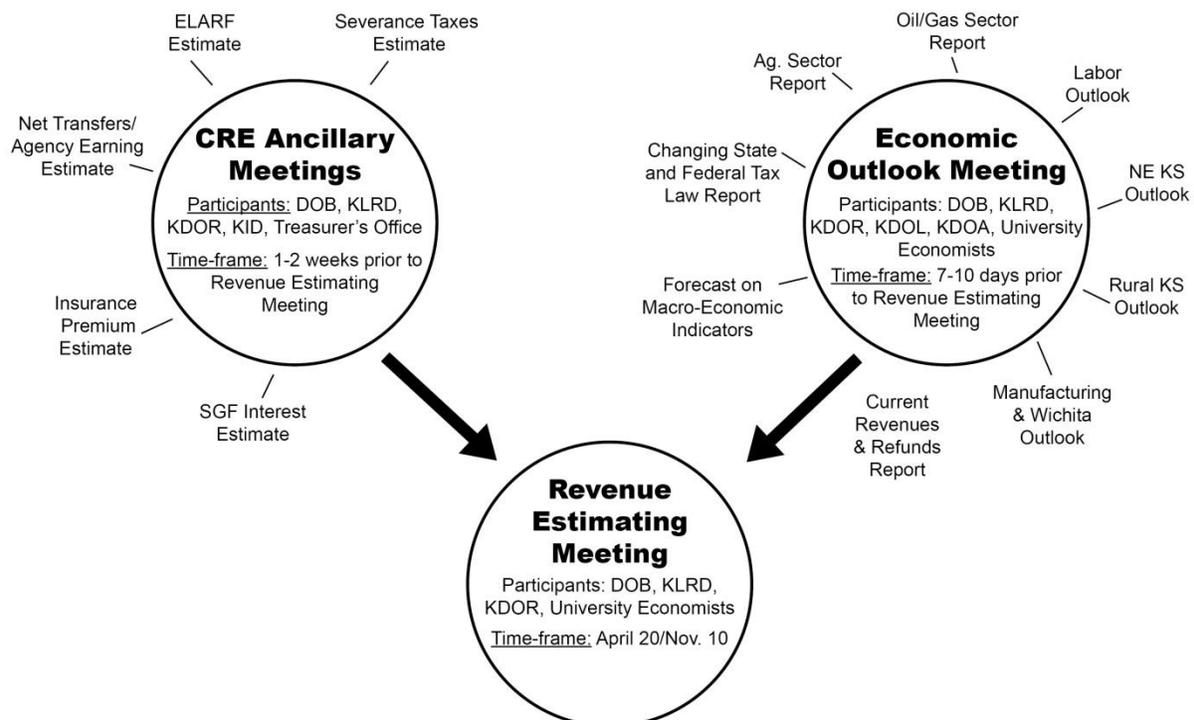


To: House Appropriations Committee
From: Shawn Sullivan, State Budget Director
Date: February 8, 2017
Subject: House Bill 2133 Testimony

Chairman Waymaster and Members of the Committee:

Thank you for the opportunity to provide testimony in support of House Bill 2133, which would push back the statutory requirement from April 20 to May 1 for reporting the joint estimate of revenue for the State General Fund. The tool used by both the Governor and the Legislature to determine State General Fund revenue is the “consensus revenue estimate” prepared by the Consensus Revenue Estimating (CRE) group. The process that the CRE group currently utilizes includes ancillary meetings, an economic outlook meeting and the revenue forecasting meeting.

Consensus Revenue Estimating Work Flow:



The Consensus Revenue Estimating (CRE) Group has faced a daunting task over the last couple of years of estimating revenue in an environment where tax policy had significantly changed at the same time the Kansas economy faced significant headwinds from the oil and gas and agriculture sectors. The revenue estimates have not been accurate and the process had led to estimates that were 4.1 percent, 5.3 percent and 7.5 percent more than the actual receipts in FY 2014, FY 2015 and FY 2016.

**Tax Adjusted Estimates After
Tax Legislation Passed**

(Dollars in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Legislative Adj. (June 2013)	\$ 5,873.3			
FY 2014 Actual Receipts	\$ 5,632.1			
Legislative Adj. (June 2014)		\$ 6,034.5		
FY 2015 Actual Receipts		\$ 5,717.4		
Legislative Adj. (June 2015)			\$ 6,223.0	
FY 2016 Actual Receipts			\$ 5,758.3	
Legislative Adj. (June 2015)				\$ 6,396.2
November 2016 CRE				\$ 5,683.2
Diff. from Original Estimate	\$ (241.2)	\$ (317.1)	\$ (464.7)	\$ (713.0)
Percent Difference	\$ (4.1)	\$ (5.3)	\$ (7.5)	\$ (11.1)

In 2016, Governor Brownback tasked a working group of CPAs and financial services professionals to examine the revenue estimating and the fiscal note process and develop recommendations for improvement. In order to better reflect the challenging and rapidly changing environment at the state and federal level, the working group recommended thirteen changes in order to become more sophisticated and able to more accurately reflect inflection points with tax policy and the economy. A number of the recommendations have already been implemented. One statutory change recommended by the group was to postpone the statutory CRE deadline from April 20 to early May.

By statute, the revenue estimates must be completed on or before April 20. The CRE group has little information about the income tax collections from the mid-April tax filing deadline when they meet on or before April 20th. Pushing the deadline back approximately ten days would provide the group with a better view of income tax collections for the last quarter of the fiscal year. The revenue estimates for out years are based largely on an expected growth percentage from the current fiscal year. A higher level of accuracy for the current fiscal year, due to a more

The Honorable Troy Waymaster, Chairperson

February 7, 2017

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complete picture of actual tax receipts, will also improve the accuracy of income tax projections for the out years.

While pushing the April CRE date back to early May creates additional challenges with the Legislative session schedule, it is of paramount importance that the consensus revenue estimates are as accurate as possible in order to create a more stable budgetary environment. House Bill 2133 would push the statutory requirement from April 20 to May 1. I would request that this be changed to May 3 in case May 1 was to fall on a weekend. Thank you for your consideration of House Bill 2133.