

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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April 13, 2012

To: Governor Sam Brownback and Legislative Budget Committee
From: Kansas Legislative Research Department
Kansas Division of the Budget
Re: Initial SGF Memo for Revised FY 2012 and FY 2013 Estimates

The Consensus Estimating Group met today to revise the November 4, 2011 State General Fund estimates for FY 2012 and FY 2013. At the time this memo was prepared, no 2012 legislation has been enacted that is estimated to have a fiscal impact on either FY 2012 or FY 2013 State General Fund revenues. The impact of legislation affecting the State General Fund that becomes law after April 13 will be quantified in a separate legislative adjustments report prepared at the conclusion of the *sine die* adjournment. A far more detailed memo will be available next week which contains the economic forecast for Kansas upon which the forecasts are based, as well as a discussion of other factors influencing the individual source estimates.

The overall estimate for both fiscal years was increased by a combined \$252.2 million.

For FY 2012, the estimate was increased by \$129.4 million, or 2.1 percent, above the November estimate. The estimate for total taxes was increased by \$123.6 million, while the estimate for other revenues was increased by \$5.8 million. The overall revised SGF estimate of \$6.375 billion represents an 8.4 percent increase above final FY 2011 receipts.

The revised estimate for FY 2013 of \$6.414 billion was increased by \$122.8 million, or 2.0 percent above the November estimate. The estimate for total taxes was increased by \$127.6 million, while the estimate for other revenues was decreased by \$4.8 million. The new forecast for FY 2013 represents a 0.6 percent increase above the newly revised FY 2012 figure. Various factors influencing this growth rate in addition to the state of the economy include a net change of \$254.6 million for transfers out of the State General Fund in compliance with statutory requirements.

Table 1 compares the new FY 2012 and FY 2013 estimates with actual receipts from FY 2011. Tables 2 and 3 show the revisions in the estimates for each fiscal year.

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

	FY 2011 (Actual)		FY 2012 (Revised)		FY 2013 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$ 23,167	(7.3) %	\$ 23,000	(0.7) %	\$ 21,000	(8.7) %
Income Taxes:						
Individual	\$2,709,717	12.1 %	\$2,955,000	9.1 %	\$3,120,000	5.6 %
Corporation	224,865	(0.0)	250,000	11.2	270,000	8.0
Financial Inst.	21,651	31.1	24,000	10.8	26,000	8.3
Total	\$2,956,234	11.2 %	\$3,229,000	9.2 %	\$3,416,000	5.8 %
Excise Taxes:						
Retail Sales	\$1,965,388	19.0 %	\$2,120,000	7.9 %	\$2,225,000	5.0 %
Compensating Use	287,730	40.0	330,000	14.7	350,000	6.1
Cigarette	95,923	(3.9)	93,000	(3.0)	92,000	(1.1)
Tobacco Products	6,573	3.5	6,800	3.5	6,900	1.5
Cereal Malt Bev.	1,905	(4.2)	1,900	(0.3)	1,900	--
Liquor Gallonage	18,276	1.8	19,000	4.0	19,000	--
Liquor Enforcement	56,120	2.4	58,500	4.2	59,500	1.7
Liquor Drink	9,003	0.8	9,200	2.2	9,300	1.1
Corp. Franchise	30,283	(27.0)	10,000	(67.0)	6,000	(40.0)
Severance	98,666	20.5	108,700	10.2	101,800	(6.3)
Gas	41,228	3.1	39,500	(4.2)	27,300	(30.9)
Oil	57,437	37.1	69,200	20.5	74,500	7.7
Total	\$2,569,868	18.4 %	\$2,757,100	7.3 %	\$2,871,400	4.1 %
Other Taxes:						
Insurance Prem.	\$ 141,707	17.7 %	\$ 142,000	0.2 %	\$ 140,000	(1.4) %
Miscellaneous	2,029	(79.8)	2,500	23.2	2,000	(20.0)
Total	\$ 143,735	10.2 %	\$ 144,500	0.5 %	\$ 142,000	(1.7) %
Total Taxes	\$5,693,003	14.2 %	\$6,153,600	8.1 %	\$6,450,400	4.8 %
Other Revenues:						
Interest	\$ 19,764	(19.8) %	\$ 10,400	(47.4) %	\$ 7,900	(24.0) %
Net Transfers	118,879	(6.7)	159,000	33.7	(95,600)	(160.1)
Agency Earnings	50,441	(5.5)	51,500	2.1	51,500	--
Total	\$ 189,084	(7.9) %	\$ 220,900	16.8 %	\$ (36,200)	(116.4) %
Total Receipts	<u>\$5,882,087</u>	<u>13.3 %</u>	<u>\$6,374,500</u>	<u>8.4 %</u>	<u>\$6,414,200</u>	<u>0.6 %</u>

Table 2
State General Fund Receipts
FY 2012 Revised
Comparison of November 2011 Estimate to April 2012 Estimate
(Dollars in Thousands)

	FY 2012 CRE Est.		Difference	
	Revised 11/04/11	Revised 04/13/12	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$ 22,500	\$ 23,000	\$ 500	2.2 %
Income Taxes:				
Individual	\$ 2,900,000	\$ 2,955,000	\$ 55,000	1.9 %
Corporation	225,000	250,000	25,000	11.1
Financial Inst.	22,000	24,000	2,000	9.1
Total	\$ 3,147,000	\$ 3,229,000	\$ 82,000	2.6 %
Excise Taxes:				
Retail Sales	\$ 2,100,000	\$ 2,120,000	\$ 20,000	1.0 %
Compensating Use	315,000	330,000	15,000	4.8
Cigarette	93,000	93,000	--	--
Tobacco Products	6,800	6,800	--	--
Cereal Malt Beverage	1,900	1,900	--	--
Liquor Gallonage	19,000	19,000	--	--
Liquor Enforcement	58,000	58,500	500	0.9
Liquor Drink	9,100	9,200	100	1.1
Corporate Franchise	8,000	10,000	2,000	25.0
Severance	110,200	108,700	(1,500)	(1.4)
Gas	41,600	39,500	(2,100)	(5.0)
Oil	68,600	69,200	600	0.9
Total	\$ 2,721,000	\$ 2,757,100	\$ 36,100	1.3 %
Other Taxes:				
Insurance Prem.	\$ 137,000	\$ 142,000	\$ 5,000	3.6 %
Miscellaneous	2,500	2,500	--	--
Total	\$ 139,500	\$ 144,500	\$ 5,000	3.6 %
Total Taxes	\$ 6,030,000	\$ 6,153,600	\$ 123,600	2.0 %
Other Revenues:				
Interest	\$ 8,000	\$ 10,400	\$ 2,400	30.0 %
Net Transfers	155,600	159,000	3,400	2.2
Agency Earnings	51,500	51,500	--	--
Total Other Revenue	\$ 215,100	\$ 220,900	\$ 5,800	2.7 %
Total Receipts	\$ 6,245,100	\$ 6,374,500	\$ 129,400	2.1 %

Table 3
State General Fund Receipts
FY 2013 Revised
Comparison of November 2011 Estimate to April 2012 Estimate
(Dollars in Thousands)

	FY 2013 CRE Est.	FY 2013 CRE Est.	Difference	
	Revised 11/04/11	Revised 04/13/12	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$ 21,000	\$ 21,000	\$ --	-- %
Income Taxes:				
Individual	\$ 3,065,000	\$ 3,120,000	\$ 55,000	1.8 %
Corporation	240,000	270,000	30,000	12.5
Financial Inst.	24,000	26,000	2,000	8.3
Total	\$ 3,329,000	\$ 3,416,000	\$ 87,000	2.6 %
Excise Taxes:				
Retail Sales	\$ 2,200,000	\$ 2,225,000	\$ 25,000	1.1 %
Compensating Use	335,000	350,000	15,000	4.5
Cigarette	92,000	92,000	--	--
Tobacco Products	6,900	6,900	--	--
Cereal Malt Beverage	1,900	1,900	--	--
Liquor Gallonage	19,000	19,000	--	--
Liquor Enforcement	59,000	59,500	500	0.8
Liquor Drink	9,200	9,300	100	1.1
Corporate Franchise	6,000	6,000	--	--
Severance	102,800	101,800	(1,000)	(1.0)
Gas	36,900	27,300	(9,600)	(26.0)
Oil	65,900	74,500	8,600	13.1
Total	\$ 2,831,800	\$ 2,871,400	\$ 39,600	1.4 %
Other Taxes:				
Insurance Prem.	\$ 139,000	\$ 140,000	\$ 1,000	0.7 %
Miscellaneous	2,000	2,000	--	--
Total	\$ 141,000	\$ 142,000	\$ 1,000	0.7 %
Total Taxes	\$ 6,322,800	\$ 6,450,400	\$ 127,600	2.0 %
Other Revenues:				
Interest	\$ 7,400	\$ 7,900	\$ 500	6.8 %
Net Transfers	(90,300)	(95,600)	(5,300)	(5.9)
Agency Earnings	51,500	51,500	--	--
Total Other Revenue	\$ (31,400)	\$ (36,200)	\$ (4,800)	(15.3) %
Total Receipts	\$ 6,291,400	\$ 6,414,200	\$ 122,800	2.0 %

April Consensus Revenue Estimates
 Expenditures for FY 2012 and FY 2013 as Recommended by the Governor, including all Governor's Budget Amendments
Excludes All Tax Proposals Under Consideration by the Legislature

STATE GENERAL FUND PROFILE
FY 2010-FY 2013
 (Dollars in Millions)

	Actual FY 2010	Actual FY 2011	Estimated FY 2012	Estimated FY 2013
Beginning Balance	\$ 49.6	\$ (27.1)	\$ 188.3	\$ 437.0
Consensus Revenue Estimate (April 13, 2012)	5,191.2	5,882.1	6,374.5	6,414.2
Governor's Recommended Revenue Adjustments	-	-	(2.0)	(39.4)
Total Available Revenue	\$ 5,240.8	\$ 5,855.0	\$ 6,560.8	\$ 6,811.9
Expenditures	\$ 5,268	\$ 5,667	\$ 6,055	\$ 6,133
Governor's Recommended Expenditure Adjustments	-	-	73.9	(39.0)
Human Services Caseloads			(4.9)	43.8
Total Adjusted Expenditures	5,268.0	5,666.7	6,123.8	6,138.2
Ending Balance	\$ (27.1)	\$ 188.3	\$ 437.0	\$ 673.7
Ending Balance as a Percentage of Expenditures	-0.5%	3.3%	7.1%	11.0%
Receipts in Excess of Approved Expenditures	\$ (76.7)	\$ 220.1	\$ 250.7	\$ 276.0

Assumptions:

1. April 13, 2012 Consensus Revenue estimates for FY 2012 and FY 2013.
2. Governor recommends the following FY 2012 revenue adjustments: Shift \$1.7 million from ELARF for Labette Correctional retrofit; Adjust \$0.1 million for Securities Commissioner transfer; and payment of a tort claim of \$0.4 million. Net adjustment is a reduction of \$2.0 million.
3. Governor recommends the following FY 2013 revenue adjustments: Establish a Disaster Preparedness Fund with transfer of \$12.0 million from insurance premiums; Undo the State Highway Fund transfer through the SGF for the Highway Patrol (\$30.9 million); Adjust Securities Commissioner year-end shift (\$0.1 million); Transfer State Safety Fund to SGF (\$1.5 million); Return unused emergency funds in the Department of Revenue to SGF (\$1.9 million).
4. Governor's FY 2012 expenditure adjustments include: \$12.7 million expenditure authority shifted from FY 2011; \$17.6 million for the Human Services Consensus estimates; \$24.6 million for revisions to School Finance; \$7.0 million for KPERs School obligations; \$1.8 million for correctional services; and \$10.2 million for all other adjustments.
5. Governor's FY 2013 expenditure adjustments include: \$41.9 million for Regents enhancements; \$33.7 million for Human Services caseloads; \$5.4 million for Judiciary; \$3.5 million for Corrections. Reductions of: \$47.8 million for the use of ELARF to pay off debt; \$42.5 million to readjust State Aid for Schools; \$30.1 million to shift Highway Patrol off of SGF; \$6.9 million for Voluntary Retirement savings; \$6.0 million for shifting Wildlife, Parks and Tourism to EDIF; \$9.6 million net all other adjustments.
6. Reflects April 2012 Human Services Caseloads. These adjustments are based on the consensus process and make adjustments to the Governor's recommended expenditures for FY 2012 and FY 2013.

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