

November 6, 2020

To: Governor Laura Kelly and Legislative Coordinating Council
From: Division of the Budget and Kansas Legislative Research Department
Subject: State General Fund Revenue Estimate for FY 2021 and FY 2022

The Consensus Estimating Group met today to revise the State General Fund revenue estimate for FY 2021 and to make its first official assessment of FY 2022. 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. Estimates for the State General Fund are developed using a consensus process that involves the Division of the Budget, Legislative Research Department, 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. Consensus revenue estimates are based on current federal and state laws and their current interpretation.

For FY 2021, the estimate was increased by \$477.2 million, or 6.6 percent, above the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). The estimate for total taxes was increased by \$463.0 million, while the estimate for other revenues was increased by \$14.2 million. The revised estimate of \$7.708 billion represents 11.7 percent above final FY 2020 receipts.

The initial estimate for FY 2022 is \$7.484 billion, which is \$224.1 million, or 2.9 percent, below the newly revised FY 2021 figure. Various factors influencing this change in revenues in addition to the state of the economy include net change in transfers out of the SGF based on current statutory requirements for FY 2022. The amount of total taxes is estimated to decrease by 2.1 percent in FY 2022, following a 11.3 percent increase in FY 2021.

Table 1 compares the revised estimates for FY 2021 and FY 2022 with actual receipts from FY 2020. Tables 2 shows the changes within the FY 2021 estimate.

Table 1
State General Fund Receipts
(Dollars in Thousands)

| | Consensus Estimate November 6, 2020 | | | | | |
|----------------------------|-------------------------------------|-----------------------|---------------------------|----------------------|---------------------------|-----------------------|
| | FY 2020 (Actual) | | FY 2021 (Revised) | | FY 2022 | |
| | Amount | Percent Change | Amount | Percent Change | Amount | Percent Change |
| Property Tax/Fee: | | | | | | |
| Motor Carrier | \$ 12,502 | 5.5 % | \$ 12,500 | (0.0) % | \$ 12,500 | -- % |
| Income Taxes: | | | | | | |
| Individual | \$3,338,185 | (11.1) % | \$4,040,000 | 21.0 % | \$3,830,000 | (5.2) % |
| Corporation | 384,407 | (12.1) | 410,000 | 6.7 | 360,000 | (12.2) |
| Financial Institutions | 46,197 | (5.0) | 52,000 | 12.6 | 45,000 | (13.5) |
| Total | <u>\$3,768,789</u> | <u>(11.2) %</u> | <u>\$4,502,000</u> | <u>19.5 %</u> | <u>\$4,235,000</u> | <u>(5.9) %</u> |
| Excise Taxes: | | | | | | |
| Retail Sales | \$2,352,523 | 0.7 % | \$2,400,000 | 2.0 % | \$2,425,000 | 1.0 % |
| Compensating Use | 479,060 | 10.9 | 540,000 | 12.7 | 600,000 | 11.1 |
| Cigarette | 116,456 | (0.2) | 113,000 | (3.0) | 110,000 | (2.7) |
| Tobacco Products | 9,180 | 2.4 | 9,400 | 2.4 | 9,400 | -- |
| Liquor Gallonage | 21,978 | (0.5) | 24,000 | 9.2 | 24,000 | -- |
| Liquor Enforcement | 74,667 | 0.5 | 78,000 | 4.5 | 79,000 | 1.3 |
| Liquor Drink | 10,350 | (15.2) | 9,000 | (13.0) | 10,000 | 11.1 |
| Severance | 20,692 | (50.4) | 10,400 | (49.7) | 14,700 | 41.3 |
| Gas | 390 | (96.1) | 1,400 | 259.2 | 2,600 | 85.7 |
| Oil | 20,302 | (36.1) | 9,000 | (55.7) | 12,100 | 34.4 |
| Total | <u>\$3,084,905</u> | <u>1.4 %</u> | <u>\$3,183,800</u> | <u>3.2 %</u> | <u>\$3,272,100</u> | <u>2.8 %</u> |
| Other Taxes: | | | | | | |
| Insurance Premiums | \$ 172,479 | 5.6 % | \$ 137,000 | (20.6) % | \$ 150,000 | 9.5 % |
| Corporate Franchise | 7,043 | (4.2) | 8,000 | 13.6 | 7,500 | (6.3) |
| Miscellaneous | 3,426 | (8.5) | 3,200 | (6.6) | 3,500 | 9.4 |
| Total | <u>\$ 182,948</u> | <u>4.9 %</u> | <u>\$ 148,200</u> | <u>(19.0) %</u> | <u>\$ 161,000</u> | <u>8.6 %</u> |
| Total Taxes | \$7,049,143 | (5.7) % | \$7,846,500 | 11.3 % | \$7,680,600 | (2.1) % |
| Other Revenues & Receipts: | | | | | | |
| Interest | \$ 56,064 | 14.6 % | \$ 9,000 | (83.9) % | \$ 3,000 | (66.7) % |
| Transfers & Other Receipts | (251,224) | (24.1) | (200,800) | 20.1 | (254,800) | (26.9) |
| Agency Earnings | 46,465 | (8.1) | 53,000 | 14.1 | 54,800 | 3.4 |
| Total | <u>\$ (148,694)</u> | <u>(44.5) %</u> | <u>\$ (138,800)</u> | <u>6.7 %</u> | <u>\$ (197,000)</u> | <u>(41.9) %</u> |
| Total Receipts | <u><u>\$6,900,449</u></u> | <u><u>(6.4) %</u></u> | <u><u>\$7,707,700</u></u> | <u><u>11.7 %</u></u> | <u><u>\$7,483,600</u></u> | <u><u>(2.9) %</u></u> |

Table 2
State General Fund Receipts
FY 2021 Revised
Comparison of November 2020 Estimate to June 2020 Estimate
(Dollars in Thousands)

| | FY 2021 CRE Est. | FY 2021 CRE Est. | Difference | |
|----------------------------|--------------------|--------------------|-------------|-----------|
| | As Adj. for Legis. | Revised 11/06/2020 | Amount | Pct. Chg. |
| Property Tax/Fee: | | | | |
| Motor Carrier | \$ 12,700 | \$ 12,500 | \$ (200) | (1.6) % |
| Income Taxes: | | | | |
| Individual | \$ 3,770,000 | \$ 4,040,000 | \$ 270,000 | 7.2 % |
| Corporation | 370,000 | 410,000 | 40,000 | 10.8 |
| Financial Institutions | 48,000 | 52,000 | 4,000 | 8.3 |
| Total | \$ 4,188,000 | \$ 4,502,000 | \$ 314,000 | 7.5 % |
| Excise Taxes: | | | | |
| Retail Sales | \$ 2,320,000 | \$ 2,400,000 | \$ 80,000 | 3.4 % |
| Compensating Use | 450,000 | 540,000 | 90,000 | 20.0 |
| Cigarette | 107,000 | 113,000 | 6,000 | 5.6 |
| Tobacco Products | 9,000 | 9,400 | 400 | 4.4 |
| Liquor Gallonage | 21,500 | 24,000 | 2,500 | 11.6 |
| Liquor Enforcement | 75,500 | 78,000 | 2,500 | 3.3 |
| Liquor Drink | 9,000 | 9,000 | -- | -- |
| Severance | 7,100 | 10,400 | 3,300 | 46.5 |
| Gas | 1,500 | 1,400 | (100) | (6.7) |
| Oil | 5,600 | 9,000 | 3,400 | 60.7 |
| Total | \$ 2,999,100 | \$ 3,183,800 | \$ 184,700 | 6.2 % |
| Other Taxes: | | | | |
| Insurance Premiums | \$ 172,500 | \$ 137,000 | \$ (35,500) | (20.6) % |
| Corporate Franchise | 8,200 | 8,000 | (200) | (2.4) |
| Miscellaneous | 3,000 | 3,200 | 200 | 6.7 |
| Total | \$ 183,700 | \$ 148,200 | \$ (35,500) | (19.3) % |
| Total Taxes | \$ 7,383,500 | \$ 7,846,500 | \$ 463,000 | 6.3 % |
| Other Revenues & Receipts: | | | | |
| Interest | \$ 500 | \$ 9,000 | \$ 8,500 | 1,700.0 % |
| Transfers & Other Receipts | (201,200) | (200,800) | 400 | 0.2 |
| Agency Earnings | 47,700 | 53,000 | 5,300 | 11.1 |
| Total | \$ (153,000) | \$ (138,800) | \$ 14,200 | 9.3 % |
| Total Receipts | \$ 7,230,500 | \$ 7,707,700 | \$ 477,200 | 6.6 % |

State General Fund Profile FY 2018 - FY 2022
(Dollars in Millions)

| | Actual FY 2018 | Actual FY 2019 | Actual FY 2020 | Approved FY 2021 | Estimated FY 2022 |
|--|---------------------------|---------------------------|---------------------------|-----------------------------|------------------------------|
| Beginning Balance | \$ 108.5 | \$ 761.7 | \$ 1,105.1 | \$ 483.5 | \$ 363.5 |
| Revenue | | | | | |
| Consensus Revenue Estimates (11/6) | \$ 7,302.3 | \$ 7,368.4 | \$ 6,900.5 | \$ 7,707.7 | \$ 7,483.6 |
| Prior Year Released Encumbrances | - | 7.8 | 14.4 | - | - |
| Total Available Revenue | \$ 7,410.8 | \$ 8,137.9 | \$ 8,020.0 | \$ 8,191.2 | \$ 7,847.1 |
| Expenditures | | | | | |
| Expenditures | \$ 6,649.1 | \$ 7,032.8 | \$ 7,536.5 | \$ 8,024.0 | \$ 7,827.8 |
| Human Services Caseload | - | - | - | (166.5) | 204.8 |
| School Finance Consensus (Fall 2020) | - | - | - | 7.1 | 170.6 |
| Reappropriations | - | - | - | 337.7 | (337.7) |
| Governor's Allotment | - | - | - | (374.5) | 134.1 |
| Total Adjusted Expenditures | \$ 6,649.1 | \$ 7,032.8 | \$ 7,536.5 | \$ 7,827.8 | \$ 7,999.6 |
| Ending Balance | \$ 761.7 | \$ 1,105.1 | \$ 483.5 | \$ 363.5 | \$ (152.5) |
| Budget Stabilization Fund Balance | | | | 81.9 | 81.9 |
| Ending SGF balance as a percentage of expenditures | 11.5% | 15.7% | 6.4% | 4.6% | -1.9% |
| Receipts above / (below) expenditures | \$ 653.2 | \$ 343.4 | \$ (621.6) | \$ (120.1) | \$ (516.0) |

Note: FY 2022 expenditures are KLRD only estimates.

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