



November 16, 2020

To: Special Committee on Economic Recovery

From: Dylan Dear, Managing Fiscal Analyst

Re: Comparative Survey of States' General Fund Revenue Declines in FY 2021

The Special Committee requested a report on State General Fund (SGF) revenue declines for fiscal year (FY) 2021. Reporting on states' revenue declines for FY 2021 is challenging for the following reasons:

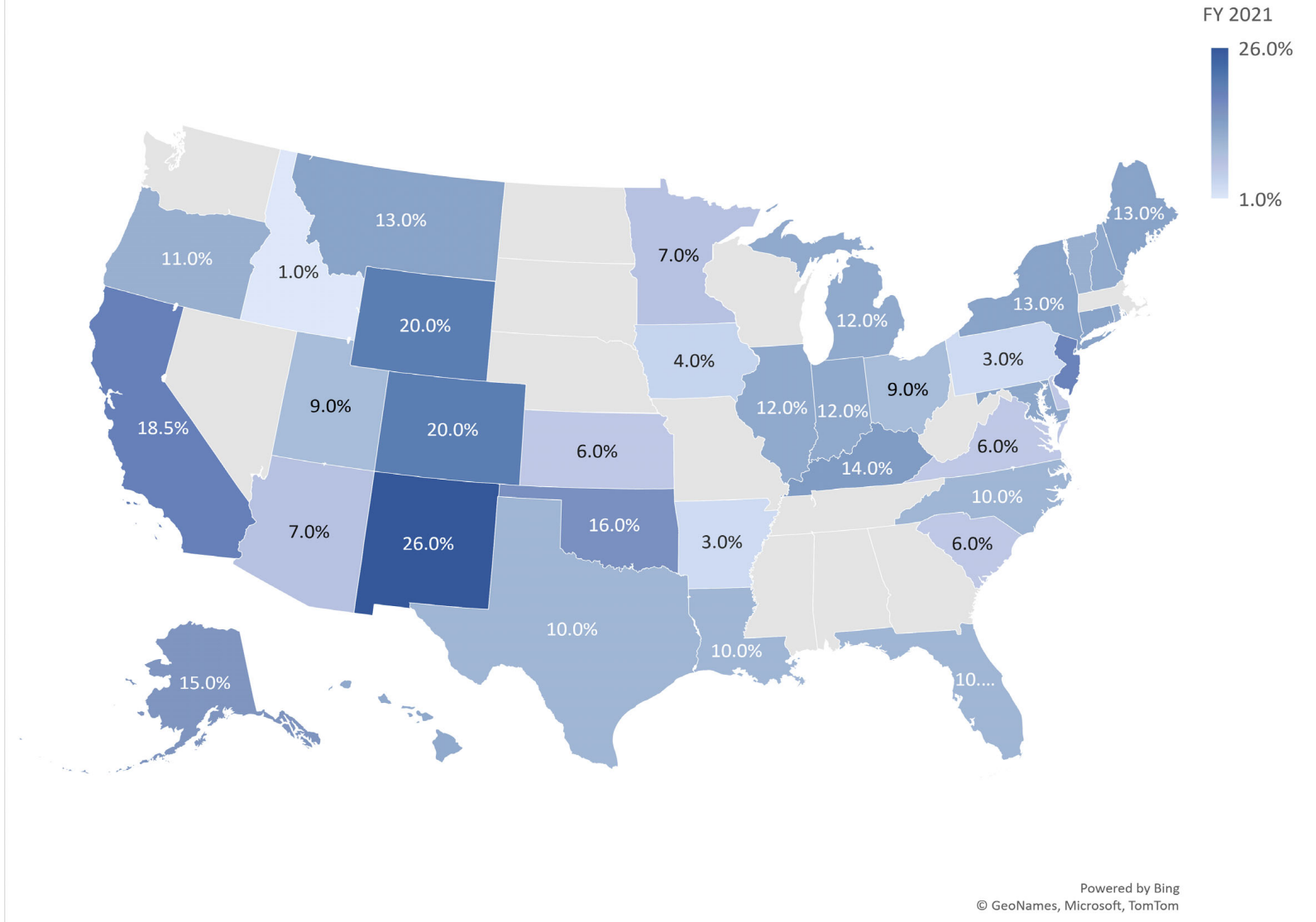
- FY 2021 will not be closed until July of 2021 in most states, therefore the data is estimated rather than actual receipts. These estimates are updated on a twice-a-year basis in Kansas and many other states.
- Substantial individual income tax revenue was shifted from FY 2020 to FY 2021 due to the delay in the filing deadline for federal taxes. Most states followed by delaying their filing deadlines as well, which has the effect of increasing apparent FY 2021 revenue at the expense of FY 2020. In Kansas, this amount was originally estimated at \$560.0 million, but it now appears more likely to be approximately \$420.0 million.
- A comparison of SGF receipts between any two states is inherently fraught with difficulty, as the tax codes, and therefore tax bases, between states are different. For example, the State of Texas taxes oil and gas well servicing as a sales tax, which accounts for a substantial decline in sales tax revenue in that state despite it experiencing increases in retail sales similar to other Midwest states.

The National Conference of State Legislatures published a report last updated on September 10, 2020, reflecting declines in SGF revenues between 1.0 percent and 26.0 percent for FY 2021. For Kansas, the decline in SGF revenue was estimated at 6.0 percent. However, this estimate is from April 30th, the Spring Consensus Revenue Estimate. The current consensus revenue estimate for Kansas shows a revenue increase of 11.7 percent from FY 2020 to FY 2021, largely due to delayed receipts. Without an estimated \$420.0 million in delayed individual income receipts, this would be a decline of 0.4 percent from FY 2020 to FY 2021.

The map on the following page shows how estimated SGF revenue declines are distributed by state.

FY 2021 Estimated State Revenue Decline

(Data from the National Conference of State Legislatures - 9/10/2020)



Sales Tax Receipts

One source of data to indicate current actual economic activity is sales tax. Sales tax reporting typically lags receipts by four to six weeks. The following table shows combined retail sales and use tax receipts for July through October of FY 2020 compared to July through October of FY 2021. Sales and use tax are combined, as most states reflect this as a single number in their reporting, but use tax has increased substantially in the current fiscal year.

SALES AND USE TAX RECEIPTS – JULY THROUGH OCTOBER (Dollars in Millions)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>Change from Previous Fiscal Year</u>	<u>% Change from Previous Fiscal Year</u>
Arkansas	\$ 851.7	\$ 943.1	\$ 91.4	10.7 %
Iowa	1,143.7	1,171.8	28.1	2.5
Kansas	961.3	1,024.3	63.0	6.6
Missouri	757.4	773.6	16.2	2.1
Nebraska	635.5	696.3	60.8	9.6
Oklahoma	661.3	707.5	46.2	7.0