



Legislative Update

April 21, 2021

State Revenues – Up \$361 million for FY 2021 and FY 2022 combined

The [Consensus Revenue Estimating \(CRE\) group](#) met yesterday to revise the November 6, 2020, State General Fund (SGF) estimates for FY 2021 and FY 2022. They released that their adjustments to last November's estimates were a combined total of \$361 million for FY 2021 and FY 2022. In our last update, we briefly described the CRE and the impact their predictions have to the state budget. The Governor's budget recommendations issued after her state of the State were predicated on the CRE estimates from last November. The budget discussions thus far during the Session have used those numbers in their deliberations and in the construction of the MEGA bill HB 2007.

The CRE group process

Consensus revenue estimates are based on current federal and state laws and their current interpretation. In revising their November 2020 estimates the CRE group also included in their analysis the estimated impact of all 2021 legislation signed into law thus far. For those of you with economist leanings, the CRE group will be issuing a more detailed analysis explaining their economic forecast for Kansas soon. Additionally, after sine die adjournment of the 2021 Session, the CRE group will issue a separate legislative adjustment report for any legislation becoming law after April 20 affecting the State General Fund.

How they arrived at \$361 million

The estimate for total taxes was increased by \$342.4 million, and other revenues were increased by \$18.6 million for the two years combined.

- For FY 2021, the estimate was increased by \$319.8 million, or 4.1 percent, above the November estimate. The estimate for total taxes was increased by \$304.1 million, while the estimate for other revenues was increased by \$15.7 million. The

overall revised estimate of \$8.028 billion represents a 16.3 percent increase above final FY 2020 receipts.

- The revised estimate for FY 2022 is \$7.525 billion, which is \$41.2 million, or 0.6 percent, above the previous estimate. The estimate for total taxes was increased by \$38.3 million, while the estimate for other revenues was increased by \$2.9 million. The revised forecast for FY 2022 represents a 6.3 percent decrease below the newly revised FY 2021 figure.

What might this mean?

Certainly, having a brighter economic forecast by the CRE group, however “cautiously optimistic”, is great news for IKE in terms of staving off any runs at the Bank of KDOT for shortfalls. The revisions are also enough to cause talk of revisiting tax cuts with the Governor having vetoed [Senate Bill 50](#), the last tax cut proposal from the legislature, just last Friday. In fact, the ink was barely dry on the CRE group’s revisions before legislative leadership was suggesting that the revenue picture is bright enough to cover the cost of the vetoed tax bill. The pared-down bill has a price tag of \$284 million in tax reductions over three years. A veto override attempt on SB 50 when the legislature returns was already anticipated, with this improved economic outlook, the possibility of the success of an override may have improved. SB 50 passed in the Senate 30-10 with 3 votes to spare for the needed 27 for an override, with the House falling three votes short of a veto-proof majority on a vote of 81 – 43. Five members of the Republican caucus voted against SB 50 on Final Action. The \$284 million dollar question is whether 3 of the 5 no votes can be persuaded with these rosy CRE revisions to change their votes.

Where are they now?

The IKE Clean-up measure, Senate Substitute for House Bill 2201, and the MEGA budget bill, HB 2007, both arrived on the Governor’s desk last Friday, April 16th. She has ten days to act on those measures which run until next Monday, April 26.

Next Week

Now that the CRE revisions are out, the Senate Ways and Means and House Appropriations committees have scheduled meetings for next week on Monday the 26th and Tuesday the 27th, respectively. Both will be discussing the Consensus Revenue Estimates, Caseload Estimates, and any Governor’s Budget Amendments. After hearing and discussing those matters, they will begin discussions about what adjustments they want to make to the budget as they assemble the Omnibus budget bill. We will be there on your behalf to be certain your interests are heard and to report back any developments that could impact IKE.