 percent in 2012;
- b. **Employment** - The unemployment rate of 6.7 percent in CY 2010; declining to 6.5 percent in CY 2011;
- c. **Agriculture** - Considerably brighter as a result of higher commodity prices and relatively strong production; the 2011 outlook may change considerably if significant moisture does not occur;
- d. **Oil and gas** - \$65 a barrel of oil in FY 2011 and \$75 per barrel in FY 2012; \$3.60 per mcf in FY 2011 and \$3.95 per mcf in FY 2012; and
- e. **Inflation rate** - 1.6 percent in 2011 and 2.4 percent in 2012.

### 3. November 2010 Consensus Revenue estimates:

- a. Consensus Revenue Estimating Group;
- b. The **current year estimate revised upward \$17.9 million, or 0.3 percent**, above the previous estimate;
- c. Individual income tax receipt estimates were not changed from the previous April estimate;



- d. Retail sales tax receipt estimates were revised upward \$28.8 million, or 1.5 percent. The estimate includes \$310 million from the rate increase (5.3 percent to 6.3 percent);
- e. The revised current year estimate of \$5.8 billion is \$594 million, or 11.4 percent, above actual FY 2010 receipts; and
- f. **The FY 2012 estimate is \$5.811 billion, which is \$25.4 million, or 0.4 percent, above the newly revised FY 2011 amount.**
  - i. Heavily influenced by a net change of \$210 million in transfers from the State General Fund - \$149 million from the State Highway Fund; and
  - ii. Tax receipts only grow by 4.3 percent (\$241 million).

4. **December, 2010 Receipts:**

- a. \$28.6 million or 1.0 percent below the estimate;
- b. Shortfall of \$29.2 million or 20.5 percent in corporation income tax receipts;
- c. Transfer out of the State General Fund of \$15.0 million to the Kansas Biosciences Authority was anticipated to happen later in the fiscal year.

5. **State General Fund profile:**

- a. After new revenue estimates in the current year (including December actuals), there is a **shortfall of \$88.5 million, or 1.5 percent;**
  - i. Funding for latest social services and education consensus caseloads; and
  - ii. Utilizing new federal education jobs funds to replace State General Fund financing.
- b. FY 2012 projection assumes:
  - i. FY 2011 base budget is carried forward;
  - ii. Replacement of federal economic stimulus funds of \$492 million;
  - iii. Human services entitlements and education consensus estimates are funded;
  - iv. KPERS employer contribution increase of \$40 million;
  - v. Net transfers are fully funded; and
  - vi. **Shortfall of \$549.6 million, or 8.8 percent.**

6. **FY 2012 Issues:**

- a. Replacement of federal economic stimulus funds - \$491.7 million;
- b. Note that there is no federal stimulus funding floor requirement in FY 2012;
- c. If federal stimulus funds are not replaced Base State Aid Per Pupil could drop from the approved \$4,012 in FY 2011 to perhaps as low as \$3,724 in FY 2012;
- d. Net transfers of the State General Fund:
  - i. State Highway Fund (\$149 million in FY 2011);
  - ii. Special revenue funds (\$25.0 million in FY 2011);
  - iii. FY 2011 had a casino privilege of \$25.0 million; and
  - iv. Water Plan Fund transfer of \$6.0 million and Biosciences Authority transfer of \$35.0 million.
- e. KPERS employer contributions;
- f. Executive Reorganization Orders - Governor has 30 calendar days to present one; Legislature must act not later than the 60th calendar day of the session and not later than 30 calendar days after the order has been received, which ever occurs first. Either chamber may reject the order or it becomes effective on July 1st.

Appropriations Committee

Date January 12, 2011

Attachment 3-2



## 7. Future Budget Issues

- a. State General Fund sales tax rate reduction - 6.3 percent to 5.7 percent on July 1, 2013 (FY 2014). The sales tax rate reduction to the State General Fund in FY 2014 reduces receipts by \$380.2 million.
- b. KPERS unfunded liability - Actuarially required contributions by FY 2019, the employer contributions are projected to almost double (\$364.5 million (all funds) to \$726.5 million in FY 2019); the employer contributions on an actuarially required basis exceed \$1.0 billion by FY 2024.

# 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>

November 9, 2010

**To:** Governor Mark Parkinson, Governor-Elect Sam Brownback, and Legislative Budget Committee

**From:** Kansas Legislative Research Department  
Kansas Division of the Budget

**Re:** State General Fund Receipts Estimates for FY 2011 and FY 2012

Estimates for the State General Fund (SGF) are developed using a consensus process that involves the Legislative Research Department, Division of the Budget, 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. The Consensus Group met on November 2, 2010, and slightly increased the estimate for FY 2011 and developed the first estimate for FY 2012.

For FY 2011, the estimate was increased by \$17.9 million, or 0.3 percent, above the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). Those legislative adjustments to the April estimates included the impact of the sales and use tax increase that was effective July 1. The revised estimate of \$5.785 billion represents 11.4 percent growth above final FY 2010 receipts.

The initial estimate for FY 2012 is \$5.811 billion, which is \$25.4 million, or 0.4 percent, above the newly revised FY 2011 figure. Various factors influencing this growth rate in addition to the state of the economy include a net change of \$210.0 million in transfers out of the SGF (in compliance with current statutory requirements for FY 2012); the fully annualized impact of the sales and use tax increase; and several pieces of legislation enacted in 2005-2007 that are continuing to reduce relative to prior law the amount of estate, corporation franchise, and severance tax receipts deposited into the SGF.

Table 1 compares the new FY 2011 and FY 2012 estimates with actual receipts from FY 2010. Table 2 shows the changes in the FY 2011 estimates.

## Economic Forecast for Kansas

While the US economy has been growing since the third quarter of 2009, the rate of growth has slowed somewhat in 2010. Concerns of a double-dip recession nevertheless have waned over the summer, and assumptions are that modest growth will continue in the national and state economies in 2011 and 2012. Current forecasts call for nominal Gross Domestic Product to grow by 3.6 percent in 2011 and 5.8 percent in 2012 (coming off a 3.4 percent increase in 2010); and nominal Kansas Gross State Product to grow by 4.1 percent in 2011 and 5.8 percent in 2012 (after a 4.3 percent increase in 2010). Significant uncertainty remains

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Attachment 3-4



relative to employment in several of the state's key sectors, including aviation manufacturing, though there is some evidence that rural areas of Kansas may be emerging from the economic downturn faster than the nation as a whole as a result of a weak dollar and strong demand for exports. The estimates contained in this memo are therefore premised on a continued recovery of the state's economy during the balance of FY 2011 and slightly accelerating growth throughout FY 2012.

### **Kansas Personal Income**

Kansas Personal Income (KPI) in 2010 is expected to increase by 3.0 percent above the 2009 level (after having fallen by 1.4 percent in 2009). The forecast calls for KPI to grow by 3.4 percent in 2011 and 5.6 percent in 2012. Overall US Personal Income growth is not expected to differ significantly from the pattern in Kansas, with national estimates currently at 2.5 percent, 3.7 percent, and 5.9 percent for the same three years, respectively.

### **Employment**

Data obtained from the Kansas Department of Labor verify that employment has stabilized relative to the fall of 2009. The most recent monthly data show that total Kansas non-farm employment from September 2009 to September 2010 increased by about 1,000 jobs. From its peak in April of 2008 to its low point in February of 2010, the state lost 75,800 jobs. Sectors with the heaviest job losses included professional and business services; financial activities; and leisure and hospitality. The current average estimates used by the Department indicate that the overall Kansas unemployment rate, which was 4.4 percent in CY 2008 and 6.7 percent in CY 2009, is expected again to be 6.7 percent in CY 2010 before declining to 6.5 percent in CY 2011. One positive sign relates to initial unemployment claims data, which throughout most of 2010 have been well below the same time periods studied for 2009. The national unemployment rate is expected to remain well above the Kansas rate, with the US rate now expected to be 9.5 percent in 2010 and 9.0 percent in 2011.

### **Agriculture**

Although net farm income declined in 2009, the outlook for both 2010 and 2011 is considerably brighter as a result of higher commodity prices and relatively strong production. The All Farm Products Index of Prices received by Kansas farmers was 155 in September, up from 117 a year earlier. Wheat, corn, sorghum and soybean prices are significantly higher this fall than they were a year ago. Moreover, improved weather conditions in 2010 have contributed to a more efficient harvest. Livestock prices also remain higher thus far in 2010 than they were in 2009. High input prices, especially energy and fertilizer costs, and topsoil moisture deficiencies in certain areas of the state do remain as areas of concern for the agricultural sector.

### **Oil and Gas**

Driven by foreign demand, the price of oil thus far in FY 2011 has remained higher than the price forecasted last April. The average price per taxable barrel of Kansas crude in FY 2011 is now estimated to be \$73, higher than the previous forecast of \$65 (and higher than the \$66.49 final average price for FY 2010). The FY 2012 price is expected to be \$75 per barrel. As always, significant political tensions in the Middle East and elsewhere provide a great deal of uncertainty about forecasting the price of this commodity. Gross oil production in Kansas, which



had been declining steadily for more than a decade until FY 2000, reversed that trend about five years ago and began increasing slightly. The current forecast of 39.0 million barrels for FY 2011 compares favorably to the 33.5 million barrels produced in FY 2005. Approximately half of all Kansas oil produced is not subject to severance taxation because of various exemptions in that law.

The price of natural gas is expected to average \$3.60 per mcf for FY 2011 before increasing to \$3.95 per mcf for FY 2012, based on an industry source's analysis of futures markets. Only about 10 percent of natural gas production is exempt from the severance tax. Factors considered for these estimates included the relationship between crude oil and gas prices, the current relatively high storage levels for gas, the overall economic outlook, and the impact of enhanced production from shale formations elsewhere in the United States. Kansas natural gas production in FY 2010 of 348 million cubic feet represented a significant decrease from the modern era peak of 730 million cubic feet in FY 1996 (largely as a result of depletion of reserves in the Hugoton Field). Production is expected to continue to decrease to 320 million cubic feet for FY 2011; and 300 million cubic feet for FY 2012.

### Inflation Rate

The Consumer Price Index for all Urban consumers (CPI-U) is expected to increase by 1.6 percent in 2010 (after having fallen by 0.4 percent in 2009). Despite the continuation of aggressive monetary policy by the Federal Reserve, the latest forecast calls for inflation to remain at very moderate levels of 1.6 percent in 2011 and 2.4 percent in 2012.

### Interest Rates

The Pooled Money Investment Board (PMIB) is authorized to make investments in US Treasury and Agency securities, highly rated commercial paper and corporate bonds, repurchase agreements and certificates of deposit in Kansas banks. Extremely low idle-fund balances in recent years have required the PMIB to maintain a highly liquid portfolio, which reduces the amount of return available to the pool. In FY 2010, the state earned only 0.96 percent on its SGF portfolio (compared with a 4.26 percent rate in FY 2008 and 2.20 percent in FY 2009). The average rates of return forecasted for FY 2011 and FY 2012 are 0.53 percent and 0.24 percent, respectively, and reflect the expected continuation of historically low interest rates and idle-fund balances.

	Economic Forecasts		
	CY 10	CY 11*	CY 12*
KPI Growth	3.0%	3.4%	5.6%
Inflation (CPI-U)	1.6%	1.6%	2.4%
	FY 10	FY 11*	FY 12*
SGF Interest	0.96%	0.53%	0.24%
Oil and Gas			
Oil Price per bbl	\$66.49	\$73.00	\$75.00
Gross Prod. (000)	39,310	39,000	39,000
Gas Price per mcf	\$3.74	\$3.60	\$3.95
Gas Taxable Value	1,162,951	1,036,800	1,066,500

\*Estimated

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Attachment 3-6



## State General Fund Receipts Estimates

**FY 2011.** The revised estimate of SGF receipts for FY 2011 is \$5.785 billion, an increase of \$17.9 million above the previous estimate. Receipts through October from tax sources collected had been running \$55.6 million above that forecast. The overall revised estimate is approximately \$592.7 million, or 11.4 percent, above actual FY 2010 receipts.

Each individual SGF source was reevaluated independently and consideration was given to revised and updated economic forecasts, collection information from the Departments of Revenue and Insurance, and year-to-date receipts.

The estimate of total taxes was increased by \$40.9 million, while the estimate of other revenue was decreased by \$23.0 million. Total taxes in FY 2011 (which include the impact of the sales and use tax increase and other tax law changes) are now expected to be \$609.3 million above FY 2010 collections, which were \$422.4 million below the FY 2009 figure.

On the positive side, the combined forecast for sales and compensating use taxes was increased by \$37.7 million. Receipts through the end of October indicated that the fiscal estimates associated with the rate increase may have been understated.

The corporation income tax estimate was increased by \$5.0 million as a result of an improved outlook for corporate profits and the assumption that refunds will be slightly below the record levels of the last two fiscal years. Receipts from this source through October were \$1.2 million above the previous estimate.

The estimate for individual income taxes remains unchanged from June. Final FY 2010 receipts from this source were \$91.8 million below the final estimate for that year.

The overall severance tax estimate was reduced by \$5.6 million. (The estimate for natural gas was decreased by \$12.2 million, while the oil estimate was increased by \$6.6 million.)

Other reductions of note based on new information included \$23.0 million in non-tax sources (\$15.4 million in net transfers; and \$7.6 million in interest).

Details of the current year's revised estimate are reflected in Table 2.

**FY 2012.** SGF receipts are estimated to be \$5.810 billion in FY 2012, a figure that is 0.4 percent above the new FY 2011 forecast. This result is heavily influenced by an increase of \$210.0 million in net transfers from the SGF which will occur absent any change in current law. Total tax receipts are expected to grow by \$240.6 million, or 4.3 percent, to reflect the modest but accelerating economic recovery. Other factors taken into account for FY 2012 include the continued phasing out of the estate and corporation franchise taxes.

## Accuracy of Consensus Revenue Estimates

For 36 years, SGF revenue estimates for Kansas have been developed using the consensus revenue estimating process. Besides the three state agencies identified on the first page, the economists currently involved in the process are Joe Sicilian from the University of Kansas, Tracy Turner from Kansas State University, and Nancy McCarthy Snyder from Wichita State University. Each of the agencies and individuals involved in the process prepared



independent estimates and met on November 2, 2010, to discuss estimates and come to a consensus for each fiscal year.

### STATE GENERAL FUND ESTIMATES

Fiscal Year	Adjusted Original Estimate*	Adjusted Final Estimate**	Actual Receipts	Difference from Original Estimate*		Difference from Final Estimate**	
				Amount	Percent	Amount	Percent
1975	--	\$614.9	\$627.6	--	--	\$12.7	2.1%
1976	\$676.3	699.7	701.2	\$24.9	3.7%	1.4	0.2
1977	760.2	760.7	776.5	16.3	2.1	15.8	2.1
1978	830.1	861.2	854.6	24.5	3.0	(6.5)	(0.8)
1979	945.2	1,019.3	1,006.8	61.6	6.5	(12.5)	(1.2)
1980	1,019.3	1,095.9	1,097.8	78.5	7.7	1.9	0.2
1981	1,197.1	1,226.4	1,226.5	29.4	2.5	0.1	0.0
1982	1,351.3	1,320.0	1,273.0	(78.3)	(5.8)	(47.0)	(3.6)
1983	1,599.2	1,366.9	1,363.6	(235.6)	(14.7)	(3.2)	(0.2)
1984	1,596.7	1,539.0	1,546.9	(49.8)	(3.1)	7.9	0.5
1985	1,697.7	1,679.7	1,658.5	(39.2)	(2.3)	(21.3)	(1.3)
1986	1,731.2	1,666.4	1,641.4	(89.8)	(5.2)	(25.0)	(1.5)
1987	1,903.1	1,764.7	1,778.5	(124.6)	(6.5)	13.8	0.8
1988	1,960.0	2,031.5	2,113.1	153.1	7.8	81.6	4.0
1989	2,007.8	2,206.9	2,228.3	220.5	11.0	21.4	1.0
1990	2,241.2	2,283.3	2,300.5	59.3	2.6	17.2	0.8
1991	2,338.8	2,360.6	2,382.3	43.5	1.9	21.7	0.9
1992	2,478.7	2,454.5	2,465.8	(12.9)	(0.5)	11.3	0.5
1993	2,913.4	2,929.6	2,932.0	18.6	0.6	2.4	0.1
1994	3,040.1	3,126.8	3,175.7	135.6	4.5	48.9	1.6
1995	3,174.4	3,243.9	3,218.8	44.4	1.4	(25.1)	(0.8)
1996	3,428.0	3,409.2	3,448.3	20.3	0.6	39.0	1.1
1997	3,524.8	3,642.4	3,683.8	159.0	4.5	41.4	1.1
1998	3,714.4	3,971.0	4,023.7	309.3	8.3	52.7	1.3
1999	3,844.7	4,051.9	3,978.4	133.7	3.5	(73.4)	(1.8)
2000	4,204.1	4,161.0	4,203.1	(1.0)	0.0	42.1	1.0
2001	4,420.7	4,408.7	4,415.0	(5.7)	(0.1)	6.4	0.1
2002	4,674.5	4,320.6	4,108.9	(565.6)	(12.1)	(211.7)	(4.9)
2003	4,641.0	4,235.6	4,245.6	(395.4)	(9.3)	9.9	0.2
2004	4,605.5	4,450.5	4,518.7	(86.8)	(1.9)	68.2	1.5
2005	4,490.5	4,793.8	4,841.3	350.8	7.8	47.5	1.0
2006	4,834.0	5,308.7	5,394.4	560.4	11.6	85.7	1.6
2007	5,144.0	5,721.3	5,809.0	665.0	12.9	87.8	1.5
2008	5,700.4	5,736.3	5,694.9	(5.5)	-0.1	(41.4)	(0.7)
2009	6,185.7	5,709.7	5,589.0	(596.7)	(9.6)	(120.7)	(2.1)
2010	5,974.2	5,291.0	5,192.4	(781.8)	(13.1)	(98.6)	(1.9)

\* The adjusted original estimate is the estimate made in November or December prior to the start of the next fiscal year in July and adjusted to account for legislation enacted, if any, which affected receipts to the SGF.

\*\* The final estimate made in March, April, or June is the adjusted original estimate plus or minus changes subsequently made by the Consensus Estimating Group. It also includes the estimated impact of legislation on receipts.

The table (above) presents estimates compared to actual receipts since FY 1975, the fiscal year for which the current process was initiated. First, the adjusted original estimate is compared to actual collections and then the final estimate is compared to actual receipts.

### Concluding Comments

Consensus revenue estimates are based on current federal and state laws and their current interpretation. These estimates will be further adjusted in mid-April prior to the conclusion of the 2011 Legislative Session.

Appropriations Committee

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Attachment 3-9



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

	Consensus Estimate November 2, 2010					
	FY 2010 (Actual)		FY 2011 (Revised)		FY 2012	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$ 24,993	(14.6) %	\$ 26,000	4.0 %	\$ 27,000	3.8 %
Income Taxes:						
Individual	\$ 2,418,208	(9.8) %	\$ 2,577,175	6.6 %	\$ 2,705,000	5.0 %
Corporation	224,940	(6.4)	260,000	15.6	275,000	5.8
Financial Inst.	16,515	(36.9)	20,770	25.8	21,000	1.1
Total	\$ 2,659,663	(9.8) %	\$ 2,857,945	7.5 %	\$ 3,001,000	5.0 %
Estate Tax	\$ 8,396	(62.7) %	\$ 3,000	(64.3) %	\$ --	(100.0) %
Excise Taxes:						
Retail Sales	\$ 1,652,037	(2.2) %	\$ 2,000,000	21.1 %	\$ 2,090,000	4.5 %
Compensating Use	205,540	(12.5)	280,000	36.2	295,000	5.4
Cigarette	99,829	(6.9)	97,000	(2.8)	97,000	--
Tobacco Products	6,352	10.9	6,600	3.9	6,800	3.0
Cereal Malt Bev.	1,989	(4.8)	1,900	(4.5)	1,900	--
Liquor Gallonage	17,953	(1.4)	18,800	4.7	19,200	2.1
Liquor Enforcement	54,827	1.9	58,000	5.8	59,000	1.7
Liquor Drink	8,930	(2.3)	9,300	4.1	9,500	2.2
Corp. Franchise	41,462	(0.6)	18,000	(56.6)	8,000	(55.6)
Severance	81,870	(34.1)	92,800	13.4	94,300	1.6
Gas	39,988	(45.8)	38,700	(3.2)	39,400	1.8
Oil	41,882	(17.0)	54,100	29.2	54,900	1.5
Total	\$ 2,170,788	(5.1) %	\$ 2,582,400	19.0 %	\$ 2,680,700	3.8 %
Other Taxes:						
Insurance Prem.	120,375	0.7 %	\$ 124,000	3.0 %	\$ 125,000	0.8 %
Miscellaneous	1,655	(7.7)	1,800	8.8	2,000	11.1
Total	\$ 122,030	0.5 %	\$ 125,800	3.1 %	\$ 127,000	1.0 %
Total Taxes	\$ 4,985,870	(7.8) %	\$ 5,595,145	12.2 %	\$ 5,835,700	4.3 %
Other Revenues:						
Interest	\$ 24,629	(61.6) %	\$ 17,400	(29.4) %	\$ 11,800	(32.2) %
Net Transfers	127,410	274.1	116,300	(8.7)	(93,700)	(180.6)
Agency Earnings	53,365	(34.0)	56,320	5.5	56,800	0.9
Total	\$ 205,403	14.7 %	\$ 190,020	(7.5) %	\$ (25,100)	(113.2) %
Total Receipts	\$ 5,191,273	(7.1) %	\$ 5,785,165	11.4 %	\$ 5,810,600	0.4 %

Appropriations Committee

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Attachment 3-10



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

	FY 2011 CRE Est. as Adj. for Legis.	FY 2011 CRE Estimate	Difference	
			Amount	Pct. Chg.
<b>Property Tax:</b>				
Motor Carrier	\$ 24,000	\$ 26,000	\$ 2,000	8.3 %
<b>Income Taxes:</b>				
Individual	\$ 2,577,175	\$ 2,577,175	\$ --	-- %
Corporation	255,000	260,000	5,000	2.0
Financial Inst.	20,770	20,770	--	--
<b>Total</b>	<b>\$ 2,852,945</b>	<b>\$ 2,857,945</b>	<b>\$ 5,000</b>	<b>0.2 %</b>
<b>Estate Tax</b>	<b>\$ 5,000</b>	<b>\$ 3,000</b>	<b>\$ (2,000)</b>	<b>(40.0) %</b>
<b>Excise Taxes:</b>				
Retail Sales	\$ 1,971,211	\$ 2,000,000	\$ 28,789	1.5 %
Compensating Use	271,068	280,000	8,932	3.3
Cigarette	95,000	97,000	2,000	2.1
Tobacco Product	6,600	6,600	--	--
Cereal Malt Beverage	2,100	1,900	(200)	(9.5)
Liquor Gallonage	18,800	18,800	--	--
Liquor Enforcement	58,000	58,000	--	--
Liquor Drink	9,300	9,300	--	--
Corporate Franchise	17,000	18,000	1,000	5.9
Severance	98,400	92,800	(5,600)	(5.7)
Gas	50,900	38,700	(12,200)	(24.0)
Oil	47,500	54,100	6,600	13.9
<b>Total</b>	<b>\$ 2,547,479</b>	<b>\$ 2,582,400</b>	<b>\$ 34,921</b>	<b>1.4 %</b>
<b>Other Taxes:</b>				
Insurance Premium	\$ 123,000	\$ 124,000	\$ 1,000	0.8 %
Miscellaneous	1,800	1,800	--	--
<b>Total</b>	<b>\$ 124,800</b>	<b>\$ 125,800</b>	<b>\$ 1,000</b>	<b>0.8 %</b>
<b>Total Taxes</b>	<b>\$ 5,554,224</b>	<b>\$ 5,595,145</b>	<b>\$ 40,921</b>	<b>0.7 %</b>
<b>Other Revenues:</b>				
Interest	\$ 25,000	\$ 17,400	\$ (7,600)	(30.4) %
Net Transfers	131,694	116,300	(15,394)	(11.7)
Agency Earnings	56,320	56,320	--	--
<b>Total Other Revenue</b>	<b>\$ 213,014</b>	<b>\$ 190,020</b>	<b>\$ (22,994)</b>	<b>(10.8) %</b>
<b>Total Receipts</b>	<b>\$ 5,767,238</b>	<b>\$ 5,785,165</b>	<b>\$ 17,927</b>	<b>0.3 %</b>

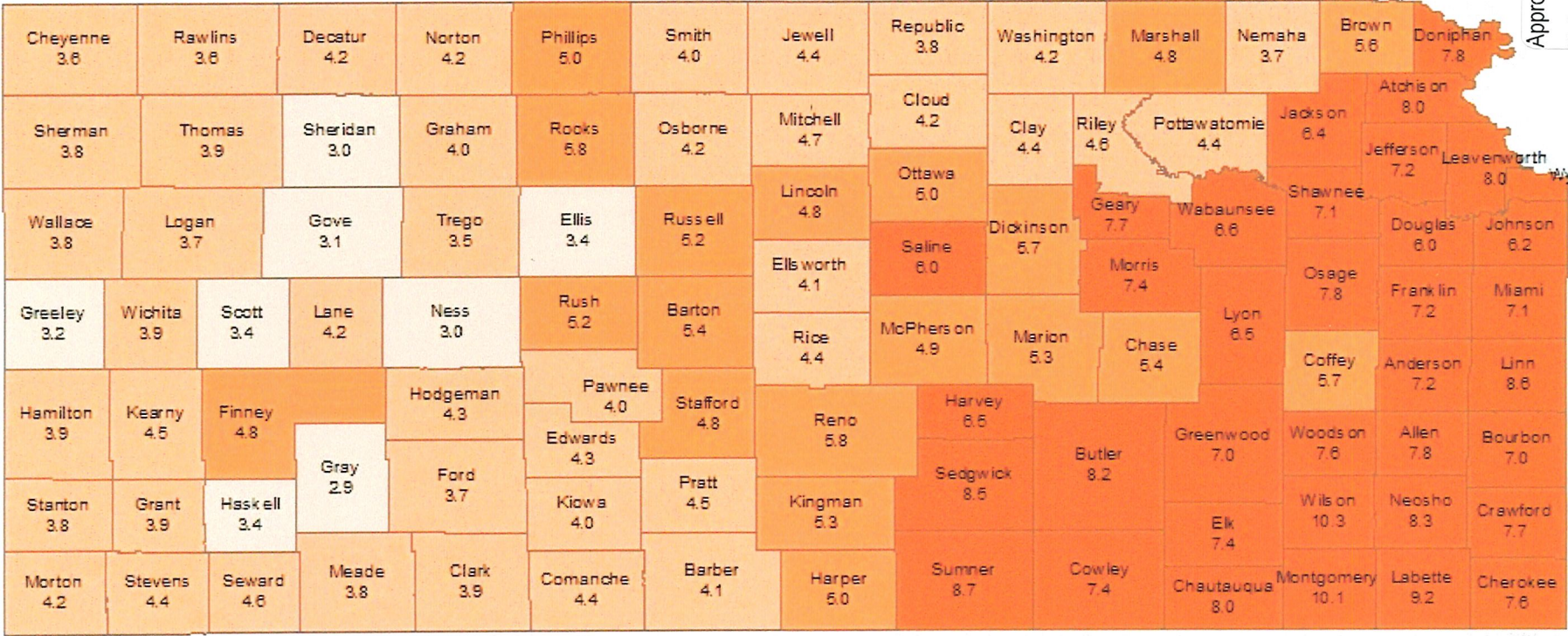
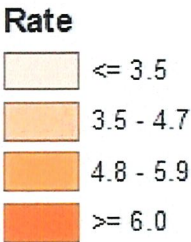
Appropriations Committee

Date January 12, 2011  
Attachment 3-11



UNEMPLOYMENT RATES FOR NOVEMBER 2010

State Rate = 6.7%



Appropriations Committee  
Date January 12, 2011  
Attachment 3-12



# 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>

January 6, 2011

To: Legislative Budget Committee

## STATE GENERAL FUND (SGF) RECEIPTS July through December, FY 2011

This is the second monthly report based on the revised estimate of SGF receipts in FY 2011 made by the Consensus Estimating Group on November 2, 2010. The figures in both the "estimate" and "Actual" columns under FY 2011 on the following table include actual amounts received in July-October. Thus, the report essentially deals with the difference between the estimated and actual receipts in November and December.

**Total receipts through December of FY 2011 were \$28.6 million or 1.0 percent below the estimate.** The component of SGF receipts from taxes only was \$18.7 million 0.7 percent below the estimate. Total receipts through November of FY 2011 were \$8.6 million or 0.4 percent above the estimate and taxes only were \$390,000 or less than 0.1 percent above the estimate.

Generally, a comparison of only two months is of little value in identifying a trend for the remainder of the year, as the timing and processing of receipts substantially can affect comparisons of the estimate with actual receipts over such a short period of time. In addition, receipts through the end of January will include sales tax receipts on Christmas business and individual income tax estimated payments due in January. Both of these factors will make the January report more helpful in ascertaining a picture of SGF receipts

There were only three tax sources that **exceeded** the estimate by more than \$1.0 million, those being individual income (\$15.1 million or 1.2 percent), corporation franchise (\$1.3 million or 23.0 percent), and insurance premiums (\$4.4 million or 8.7 percent).

Taxes that fell **below** the estimate by more than \$1.0 million were: corporation income (\$29.2 million or 20.5 percent); compensating use (\$3.7 million or 2.7 percent); financial institutions privilege (\$2.1 million or 23.0 percent); liquor enforcement (\$1.5 million or 5.1 percent); motor carriers property (\$1.2 million or 7.5 percent); and severance (\$1.1 million or 2.5 percent).

Of particular note is the shortfall in corporation income of \$29.2 million. December is a estimated quarterly payment for corporations. The latest quarter payments were 13.0 percent below the actual amount for the same period last year. It appears that in the two previous quarters, both of which exceeded the estimate, there was significantly higher than anticipated corporation estimated payments. Corporations may have adjusted their final tax year 2010 payment to more closely bring the estimated payments in line with the actual tax liability.

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Attachment 3-13



Interest earnings exceeded the estimate by \$1.1 million. Agency transfers and net transfers both fell below the estimated amount by \$1.2 million and \$9.7 million, respectively. A transfer out of the State General Fund of \$15.0 million was made to the Kansas Biosciences Authority in December. The transfer had been anticipated to be made later in the fiscal year.

**Total SGF receipts through December of FY 2011 were \$272.1 million or 11.0 percent above FY 2010 for the same period. Tax receipts only for the same period were above FY 2010 by \$248.8 million or 10.2 percent.** Remember that the FY 2011 receipts include the retail sales tax rate increase authorized by the 2010 Legislature.

This report excludes the two deposits to the SGF which total of \$700 million pursuant to issuance of certificates of indebtedness. This certificate will be discharged prior to the end of the fiscal year.

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Attachment 3 of 4



## STATE GENERAL FUND RECEIPTS

July - December, FY 2011

(dollar amounts in thousands)

	Actual FY 2010	Estimate*	FY 2011 Actual	Difference	Percent increase relative to: FY 2010	Estimate
Property Tax:						
Motor Carriers	\$ 15,193	\$ 15,550	\$ 14,385	\$ ( 1,165 )	( 5.3 )%	( 7.5 )%
Income Taxes:						
Individual	\$ 1,158,875	\$ 1,234,000	\$ 1,249,060	\$ 15,060	7.8%	1.2%
Corporation	140,158	142,500	113,347	( 29,153 )	( 19.1 )	( 20.5 )
Financial Inst.	6,164	9,100	7,012	( 2,088 )	13.7	( 23.0 )
Total	\$ 1,305,197	\$ 1,385,600	\$ 1,369,418	\$ ( 16,182 )	4.9%	( 1.2 )%
Estate Tax	\$ 4,032	\$ 1,100	\$ 705	\$ ( 395 )	( 82.5 )%	( 35.9 )%
Excise Taxes:						
Retail Sales	\$ 843,796	\$ 980,350	\$ 980,141	\$ ( 209 )	16.2%	( 0.0 )%
Comp. Use	102,318	140,000	136,277	( 3,723 )	33.2	( 2.7 )
Cigarette	51,785	50,000	49,807	( 193 )	( 3.8 )	( 0.4 )
Tobacco Prod.	3,243	3,350	3,383	33	4.3	1.0
Cereal Malt Bev.	1,043	990	991	1	( 5.0 )	0.1
Liquor Gallonage	9,226	9,400	9,564	164	3.7	1.7
Liquor Enforce.	27,675	28,800	27,323	( 1,477 )	( 1.3 )	( 5.1 )
Liquor Drink	4,369	4,600	4,402	( 198 )	0.7	( 4.3 )
Corp. Franchise	9,467	5,450	6,702	1,252	( 29.2 )	23.0
Severance	30,358	42,300	41,227	( 1,073 )	35.8	( 2.5 )
Gas	13,979	18,200	17,817	( 383 )	27.5	( 2.1 )
Oil	16,379	24,100	23,411	( 689 )	42.9	( 2.9 )
Total	\$ 1,083,279	\$ 1,265,240	\$ 1,259,817	\$ ( 5,423 )	16.3%	( 0.4 )%
Other Taxes:						
Insurance Prem.	\$ 42,664	\$ 50,100	\$ 54,471	\$ 4,371	27.7%	8.7%
Miscellaneous	555	800	907	107	63.5	13.4
Total	\$ 43,219	\$ 50,900	\$ 55,378	\$ 4,478	28.1%	8.8%
Total Taxes	\$ 2,450,920	\$ 2,718,390	\$ 2,699,704	\$ ( 18,686 )	10.2%	( 0.7 )%
Other Revenue:						
Interest	\$ 11,932	\$ 9,895	\$ 10,919	\$ 1,024	( 8.5 )%	10.3%
Transfers (net)	\$ ( 26,257 )	\$ 8,450	\$ ( 1,273 )	\$ ( 9,723 )	( 95.2 )	( 115.1 )
Agency Earnings and Misc.	\$ 31,997	\$ 32,500	\$ 31,305	\$ ( 1,195 )	( 2.2 )	( 3.7 )
Total	\$ 17,672	\$ 50,845	\$ 40,952	\$ ( 9,893 )	131.7%	( 19.5 )%
TOTAL RECEIPTS	\$ 2,468,591	\$ 2,769,235	\$ 2,740,656	\$ ( 28,579 )	11.0%	( 1.0 )%

\* Consensus estimate as of November 2, 2010.

## NOTES:

- (1) Details may not add to totals due to rounding.
- (2) Excludes \$700 million to State General Fund due to issuance of a Certificate of Indebtedness.

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**STATUS OF THE STATE GENERAL FUND**  
**FY 2010-FY 2012 Based on November 2010 Consensus Revenue Estimates**  
**and as Adjusted for Actual Receipts Through December, FY 2011**  
(In Millions)

	Actual FY 2010	Revised FY 2011	Estimated FY 2012
Beginning Balance	\$ 51.2	\$ 5.6	\$ (88.5)
<b>Actual December FY 2011 Receipt Adjustments</b>	-	<b>(28.6)</b>	<b>(28.6)</b>
Receipts (November 2010 Consensus Revenue Estimate)	5,192.4	5,785.2	5,810.6
Total Available	\$ 5,243.6	\$ 5,762.2	\$ 5,693.5
Expenditures:			
Actual, Approved by the 2010 Legislature, or Estimated	\$ 5,238.0	\$ 5,656.6	\$ 5,633.2
Shifts from FY 2010	-	138.6	-
Social Services Caseload Adjustments	-	6.3	73.2
Federal Economic Stimulus (ARRA) Funding Replacement	-	(32.0)	491.7
School Finance Adjustments	-	81.2	(3.5)
KPERS Employer Contribution Increase	-	-	40.0
State Employee Undermarket Pay Increase	-	-	8.5
Total Expenditures	\$ 5,238.0	\$ 5,850.7	\$ 6,243.1
Ending Balance	\$ 5.6	<b>\$ (88.5)</b>	<b>\$ (549.6)</b>
Ending Balance as a Percentage of Expenditures	0.1%	-1.5%	-8.8%
Receipts in Excess of Expenditures	\$ (45.6)	\$ (65.5)	\$ (432.5)

**Notes:**

1. FY 2010 actual expenditures exclude \$30.0 million in contingent encumbrances. That amount has been added to FY 2011 approved expenditures.
2. Social services caseload and school finance adjustments exclude replacement for federal economic stimulus (ARRA) funding which is reflected in a separate line.
3. School finance adjustments in FY 2011 reflect replacement of \$85.9 million in State General Fund expenditures with federal education jobs (Edujobs) funds. The remaining \$6.5 million is Edujobs funding is distributed directly to local school districts.
4. School finance adjustments do not include \$22.6 million in capital outlay aid in FY 2011.
5. Total expenditures do not include \$20.5 million in FY 2011 and \$23.8 million in FY 2012 to fund special education at 92.0 percent of excess costs.
6. School finance is funded at \$4,012 per pupil in both FY 2011 and FY 2012. Fully funding school finance under current law (\$4,492 per pupil) in FY 2012 would require an additional \$327.0 million, which includes \$26.4 million in capital outlay state aid.

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