

OCTOBER REVENUE ESTIMATING CONFERENCE

The Revenue Estimating Conference (REC) met on October 9 and decreased the estimated FY 2009 General Fund receipts by \$37.6 million compared to the April estimate. Including law changes approved after the April REC that increased FY 2009 revenues by \$14.0 million, the net General Fund change is a reduction of \$51.6 million compared to the April estimate.

The October REC estimate for FY 2009 net General Fund receipts, including transfers, is \$6,151.5 million. This is an increase of \$67.0 million (1.1%) compared to actual FY 2008. Major changes from the April estimate include:

- A decrease of \$49.1 million in gross income tax receipts. A slowdown in the economy and recent losses in the stock market is estimated to soften income tax receipts. The new estimate represents an increase of 2.8% compared to FY 2008 gross income tax receipts. As of October 8, gross income tax receipts had increased \$37.9 million (5.4%).
- An increase of \$403.8 million in gross sales/use tax receipts compared to the April estimate. The State sales/use tax rate was increased from 5.0% to 6.0% beginning on July 1, 2008, with the increase designated to replace the school infrastructure local option (SILO) sales tax and provide property tax relief through the school finance formula. The REC included \$368.0 million of the FY 2009 school infrastructure sales/use tax amount in the overall estimate with an additional \$37.0 million (total of \$405.0 million) included in the accrual adjustment.
- An increase of \$12.9 million in gross corporate tax receipts compared to the April estimate. The new estimate is a decrease of \$46.7 million (9.7%) compared to FY 2008. As of October 8, gross corporate tax receipts had decreased \$19.4 million (15.3%).
- A decrease of \$5.2 million in franchise tax receipts. The projected FY 2009 franchise tax revenue decrease is \$5.4 million compared to FY 2008.
- An absolute change in tax refunds of \$7.0 million. Tax refunds reduce total net General Fund receipts and the increase in tax refunds will reduce net General Fund revenues. Total FY 2009 tax refunds are estimated to reduce net tax revenues by \$56.2 million compared to the FY 2008 amount.

FY 2009 Revenue Estimating Conference Projection				
Dollars in Millions				
	<u>Actual</u> <u>FY 2008</u>	<u>April</u> <u>FY 2009</u> <u>Estimate</u>	<u>October</u> <u>FY 2009</u> <u>Estimate</u>	<u>Increase</u> <u>(Decrease)</u> <u>to Estimate</u>
Income Tax	\$3,359.7	\$3,501.9	\$3,452.8	\$-49.1
Sales/Use Tax	2,000.2	2,054.7	2,458.5	403.8
<i>School Infrastructure*</i>			368.0	
Corporate Tax	483.8	424.2	437.1	12.9
Insurance Tax	111.7	127.1	114.5	-12.6
Cigarette Tax	229.5	225.8	224.0	-1.8
Other Taxes	152.7	149.8	149.9	0.1
Total Taxes	<u>\$6,337.6</u>	<u>\$6,483.5</u>	<u>\$6,836.8</u>	<u>\$353.3</u>
Other Receipts	380.8	368.6	374.2	5.6
Gross Tax & Other Receipts	<u>\$6,718.4</u>	<u>\$6,852.1</u>	<u>\$7,211.0</u>	<u>\$358.9</u>
Accruals (Net)	-24.0	1.2	14.9	13.7
Refund (Accrual Basis)	-674.8	-724.0	-731.0	-7.0
Schl. Infrs. Refunds (Accrual)			-405.0	-405.0
Total Net Receipts	<u>\$6,019.6</u>	<u>\$6,129.3</u>	<u>\$6,089.9</u>	<u>\$-39.4</u>
Transfers (Accrual Basis)	64.9	59.8	61.6	1.8
Net Receipts Plus Transfers	<u><u>\$6,084.5</u></u>	<u><u>\$6,189.1</u></u>	<u><u>\$6,151.5</u></u>	<u><u>\$-37.6</u></u>

** School Infrastructure amount is included in the Sales/Use Tax total. An accrual adjustment of \$37 million is included for FY 2009 for a FY 2009 School Infrastructure Sales/Use Tax of \$405 million.*

The REC also established the initial revenue estimate for FY 2010. The estimate was set at \$6,158.4 million, an increase of \$6.9 million (0.1%) compared to the October REC estimate for FY 2009. The weakening economy is estimated to produce modest growth in gross personal income tax (1.6%) and sales/use tax (2.0%) and negative growth for corporate tax (-6.6%) and franchise tax (-9.6%) in FY 2010. Tax refunds are projected to reduce net revenue growth by an additional \$57.0 million compared to estimated FY 2009.

FY 2010 Revenue Estimating Conference Projection			
Dollars in Millions			
	Estimate FY 2009	October FY 2010 Estimate	Increase (Decrease) to Estimate
Income Tax	\$3,452.8	\$3,508.7	\$55.9
Sales/Use Tax	2,458.5	2,507.7	49.2
<i>School Infrastructure</i>	368.0	416.0	
Corporate Tax	437.1	408.1	-29.0
Insurance Tax	114.5	114.4	-0.1
Cigarette Tax	224.0	221.8	-2.2
Other Taxes	149.9	147.7	-2.2
Total Taxes	\$6,836.8	\$6,908.4	\$71.6
Other Receipts	374.2	375.7	1.5
Gross Tax & Other Receipts	\$7,211.0	\$7,284.1	\$73.1
Accruals (Net)	14.9	18.6	3.7
Refund (Accrual Basis)	-731.0	-788.0	-57.0
Schl. Infr. Refunds (Accrual)	-405.0	-416.0	-11.0
Total Net Receipts	\$6,089.9	\$6,098.7	\$8.8
Transfers (Accrual Basis)	61.6	59.7	-1.9
Net Receipts Plus Transfers	\$6,151.5	\$6,158.4	\$6.9

The following table provides a summary of the past two fiscal years and the present REC estimates for FY 2009 and FY 2010. A more detailed spreadsheet of the REC estimates is available on the LSA website at: <http://www.legis.state.ia.us/Fiscal/qre/>.

Revenue Estimating Conference Projection				
Dollars in Millions				
	<u>Actual</u> <u>FY 2007</u>	<u>Actual</u> <u>FY 2008</u>	<u>Estimated</u> <u>FY 2009</u>	<u>Estimated</u> <u>FY 2010</u>
Income Tax	\$3,085.9	\$3,359.7	\$3,452.8	\$3,508.7
Sales/Use Tax	1,910.1	2,000.2	2,458.5	2,507.7
<i>School Infrastructure</i>			368.0	416.0
Corporate Tax	424.6	483.8	437.1	408.1
Insurance Tax	105.2	111.7	114.5	114.4
Cigarette Tax	122.0	229.5	224.0	221.8
Other Taxes	136.7	152.7	149.9	147.7
Total Taxes	<u>\$5,784.5</u>	<u>\$6,337.6</u>	<u>\$6,836.8</u>	<u>\$6,908.4</u>
Other Receipts	353.7	380.8	374.2	375.7
Gross Tax & Other Receipts	\$6,138.2	\$6,718.4	\$7,211.0	\$7,284.1
Accruals (Net)	37.4	-24.0	14.9	18.6
Refund (Accrual Basis)	-597.9	-674.8	-731.0	-788.0
Schl. Infr. Refunds (Accrual)			-405.0	-416.0
Total Net Receipts	\$5,577.7	\$6,019.6	\$6,089.9	\$6,098.7
Transfers (Accrual Basis)	68.6	64.9	61.6	59.7
Net Receipts Plus Transfers	<u>\$5,646.3</u>	<u>\$6,084.5</u>	<u>\$6,151.5</u>	<u>\$6,158.4</u>
Year-over-year Incr./Decr.	<u>\$453.5</u>	<u>\$438.2</u>	<u>\$67.0</u>	<u>\$6.9</u>

STAFF CONTACTS: Jeff Robinson (Ext. 14614) and Shawn Snyder (Ext. 17799)

REBUILD IOWA ADVISORY COMMISSION (RIAC)

Commission Meeting: The Commission held its first meeting since delivering the 45-day report to Governor Culver. The Commission was created by Executive Order of the Governor to be advisory to the Rebuild Iowa Office (RIO) (also created by Executive Order). In addition to the 45-day report, the Commission is charged with creating a comprehensive long-term vision for rebuilding a safer, stronger, and better Iowa. The Commission will develop a 120-day report for Governor Culver and the RIO by November 17, 2008, that includes this vision and subsequent recommendations to implement it, similar to the format of the 45-day report. The meeting agenda consisted of the following:

- Remarks by Governor Culver, Lt. Governor Judge, and Commission Chair Ron Dardis (Adjutant General of the Iowa National Guard).
- Charge to the Rebuild Iowa Advisory Commission for the 120-day report. The timeline for the next month of task force meetings and the task force reports to the RIAC.
- Overview of recent activities of the RIO. Lt. Governor Judge has been replaced as Chief of Staff by Emily Hajek. The RIO Office has moved from Urbandale to the Wallace Building and has returned many of the staff members that were borrowed to their respective agencies. The RIO is concentrating on the long-term operations of the office including hiring new staff. Operations of the RIO, including new staff, will be funded via federal grants.

STAFF CONTACT: Deborah Helsen (Ext. 16764)

IOWA COLLEGE STUDENT AID - DISASTER RELIEF GRANT

Grant Program: On August 26, Governor Culver announced that the Iowa College Student Aid Commission (ICSAC) had created a new, one-time grant program to help students affected by this summer's flooding and tornadoes. The Commission committed \$500,000 from the Scholarship and Tuition Grant Reserve Fund. At the beginning of FY 2009, the Fund had a balance of \$555,000. This is \$10,000 less than the statutory cap on the Fund. The moneys in the Fund may "be used to alleviate a current fiscal year shortfall in appropriations for scholarship or tuition grant programs that have the same nature as the programs for which the moneys were originally appropriated." (Section 261.20, Code of Iowa)

Eligibility: College students affected by this summer's weather-related disasters could apply for assistance of up to \$5,000. To be eligible:

- The student must be an Iowa resident, and the student, his or her spouse, or parents (if the student is a dependent) must have been financially affected by the natural disasters.
- The student, spouse, or parent must apply for Federal Emergency Management Agency (FEMA) assistance and receive a certification of damage.
- The student must complete the ICSAC application, file a 2008-09 Free Application for Federal Student Aid (FAFSA), and complete other documentation required by ICSAC.
- The student must be enrolled for the fall or spring semester of the 2008-2009 school year and be making satisfactory progress if already enrolled.

Deadline: The application deadline was September 15. As of September 11, the Commission had received 186 applications from students residing in 29 counties. Sixty-one of the applicants were from Linn County. The available funding will provide grants for at least 100 students and more if the grants are smaller than the \$5,000 maximum.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

BOARD OF CORRECTIONS MEETING

Board Meeting: The Board of Corrections met October 3 in Des Moines. Director John Baldwin reported on a conference hosted by Iowa Workforce Development (IWD) regarding offender re-entry and employment. The IWD received additional funding in FY 2009 for re-entry specialists at Mitchellville, Newton, and Rockwell City.

Information Received: Assistant Deputy Director Jerry Bartruff updated the Board on the Offender Re-entry Team Goals. The DOC partnered with the Center for Effective Public Policy to provide statewide training. Deputy Director Jeanette Bucklew provided the Board with the implementation plan for the new custody classification system. The Department of Corrections (DOC) intends to implement the new system that includes security level and a sexual violence propensity assessment, in January 2009. According to the Durrant Report, the DOC has been over-classifying offenders.

Next Meeting: The next meeting will be held November 7 in Cedar Rapids. Additional information is available by contacting the LSA or on the DOC website at: <http://www.doc.state.ia.us/default.asp>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

MEETINGS MONITORED

Following is a list of meetings attended and monitored by Fiscal Services staff since the last Fiscal Update was published. Please contact the staff listed for more information.

Meeting	Date	Staff Contact
Economic Development Board	9/18/2008	Ron Robinson (16256)
Vision Iowa Board	9/18/2008	Ron Robinson (16256)
Healthy Kids - Physical Activity Work Group	9/22/2008	Robin Madison (15270)
Crime Code Reorganization	9/22/2008	Jen Acton (17846) Beth Lenstra (16301)
Veterans Affairs Commission	9/24/2008	Jen Acton (17846)
NCSL Fiscal Conference: Transportation, Education, and Economic Development Seminars	9/23/2008 – 9/26/2008	Mary Beth Mellick (18223) Dwayne Ferguson (16561) Ron Robinson (16256)
Board of Regents	9/25/2008	Robin Madison (15270)
Honey Creek Bond Authority	9/29/2008	Deb Kozel (16767)
Insurance Committee	10/1/2008	Ron Robinson (16256)
Iowa Choice Health Care Coverage Advisory Council	10/1/2008	Deb Helsen (16764) Jess Benson (14611)
Medical Assistance Advisory Council	10/1/2008	Jess Benson (14611)
Rebuild Iowa Advisory Council	10/1/2008	Deb Helsen (16764)
State Soil Conservation Board	10/2/2008	Deb Kozel (16767)
Healthy Kids - Physical Activity Work Group	10/2/2008	Robin Madison (15270) Sue Lerdal (17794)
Iowa Empowerment Board – Fiscal Accountability Work Group	10/2/2008	Robin Madison (15270)
Board of Corrections	10/3/2008	Beth Lenstra (16301)
State Preserves Board	10/3/2008	Deb Kozel (16767)
Council of Economic Advisors	10/3/2008	Shawn Snyder (17799) Jeff Robinson (14614)
Direct Care Worker Compensation Advisory Committee	10/3/2008	Jess Benson (14611)
Elder Affairs Commission	10/3/2008	Sue Lerdal (17794)
Child Welfare Growth Mechanism Workgroup	10/7/2008	Sue Lerdal (17794)
Council on Human Services	10/8/2008	Jess Benson (14611) Sue Lerdal (17794)
Economic and Workforce Development Task Force	10/8/2008	Ron Robinson (16256)
Healthy Kids - Nutrition Advisory Panel	10/8/2008	Robin Madison (15270) Sue Lerdal (17794)
Natural Resource Commission	10/8/2008	Deb Kozel (16767)
Rebuild Iowa Office Agriculture and Environment Task Force	10/9/2008	Deb Kozel (16767)
Olmstead Task Force	10/10/2008	Sue Lerdal (17794)
Shelter Care Ad Hoc Group	10/10/2008	Sue Lerdal (17794)

This document can be found on the LSA website: <http://www.legis.state.ia.us/Fiscal/fiscupdt/>