

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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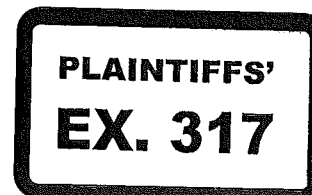
**To:** Joint Committee on Health Policy Oversight  
**From:** Alan D. Conroy, Director  
**Re:** State General Fund Outlook

Attached is the latest version of the State General Fund Profile for actual FY 2007 through projected FY 2011. I would note that the Legislative Budget Committee has requested that Research Department profiles carry two out-years beyond the upcoming budget year. So this profile contains:

- Actual FY 2007;
- Revised FY 2008 (the current year);
- Projected FY 2009 (the budget year);
- Projected FY 2010; and
- Projected FY 2011.

## Actual FY 2007

- Actual FY 2007 State General Fund receipts and expenditures.
  - Receipts collected were \$87.8 million, or 1.5 percent, above the final estimate for FY 2007.
  - Individual income taxes were \$59.3 million or 2.2 percent above the estimate for FY 2007; corporation income exceeded the estimate by \$22.4 million or 5.3 percent; retail sales were \$62,000, or 0.0 percent, below the estimate (on collections of \$1.77 billion).
  - Expenditures were \$25.1 million less than the total approved by the 2007 Legislature. However, \$21.4 million budgeted for FY 2007 is now authorized to be spent in FY 2008, *i.e.*, "shifted" to FY 2008. Thus, net underspending was \$3.7 million.
  - Ending balance is the highest ever at \$935.0 million. The previous high was \$756.3 million in FY 1998, although as a percent of expenditures, the FY 1998 amount was 19.9 percent compared to the FY 2007 amount of 16.7 percent.



### **Consensus Revenue Estimates**

- Revised FY 2008 and first official estimate for FY 2009 for State General Fund receipts based on the Consensus Revenue Estimating Group meeting of November 5, 2007.
  - FY 2008 estimate is increased by \$160.5 million, or 2.9 percent;
  - FY 2009 is \$424.8 million, or 7.4 percent, above the newly revised FY 2008 estimate (driven in part by the amount of transfers that are authorized in FY 2008 but do not repeat in FY 2009). Tax receipts only grow by \$132.6 million or 2.2 percent; and
  - FY 2009 will be the first time State General Fund receipts exceed \$6.0 billion (expenditures exceeded \$6.0 billion in FY 2008).

### **FY 2008 and FY 2009 Expenditures**

- FY 2008 and FY 2009 expenditures reflect the latest estimates for:
  - Net school finance – final year of three-year plan
    - FY 2008 - \$26.6 million
    - FY 2009 - \$179.1 million (5.8 percent increase)
  - Special education at 92 percent (included in net school finance amount above);
    - FY 2008 - \$31.4 million
    - FY 2009 - \$25.0 million
  - KPERS employer contributions (school portion included in net school finance amount);
    - FY 2008 - \$3.4 million
    - FY 2009 - \$42.0 million
  - Human services caseloads;
    - FY 2008 - \$8.3 million in savings
    - FY 2009 - \$43.3 million
  - An increase in the KPERS bond payments;
    - FY 2009 - \$10.0 million
  - Regents deferred maintenance
    - FY 2009 \$7.8 million
  - State employee salary base adjustment for bonus payment;
    - FY 2009 - Savings of \$19.4 million
  - FY 2009 expenditures increase \$233.5 million, or 3.8 percent, above revised FY 2008;

- To reach a 7.5 percent ending balance (\$480 million) in FY 2009, expenditures would need to be reduced by \$145 million.

### **Out Year Projections**

- FY 2010 and FY 2011 projections;
  - Receipts grow at 4.0 percent;
  - Adjustments for previous tax-related legislation;
  - Expenditure increases for:
    - KPERs employer contributions - \$42.0 million
    - Human services caseloads - \$60.0 million
    - School finance - CPI adjustment for FY 2010 - \$37.4 million
    - Special education maintaining at 92 percent - \$25.0 million
    - Restoration of LAVTRF - \$13.5 million
    - School finance consensus - Savings of \$7.4 million in FY 2010 and \$12.2 million in FY 2011.
- State General Fund profile reflects:
  - Four years of expenditures exceeding receipts;
  - Ending balances declining from \$935.0 million in FY 2007 to \$139.1 million in FY 2011.
- Discretionary spending in FY 2009, FY 2010 and FY 2011 is not included in the profile. Possible items for discretionary spending include:
  - New school finance plan beginning in FY 2010;
  - New comprehensive transportation plan;
  - Regents increases;
  - State employee salary increases (FY 2008 increase was \$44.3 million);
  - Corrections;
  - Health policy initiatives; and
  - Other areas.

**Tax Reductions as Approved by Prior Sessions of the Legislature for FY 2010 and FY 2011**  
**November, 2007 Consensus Revenue Estimates for FY 2008 and FY 2009; 4.0 Percent Growth in FY 2010 and FY 2011**  
**\$466.2 million in New K-12 Funding FY 2007 - FY 2009 - SB 549**  
**K-12 Education Consensus and Social Services Consensus Caseload Estimates - FY 2008 - FY 2011**  
**FY 2008 Expenditures as Approved by the Legislature, Plus Shifting of Expenditures from FY 2007 (\$21.4 million)**

**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES**  
**FY 2007 - FY 2011**  
 In Millions

	Actual FY 2007	Revised FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011
Beginning Balance	\$ 733.7	\$ 935.0	\$ 523.2	\$ 330.7	\$ 169.5
Receipts (November 2007 Consensus) - 4.0 Percent Growth	5,809.0	5,717.3	6,170.1	6,384.4	6,653.5
	0.0	0.0	0.0	0.0	0.0
Adjusted Receipts	5,809.0	5,717.3	6,170.1	6,384.4	6,653.5
Total Available	\$ 6,542.7	\$ 6,652.3	\$ 6,693.3	\$ 6,715.1	\$ 6,823.0
K-12 Additional Funding - \$466.2 Million Over Three Years	194.5	149.0	122.7	-	-
	-	-	-	-	-
Less All Other Expenditures	5,413.2	5,980.1	6,239.9	6,545.6	6,683.9
Total Expenditures	5,607.7	6,129.1	6,362.6	6,545.6	6,683.9
<b>Ending Balance</b>	<b>\$ 935.0</b>	<b>\$ 523.2</b>	<b>\$ 330.7</b>	<b>\$ 169.5</b>	<b>\$ 139.1</b>
Ending Balance as a Percentage of Expenditures	16.7%	8.5%	5.2%	2.6%	2.1%
Receipts Above Expenditures	201.3	(411.8)	(192.5)	(161.2)	(30.4)

- 1) Actual FY 2007 expenditures and FY 2008 expenditures are as approved by the 2007 Legislature. Includes shifting of expenditures from FY 2007 (\$21.4 million). Also included is the consensus estimates for K-12 education and social services caseloads.
- 2) FY 2008 and FY 2009 receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 5, 2007.
- 3) FY 2009 and FY 2010 base receipts assume a 4.0 percent growth; and expenditures include out-year significant obligations (*i.e.*, SRS, Health Policy Authority and Aging caseloads, KPERS and KDOT bonds, etc.).
- 4) \$466.2 million in new K-12 Funding FY 2007 - FY 2009 - SB 549.
- 5) FY 2010 and FY 2011 expenditures would include on-going obligations such as social services caseloads, KPERS and school finance, partial restoration of the LAVTRF, and the Regents Deferred Maintenance Plan.
- 6) Keeping Promises Education Trust Fund transfer of \$122.7 million out of the State General Fund in FY 2008 and returned to the State General Fund in FY 2009 for the FY 2009 school finance increase amount as provided in the 2006 school finance bill.

Kansas Legislative Research Department  
November 14, 2007

AC111407 - FY 2009 - Revised Initial

Tax Reductions as Approved by Prior Sessions of the Legislature for FY 2010 and FY 2011  
 November, 2007 Consensus Revenue Estimates for FY 2008 and FY 2009; 4.0 Percent Growth in FY 2010 and FY 2011  
 \$466.2 million in New K-12 Funding FY 2007 - FY 2009 - SB 549  
 K-12 Education Consensus and Social Services Consensus Caseload Estimates - FY 2008 - FY 2011  
 FY 2008 Expenditures as Approved by the Legislature, Plus Shifting of Expenditures from FY 2007 (\$21.4 million)  
 Health Policy Authority Reform Proposal  
 No Tobacco or Cigarette Increase

**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES**  
 FY 2007 - FY 2011  
 In Millions

	Actual FY 2007	Revised FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011
Beginning Balance	\$ 733.7	\$ 935.0	\$ 513.2	\$ 280.7	\$ 68.9
Receipts (November 2007 Consensus) - 4.0 Percent Growth	5,809.0	5,717.3	6,170.1	6,384.4	6,653.5
	0.0	0.0	0.0	0.0	0.0
Adjusted Receipts	5,809.0	5,717.3	6,170.1	6,384.4	6,653.5
Total Available	\$ 6,542.7	\$ 6,652.3	\$ 6,683.3	\$ 6,665.1	\$ 6,722.4
K-12 Additional Funding - \$466.2 Million Over Three Years	194.5	149.0	122.7	-	-
<b>Health Policy Authority - Health Reform Proposal</b>	-	-	<b>30.0</b>	<b>40.6</b>	<b>47.1</b>
Less All Other Expenditures	5,413.2	5,990.1	6,249.9	6,555.6	6,693.9
Total Expenditures	5,607.7	6,139.1	6,402.6	6,596.2	6,741.0
<b>Ending Balance</b>	<b>\$ 935.0</b>	<b>\$ 513.2</b>	<b>\$ 280.7</b>	<b>\$ 68.9</b>	<b>\$ (18.6)</b>
Ending Balance as a Percentage of Expenditures	16.7%	8.4%	4.4%	1.1%	-0.3%
Receipts Above Expenditures	201.3	(421.8)	(232.5)	(211.8)	(87.5)

- 1) Actual FY 2007 expenditures and FY 2008 expenditures are as approved by the 2007 Legislature. Includes shifting of expenditures from FY 2007 (\$21.4 million). Also included is the consensus estimates for K-12 education and social services caseloads.
- 2) FY 2008 and FY 2009 receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 5, 2007.
- 3) FY 2009 and FY 2010 base receipts assume a 4.0 percent growth; and expenditures include out-year significant obligations (*i.e.*, SRS, Health Policy Authority and Aging caseloads, KPERS and KDOT bonds, etc.).
- 4) \$466.2 million in new K-12 Funding FY 2007 - FY 2009 - SB 549.
- 5) FY 2010 and FY 2011 expenditures would include on-going obligations such as social services caseloads, KPERS and school finance, partial restoration of the LAVTRF, and the Regents Deferred Maintenance Plan.
- 6) Keeping Promises Education Trust Fund transfer of \$122.7 million out of the State General Fund in FY 2008 and returned to the State General Fund in FY 2009 for the FY 2009 school finance increase amount as provided in the 2006 school finance bill.
- 7) Health reform proposal as proposed by the Health Policy Authority The Expanded Adult Premium Assistance Program is not implemented until FY 2012. In addition, the estimated cost for affordable coverage for small businesses is \$1.0 million annually (KHPA estimate of November 1, 2007).

Prepared at the Request and Direction of Senator Jim Barnett  
Kansas Legislative Research Department  
December 12, 2007

JB121207 - FY 2009 - Health Reform.

**Tax Reductions as Approved by Prior Sessions of the Legislature for FY 2010 and FY 2011**  
**November, 2007 Consensus Revenue Estimates for FY 2008 and FY 2009; 4.0 Percent Growth in FY 2010 and FY 2011**  
**\$466.2 million in New K-12 Funding FY 2007 - FY 2009 - SB 549**  
**K-12 Education Consensus and Social Services Consensus Caseload Estimates - FY 2008 - FY 2011**  
**FY 2008 Expenditures as Approved by the Legislature, Plus Shifting of Expenditures from FY 2007 (\$21.4 million)**  
**Health Policy Authority Reform Proposal**  
**Health Policy Authority Proposal - Cigarette and Tobacco Tax Increase**

**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES**  
**FY 2007 - FY 2011**  
 In Millions

	Actual FY 2007	Revised FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011
Beginning Balance	\$ 733.7	\$ 935.0	\$ 513.2	\$ 342.2	\$ 196.0
Receipts (November 2007 Consensus) - 4.0 Percent Growth	5,809.0	5,717.3	6,170.1	6,384.4	6,653.5
<b>Health Policy Authority - Tobacco Tax Increase</b>	0.0	0.0	61.5	65.6	64.8
Adjusted Receipts	5,809.0	5,717.3	6,231.6	6,450.0	6,718.3
Total Available	\$ 6,542.7	\$ 6,652.3	\$ 6,744.8	\$ 6,792.2	\$ 6,914.3
K-12 Additional Funding - \$466.2 Million Over Three Years	194.5	149.0	122.7	-	-
<b>Health Policy Authority - Health Reform Proposal</b>	-	-	30.0	40.6	47.1
Less All Other Expenditures	5,413.2	5,990.1	6,249.9	6,555.6	6,693.9
Total Expenditures	5,607.7	6,139.1	6,402.6	6,596.2	6,741.0
<b>Ending Balance</b>	<b>\$ 935.0</b>	<b>\$ 513.2</b>	<b>\$ 342.2</b>	<b>\$ 196.0</b>	<b>\$ 173.3</b>
Ending Balance as a Percentage of Expenditures	16.7%	8.4%	5.4%	3.0%	2.6%
Receipts Above Expenditures	201.3	(421.8)	(171.0)	(146.2)	(22.7)



- 1) Actual FY 2007 expenditures and FY 2008 expenditures are as approved by the 2007 Legislature. Includes shifting of expenditures from FY 2007 (\$21.4 million). Also included is the consensus estimates for K-12 education and social services caseloads.
- 2) FY 2008 and FY 2009 receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 5, 2007. Includes Health Policy Authority proposal for a \$0.50 cigarette per pack increase and a 10 percent increase in tobacco products tax.
- 3) FY 2009 and FY 2010 base receipts assume a 4.0 percent growth; and expenditures include out-year significant obligations (*i.e.*, SRS, Health Policy Authority and Aging caseloads, KPERS and KDOT bonds, etc.).
- 4) \$466.2 million in new K-12 Funding FY 2007 - FY 2009 - SB 549.
- 5) FY 2010 and FY 2011 expenditures would include on-going obligations such as social services caseloads, KPERS and school finance, partial restoration of the LAVTRF, and the Regents Deferred Maintenance Plan.
- 6) Keeping Promises Education Trust Fund transfer of \$122.7 million out of the State General Fund in FY 2008 and returned to the State General Fund in FY 2009 for the FY 2009 school finance increase amount as provided in the 2006 school finance bill.
- 7) Health reform proposal as proposed by the Health Policy Authority. The Expanded Adult Premium Assistance Program is not implemented until FY 2012. In addition, the estimated cost for affordable coverage for small businesses is \$1.0 million annually (KHPA estimate of November 1, 2007).

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JB121207 - FY 2009 - Health Reform - Tobacco Increase