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Kan. taxes short of expectations again in June
By John Hanna

TOPEKA, Kan. — Kansas collected \$61 million less than anticipated in taxes during its recently ended 2008 fiscal year, a 1 percent shortfall that could create budget headaches.

Officials see the preliminary figures from the Department of Revenue as evidence that the state's economy, like the nation's, has softened. One significant signal was lower-than-expected individual income tax collections.

The state ended its 2008 fiscal year Monday after collecting a little less than \$5.78 billion in general tax revenues. A financial forecast predicted in April that tax collections would be \$5.84 billion.

"It's not going to make our lives easy," Senate Ways and Means Committee Chairman Dwayne Umbarger, a Thayer Republican, said Tuesday. "It's going to be some lean times."

The shortfall in anticipated revenues is significant because legislators and Gov. Kathleen Sebelius based the state's budget for the new fiscal year on the financial forecast issued in April by officials and university economists.

Also, the state has been eating up its treasury reserves so that it can sustain court-mandated increases in aid to public schools and spending for ongoing programs.

When legislators finished this year's budget debate, they expected those reserves to be about \$120 million on June 30, 2009. Now they're likely to be half that — or less.

Those disappearing reserves mean legislators are all but certain to face a significant gap between anticipated revenues and projected spending if they

want to keep programs at current levels past fiscal 2009.

Last week, Sebelius asked state agencies to reduce their planned spending for the new fiscal year by up to 2 percent. Sebelius said Tuesday that her request is "an appropriately cautious approach."

But both Sebelius and Umbarger saw Kansas as relatively lucky.

Sebelius noted that the bulk of the shortfall — some \$51 million — occurred in May. Tax collections for June were only \$5 million short of expectations, again about 1 percent off.

"We are pleased that we did not have the substantial decline in revenue that we experienced in May," Sebelius said in a written statement.

Umbarger said other states began feeling an economic pinch before Kansas did.

The Rockefeller Institute of Government, a research arm of the State University of New York, said Tuesday that 10 states had declining economies in February, while 36 did in May.

Also, the institute said, 12 states collected less in tax revenues during the first quarter of 2008 than they did in the first quarter of 2007.

Even if Kansas' general tax collections for fiscal year 2008 weren't as strong as predicted, they outpaced collections in fiscal 2007 by 1.9 percent, according to the Department of Revenue.

"We're just not bringing in what was anticipated," Umbarger said. "We're about four to six months behind the curve compared to other states on declining revenues."

Individual income tax collections for fiscal 2008 were about \$2.9 billion, or almost 7 percent higher than in fiscal 2007.

However, state officials and university economists had expected those collections to be even higher. Collections for fiscal 2008 fell short of expectations by \$50 million, or 1.7 percent.

The Department of Labor continues to report slight job growth in the number of nonfarm jobs over 2007.

Much of that growth has been in government hiring. But a slight growth in mining, construction

and some service-sector hiring has offset a decline in manufacturing and other service-oriented businesses.

“We’re still concerned about the individual income tax numbers,” said Alan Conroy, director of the Legislature’s research staff. “Either salaries are not increasing as much as we thought or people are not working as many hours.”