



DECEMBER REVENUE ESTIMATING CONFERENCE

REC Meeting: The Revenue Estimating Conference (REC) met on December 12 and decreased estimated General Fund receipts by \$99.5 million for FY 2009 and \$132.6 million for FY 2010 compared to the October estimates.

FY 2009: The REC estimate for FY 2009 net General Fund receipts, including transfers, is now \$6.052 billion, a decrease of \$32.5 million compared to actual FY 2008. This represents an estimated negative growth rate of 0.5%. Net General Fund cash revenue (excluding transfers) increased \$32.4 million (1.3%) through December 11. Major changes from the October estimate include:

- A decrease of \$28.4 million in Individual Income Tax receipts. Through November, gross Individual Income Tax receipts were 5.7% higher compared to the same period in FY 2008. The recessionary economic situation is estimated to negatively impact both withholding tax receipts and tax payments in the coming months.
- A decrease of \$30.0 million in gross Corporate Tax receipts. Through November, gross Corporate Tax receipts have decreased 19.4% compared to the same period in FY 2008.
- A decrease of \$39.7 million in gross Sales and Use Tax receipts. Through November, gross Sales and Use Tax receipts had increased 17.7%. The Sales and Use Tax 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 replacement through the school aid formula. For the current estimate, the REC included \$358.6 million of the FY 2009 school infrastructure Sales and Use Tax amount in the overall estimate with an additional \$29.5 million (total of \$388.1 million), included in the accrual adjustment.
- An absolute change in tax refunds of \$24.0 million. Tax refunds reduce total net General Fund receipts and the increase in tax refunds will reduce net General Fund receipts. Through November, tax refunds (not including the School Infrastructure Refunds) are 30.4% higher when compared to the same period in FY 2008. Both Individual Income and Corporate Income Tax refunds are expected to increase due to the downturn in the economy.

FY 2010: The REC estimate for FY 2010 General Fund net receipts was set at \$6.026 billion, a decrease of \$26.2 million (- 0.4%) compared to the new REC estimate for FY 2009. The revised estimate is \$132.6 million less than the October REC estimate for FY 2010. The downturn in the economy is projected to last into 2009 and negatively impact State tax receipts through FY 2010. Major changes from the October estimate include:

- A decrease of \$23.5 million in estimated Individual Income Tax receipts. The revised gross Individual Income Tax total of \$3.485 billion represents a 1.8% increase over the revised FY 2009 estimate.
- A decrease of \$41.4 million in Corporate Income Tax receipts. The revised gross Corporate Income Tax total of \$366.7 million represents a decrease of 9.9% compared to the revised FY 2009 estimate.
- A decrease of \$40.2 million in Sales and Use Tax receipts. The recession will likely continue to negatively impact consumer discretionary spending and lead to a decrease in sales during FY 2010.
- A revised tax refund estimate that decreases General Fund net receipts by \$33.0 million. The revised tax refund total stands at \$821.0 million. This is \$66.0 million (8.7%) higher than the revised FY 2009 amount.

Comparisons: The following table provides a summary of the past two fiscal years and the two current REC estimates.

FY 2009 Revenue Estimating Conference Projection

Dollars in Millions

	Actual FY 2008	October FY 2009 Estimate	December FY 2009 Estimate	Increase (Decrease) to Estimate
Income Tax	\$3,359.7	\$3,452.8	\$3,424.4	\$-28.4
Sales/Use Tax	2,000.2	2,458.5	2,418.8	-39.7
<i>School Infrastructure*</i>		368.0	358.6	
Corporate Tax	483.8	437.1	407.1	-30.0
Insurance Tax	111.7	114.5	115.6	1.1
Cigarette Tax	229.5	224.0	224.0	0.0
Other Taxes	152.7	149.9	153.4	3.5
Total Taxes	<u>\$6,337.6</u>	<u>\$6,836.8</u>	<u>\$6,743.3</u>	<u>\$-93.5</u>
Other Receipts	380.8	374.2	376.2	2.0
Gross Tax & Other Receipts	\$6,718.4	\$7,211.0	\$7,119.5	\$-91.5
Accruals (Net)	-24.0	14.9	14.9	0.0
Refund (Accrual Basis)	-674.8	-731.0	-755.0	-24.0
Schl. Infrs. Refunds (Accrual)		-405.0	-388.1	16.9
Total Net Receipts	\$6,019.6	\$6,089.9	\$5,991.3	\$-98.6
Transfers (Accrual Basis)	64.9	61.6	60.7	-0.9
Net Receipts Plus Transfers	<u>\$6,084.5</u>	<u>\$6,151.5</u>	<u>\$6,052.0</u>	<u>\$-99.5</u>

* *School Infrastructure amount is included in the Sales/Use Tax total. An accrual adjustment of \$29.5 million is included for FY 2009 for a FY 2009 School Infrastructure Sales/Use Tax of \$388.1 million.*

FY 2010 Revenue Estimating Conference Projection

Dollars in Millions

	Estimate FY 2009	October FY 2010 Estimate	December FY 2010 Estimate	Increase (Decrease) to Estimate
Income Tax	\$3,424.4	\$3,508.7	\$3,485.2	\$-23.5
Sales/Use Tax	2,418.8	2,507.7	2,467.5	-40.2
<i>School Infrastructure</i>	358.6	416.0	358.6	
Corporate Tax	407.1	408.1	366.7	-41.4
Insurance Tax	115.6	114.4	115.6	1.2
Cigarette Tax	224.0	221.8	221.8	0.0
Other Taxes	153.4	147.7	151.8	4.1
Total Taxes	<u>\$6,743.3</u>	<u>\$6,908.4</u>	<u>\$6,808.6</u>	<u>\$-99.8</u>
Other Receipts	376.2	375.7	375.6	-0.1
Gross Tax & Other Receipts	\$7,119.5	\$7,284.1	\$7,184.2	\$-99.9
Accruals (Net)	14.9	18.6	18.6	0.0
Refund (Accrual Basis)	-755.0	-788.0	-821.0	-33.0
Schl. Infrs. Refunds (Accrual)	-388.1	-416.0	-412.0	4.0
Total Net Receipts	\$5,991.3	\$6,098.7	\$5,969.8	\$-128.9
Transfers (Accrual Basis)	60.7	59.7	56.0	-3.7
Net Receipts Plus Transfers	<u>\$6,052.0</u>	<u>\$6,158.4</u>	<u>\$6,025.8</u>	<u>\$-132.6</u>

Revenue Estimating Conference Projection				
Dollars in Millions				
	Actual FY 2007	Actual FY 2008	Estimated FY 2009	Estimated FY 2010
Income Tax	\$3,085.9	\$3,359.7	\$3,424.4	\$3,485.2
Sales/Use Tax	1,910.1	2,000.2	2,418.8	2,467.5
<i>School Infrastructure</i>			358.6	358.6
Corporate Tax	424.6	483.8	407.1	366.7
Insurance Tax	105.2	111.7	115.6	115.6
Cigarette Tax	122.0	229.5	224.0	221.8
Other Taxes	136.7	152.7	153.4	151.8
Total Taxes	<u>\$5,784.5</u>	<u>\$6,337.6</u>	<u>\$6,743.3</u>	<u>\$6,808.6</u>
Other Receipts	353.7	380.8	376.2	375.6
Gross Tax & Other Receipts	\$6,138.2	\$6,718.4	\$7,119.5	\$7,184.2
Accruals (Net)	37.4	-24.0	14.9	18.6
Refund (Accrual Basis)	-597.9	-674.8	-755.0	-821.0
Schl. Infrs. Refunds (Accrual)			-388.1	-412.0
Total Net Receipts	\$5,577.7	\$6,019.6	\$5,991.3	\$5,969.8
Transfers (Accrual Basis)	68.6	64.9	60.7	56.0
Net Receipts Plus Transfers	<u>\$5,646.3</u>	<u>\$6,084.5</u>	<u>\$6,052.0</u>	<u>\$6,025.8</u>
Year-over-year Incr./Decr.	263.8	438.2	-32.5	-26.2

A more detailed spreadsheet of the FY 2009 and FY 2010 estimates is available on the Legislative Services Agency (LSA) website at: [Legislative Services Agency - Quarterly Revenue Estimates](#).

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

STATE APPEAL BOARD ACTION

State Appeal Board: The State Appeal Board approved the following settlement and judgment actions during the October, November, and December Board meetings:

- University of Iowa:
 - \$347,000 for several medical malpractice claims related to the Hospitals and Clinics.
 - \$31,000 for a sexual assault and attorney fee claim related to the Hospitals and Clinics.
- Attorney General's Office: \$1,000 for a portion of a seized property claim.
- Iowa Lottery Authority: \$18,000 for a Touch Play Machine claim.
- Department of Administrative Services: \$1,800 for a property damage and attorney fee claim.
- Department of Corrections: \$35,000 for various attorney fee, wrongful imprisonment, and personal injury claims.

Total Expenditures: Total FY 2009 year-to-date expenditures are \$1.0 million.

STAFF CONTACT: Joseph Brandstatter (Ext. 52062)

IOWA PRISON POPULATION FORECAST

Report: The Criminal and Juvenile Justice Planning Division (CJJPD) of the Department of Human Rights released its report entitled, "Iowa's Prison Population Forecast FY 2008 – FY 2018." If current offender behaviors and justice system trends, policies, and practices remain unchanged, the prison population will be approximately 8,900 inmates by June 30, 2018, an increase of 3.2% over the next ten years. The female population is expected to increase by 124 offenders (16.8%) while the male population is expected to increase by 158 offenders (2.0%).

Population Forecast: By FY 2018 and without any additional prison beds, the prison population is expected to reach 109.7% of design capacity. This figure is based on the assumption that the additional beds authorized during the 2008 Legislative Session for Fort Madison and Mitchellville will be operating by FY 2018. If the population reaches 8,900 inmates, no additional prisons will need to be built, other than the expansions authorized at Fort Madison and Mitchellville.

Forecast Factors: The forecast predicts the prison population will decrease through the end of FY 2010. The population will then begin to increase, but at a slower growth rate than previously forecast. This slow growth rate is based on the following factors:

- New court commitments are at the lowest level since FY 1997.
- Returns to prison after a provisional release, such as parole or work release, have decreased for the last two years.
- Dispositions of felony filings have decreased for each of the last five years.
- Prison commitments for drug offenses as the lead offense have decreased for each of the last four years.
- Consideration of parole at 70.0% of term for offenders previously sentenced to an 85.0% minimum term has reduced the prison population.

Probation: While probation revocations have decreased for each of the last two years, they remain a significant factor in admissions to prison. There were 1,367 admissions to prison in FY 2008. This accounts for 25.4% of the total. Additional options for community sanctions may reduce this type of prison admission.

Summary of Concerns: The report highlights areas of concern, such as:

- Women's facilities are more overcrowded than men's, and it looks like this trend will continue.
- Parole releases decreased in each of the last two years. The average time served in prison before release increased.
- Historically, Iowa has a high rate of imprisonment for black offenders convicted of drug crimes. Overall, drug-related admissions decreased. All races show a decrease in admissions for drug-related offenses. However, admissions for drug-related offenses decreased by 10.0% for white offenders and 6.2% for black offenders. If this trend continues, the over-confinement of minorities in Iowa will be exacerbated.
- Iowa prisons will have a greater number of sex offenders in future years.
- The prison population is aging and this may have a significant fiscal impact in the future for health-related expenses.
- Releases from prison due to expiration of sentence are at an all-time high. These offenders have no supervision in the community upon their release from prison.

Alternatives: The Report provides a summary of initiatives that may reduce the projected prison population by providing alternatives:

- Enhance intermediate criminal sanctions plans. Chapter 901B, Code of Iowa, requires each CBC District Department to adopt a plan “designed to reduce probation revocations to prison through the use of incremental, community-based sanctions for probation violations.”
- Improve communication between the Department of Corrections (DOC) and Board of Parole. The Board’s expectations for offender treatment should be communicated early in an offender’s sentence, so the DOC may provide those treatment services before the offender is eligible for parole.
- The DOC’s emphasis on evidence-based practices and offender re-entry may decrease the rate of return to prison.
- Consider sentencing changes or fewer direct court commitments to prison. Funding treatment at the community level and allocating funds to the CBC District Departments may serve as alternatives to incarceration.
- Examine Iowa’s sentencing policies and practices for drug offenses. There is a possibility that offenders in prison may receive substance abuse treatment safely in a community-based setting. Drug courts may divert some offenders from prison.

Additional information is available from the LSA upon request. A copy of the report is available on the CJJD website at: <http://www.state.ia.us/dhr/cjpd/publications/index.html>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

CHILD CARE AND ADOPTION SUBSIDY PROGRAM ESTIMATES

Forecast Meeting: Staff from the Department of Management, the Department of Human Services, and the Fiscal Services Division of the Legislative Services Agency met November 14 to discuss estimated Child Care and Adoption Subsidy expenditures for FY 2009 and FY 2010. This was the second meeting of the forecasting group that was established in SF 2425 (FY 2009 Health and Human Services Appropriations Act) to estimate the expenditures and revenues for these two expenditures.

Child Care – FY 2009: Senate File 2425 included State funding of \$41.3 million for Child Care Services that included an appropriation of \$1.5 million for a 2.00% provider reimbursement rate increase effective October 1, 2008. For FY 2009, the forecasting group agreed to a range of an estimated surplus of \$11.3 million to \$17.4 million with a midpoint of a \$14.4 million surplus. For FY 2010, however, the Department of Human Services budget request includes an estimate of \$10.4 million in carryforward funding to sustain the current and expected child care subsidy caseload.

Child Care – FY 2010: For FY 2010, the forecasting group agreed to an estimated need of \$2.5 million to a surplus of \$11.5 million with a midpoint of \$4.5 million surplus. These figures are dependent upon retaining the FY 2009 estimated carryforward for purposes of child care subsidy in FY 2010.

Adoption Subsidy – FY 2009: For FY 2009, the forecasting group agreed to a supplemental need of \$1.0 million.

Adoption Subsidy – FY 2010: For FY 2010, the forecasting group agreed to an estimated need of \$2.8 million compared to the original FY 2009 appropriation.

Next Meeting: The Child Care and Adoption Subsidy forecasting group will meet again in February 2009 to review and update the FY 2009 and FY 2010 cost projections.

STAFF CONTACT: Deborah Helsen (Ext. 16764)

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
Iowa Power Fund Board Meeting	11/12/08	Joseph Brandstatter (52062)
Energy Efficiency Study Committee	11/13/08	Joseph Brandstatter (52062)
Health and Long-Term Care Access Advisory Council	11/24/2008	Deborah Helsen (16764)
Identity Theft Prevention Study Committee	12/2/2008	Marcia Tannian (17942) Mary Beth Mellick (18223)
Energy Efficiency Study Committee	12/3/2008	Dave Reynolds (16934)
Iowa Empowerment Board – Fiscal Accountability Work Group	12/4/2008	Robin Madison (15270)
IPERS Investment Board	12/4/2008	Jen Acton (17846)
Transportation Commission	12/8/2008	Mary Beth Mellick (18223)
Council of Economic Advisors	12/9/2008	Shawn Snyder (17799)
Iowa Statewide Interoperable Communications System Board	12/9/2008	Jen Acton (17846)
Board of Regents	12/10 & 12/11/2008	Dwayne Ferguson (16561)
Iowa Power Fund Board	12/10/2008	Ron Robinson (16256)
Natural Resource Commission Meeting	12/11/2008	Deb Kozel (16767)
State Child Care Advisory Council	12/11/2008	Deborah Helsen (16764)
Shelter Care Provider Meeting	12/12/2008	Deborah Helsen (16764)
Tobacco Settlement Authority	12/12/2008	Marcia Tannian (17942)
NCSL Legislative Education Staff Network Seminar – Linking Research & Policy to Prevent and Support Dropouts	12/12/2008 – 12/14/2008	Robin Madison (15270)
Child Welfare Advisory Committee	12/15/2008	Deborah Helsen (16764)

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