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Revenue Estimating Conference General Fund Estimates Lowered

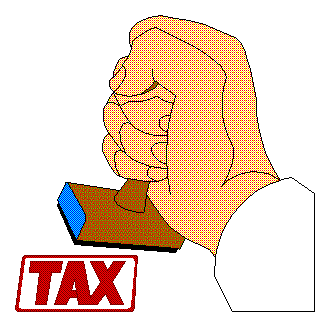


**REC Meeting** The May 7 Revenue Estimating Conference (REC) reduced estimated net General Fund receipts by $154.7 million for FY 2002 and $212.5 million for FY 2003. Adjusted for transfers made during the 2002 Session and already considered as new revenue by the Legislature in the budget process, the decrease in projected revenue is $205.5 million for FY 2002 and $218.7 million for FY 2003. The majority of the receipt reduction for both fiscal years was due to decreased estimates for income tax receipts and increased estimates for tax refunds. The following table shows the general areas of revision (dollars in millions).



FINAN057 **FY 2002 Total Taxes** Estimates for total tax receipts were decreased $130.3 million by the May REC. Income, sales, use, and corporate taxes all were decreased. The percentage growth for tax revenues is now estimated to be negative 3.5% for FY 2002, down from the negative 0.8% projected in February. Total tax receipts were above the February REC projection until mid-April.

**Income Tax** Income tax receipts represent approximately 46.4% of all General Fund receipts (prior to refunds). Therefore, minor changes in the percentage increase from the previous year result in large dollar changes in annual receipts. At the February REC, personal income tax was estimated to increase 1.1% in FY 2002. The May REC lowered the estimate to negative 3.5%, a decrease of $112.6 million for the year. Income tax receipts were above projections until mid-April, when the State began to receive tax payments with returns. The drop in income tax revenue has been significant since that time.





**Sales Tax** Sales tax receipts represent approximately 28.8% of all General Fund receipts (prior to tax refunds). At the February REC, sales tax was estimated to increase 1.0% in FY 2002. The May REC lowered the estimate to 0.7%, a decrease of $4.5 million for the year. Sales tax revenues were above February REC projections until the quarterly payment that was due April 30. Receipts deposited since that time have been significantly lower than those deposited in FY 2001.

**Use Tax** Use tax receipts represent approximately 4.7% of all General Fund receipts (prior to tax refunds). At the February REC, use tax was estimated to decrease 3.1% in FY 2002. The May REC lowered the estimate to a decrease of 5.5%, a decrease of $6.0 million for the year. Use tax receipts were below estimates for the first half of the fiscal year, but were above estimates from January through April. The May quarterly payment was significantly lower than FY 2001.

**Corporate Income Tax** Corporate income tax receipts represent approximately 4.1% of all General Fund receipts (prior to tax refunds). At the February REC, corporate income tax was estimated to decrease 23.2% in FY 2002. The May REC lowered the estimate to a decrease of 27.4%, which lowered projected revenues by $12.0 million for the year. Corporate tax revenue was above the REC projection until the estimate payment due to the State on April 30. Corporate tax revenues fell significantly after that date.



**FY 2003 Base Yr. Reduction** The May REC revision of the FY 2003 estimate of General Fund receipts reflects a reduction in the base year (FY 2002) estimate. The assumptions involving underlying economic growth also were lowered for FY 2003. The May REC lowered the projected growth in tax receipts from 3.5% to 0.7%. Income, sales, use, and corporate taxes are each lowered significantly.

**Estimates by Source** The spreadsheet below details the latest REC estimates by source of revenue (dollars in millions).

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Projected General Fund Balance Sheet Following May 7 REC Meeting

**New Balance Sheet** The following balance sheet compares the FY 2002 and FY 2003 projected general fund balance before and after the May 7 Revenue Estimating Conference meeting.



**Appropriations** The balance sheet assumes estimated appropriations of $4,570.1 million, or the amount that was appropriated during the regular session, prior to any Governor’s vetoes. The $ -162.1 million is the FY 2003 ending balance following the May 7 REC meeting. An adjustment of $216.1 million would need to be made to maintain an ending balance of 1% or $54.0 million.

**Projected General Fund Balance**

**Following May 7 REC**

**(Dollars in Millions)**



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