



CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

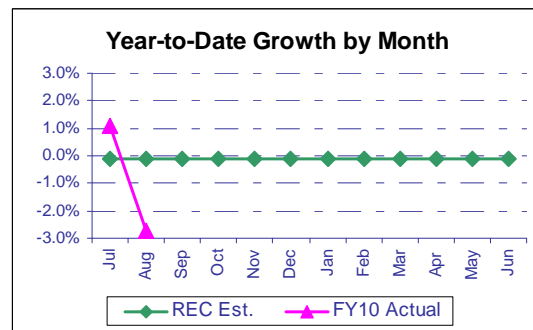
DEPARTMENT OF MANAGEMENT

DATE: September 3, 2009
TO: The Honorable Chester J. Culver
The Honorable Patty Judge
FROM: Richard Oshlo, State Budget Director
Department of Management
RE: August 2009 General Fund Receipts

Gross General Fund receipts for August totaled \$675.8 million, which is \$34.7 million or 4.9 percent less than was collected during August 2008. Fiscal year-to-date, General Fund receipts totaled \$1,088.0 million, a decrease of 2.7 percent over the same period last year. The Revenue Estimating Conference's official estimated rate of annual growth is -0.1 percent for Fiscal Year 2010. It is important to note that these figures are on a cash basis and do not include any adjustments for tax refunds or accruals, which could reduce available revenue, and cover only the first two months of the current fiscal year.

Summary

August gross receipts fell 4.9 percent, lead by a drop in monthly sales tax receipts. Year-to-date growth for gross receipts is at -2.7%, which signifies that there has been a slow down in cash receipts. As accrued revenues and expenditures are determined in closing the books during September for Fiscal Year 2009, a clearer picture of the how Fiscal Year 2009 ended and Fiscal Year 2010 is beginning will be seen. The Revenue Estimating Conference will consider all of this information when it meets on October 7th.



There has been much discussion on whether Fiscal Years 2009 and 2010 General Fund budgets are in balance. In presenting these numbers, the Department of Management has been clear that they are on a cash basis. This has been the practice of the Department since its establishment in the 1980s. What matters in

determining whether the Fiscal Years 2009 and 2010 General Fund budgets are balanced is how actual Fiscal Year 2009 and 2010 revenues on an accrual basis compare to the REC's accrual projections. Saying that either fiscal year is out of balance by comparing cash-basis net receipts to the REC's estimate of accrual net receipts is an inaccurate conclusion and mixes apples and oranges. The only legitimate comparison would be comparing accrual revenues to the REC's projections for the fiscal year.

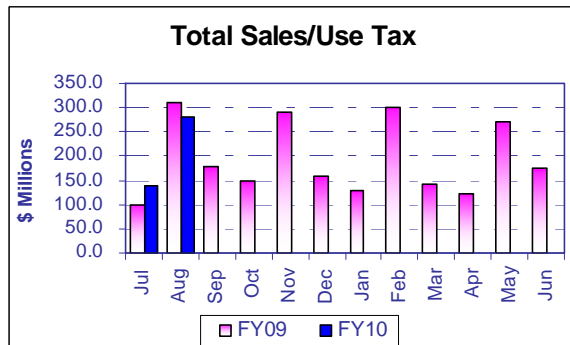
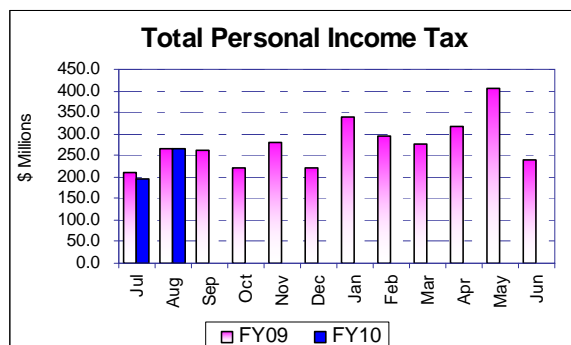
As of the end of August, the only actual state budget numbers known for the current fiscal year are gross receipts on a cash basis. Every other line item in the FY 2010 budget -- including the components of net receipts and net expenditures -- is a simple projection. While net receipts are important, they cannot be calculated with great accuracy on a monthly basis this early in the year and are only an estimate as of now. Additionally, net receipts are only a minor component of the budget; the budget really is a calculation of net receipts minus net expenditures.

Large organizations use accrual accounting to keep track of revenues and expenditures. Since the early 1990s, the State of Iowa has used accrual accounting, not cash accounting, for its budget. These methods differ in the timing of when revenues and expenditures are credited or debited to the state's accounts. Mixing these two forms of accounting, such as adding the REC's numbers for net revenues to the actual gross receipts for August, is mixing apples and oranges and a misleading accounting practice.

As the numbers below for Fiscal Year 2010 are analyzed, keep in mind that the important determination is whether the REC has already included these changes from Fiscal Year 2009 in its revenue projections for Fiscal Year 2010.

Personal Income Tax

Personal income tax receipts totaled \$265.8 million during August. This represents \$1.9 million or 0.7 percent more than the receipts of August 2008. Withholding tax receipts increased \$3.7 million or 1.4 percent compared to last year. Estimated payments decreased by \$0.1 million. Final return payment decreased by \$1.7 million. Fiscal year-to-date, personal income tax receipts totaled \$462.1 million, a decrease of 2.3 percent. Personal income tax receipts are estimated to decrease by 0.7 percent for the year.



Sales/Use Tax

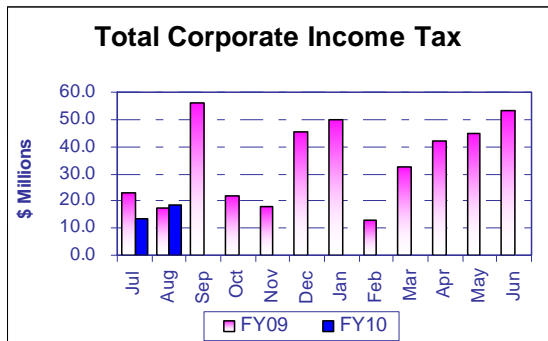
August sales/use tax receipts totaled \$282.3 million, which represents a decrease of \$27.7 million or 8.9 percent compared to August 2008. Fiscal year-to-date, sales/use tax receipts totaled \$421.8 million, an increase of 3.1 percent. The annual estimated rate of sales/use tax growth is 3.0 percent.

Corporate Income Tax

Corporate income tax receipts during August totaled \$18.3 million, which is \$0.8 million or 4.6 percent more than in August 2008. Fiscal year-to-date, corporate income tax receipts totaled

\$31.5 million, a decrease of 21.8 percent. Corporate income tax receipts are estimated to decrease 9.7 percent.

Corporate income tax receipts are estimated to decrease 9.7 percent.



Refunds

For the month of August, \$17.7 million in refunds were issued by the Department of Revenue on a cash basis. This compares to \$34.9 million issued August 2008. For the fiscal year-to-date, total refunds issued on a cash basis were \$37.0 million. This compares to \$64.9 million issued at this time last year.

**STATE OF IOWA
GENERAL FUND RECEIPTS STATEMENT
FOR THE MONTH ENDING AUGUST 31, 2009
(\$ MILLIONS)**

CASH BASIS

	MONTH OF AUGUST		FY10 Over (Under) FY09		FY10 Annual Est Percent Of Growth
	FY09	FY10	Dollars	Percent	
Personal Income Tax	\$263.9	\$265.8	\$1.9	0.7%	-0.7%
Sales/Use Tax	310.0	282.3	(27.7)	-8.9%	3.0%
Corporate Income Tax	17.5	18.3	0.8	4.6%	-9.7%
Inheritance Tax	8.6	5.8	(2.8)	-32.6%	4.0%
Insurance Premium Tax	46.2	39.0	(7.2)	-15.6%	20.7%
Cigarette Tax	20.3	19.4	(0.9)	-4.4%	-6.4%
Tobacco Tax	1.4	2.0	0.6	42.9%	0.0%
Beer Tax	1.5	1.4	(0.1)	-6.7%	0.7%
Franchise Tax	0.1	0.2	0.1	100.0%	-7.4%
Miscellaneous Tax	(0.3)	0.0	0.3	-100.0%	-58.3%
Total Special Taxes	\$669.2	\$634.2	(\$35.0)	-5.2%	0.2%
Institutional Payments	1.3	1.4	0.1	7.7%	-11.6%
Liquor Transfers:	0.0	6.3	6.3	100.0%	-12.7%
Interest	2.5	0.0	(2.5)	-100.0%	-3.4%
Fees	10.6	6.4	(4.2)	-39.6%	-3.3%
Judicial Revenue	1.3	2.4	1.1	84.6%	-1.5%
Miscellaneous Receipts	2.7	3.1	0.4	14.8%	-5.0%
Racing and Gaming	22.9	22.0	(0.9)	-3.9%	0.0%
Total Receipts	\$710.5	\$675.8	(\$34.7)	-4.9%	-0.1%
Transfers	\$0.0	\$0.0	\$0.0		
Total Rcpts & Transfers	\$710.5	\$675.8	(\$34.7)		
Reductions in General Fund Receipts					
School Infrastructure Transfer	(\$28.8)	(\$29.9)	(\$1.1)		
Refunds	(\$34.9)	(\$17.7)	\$17.2		
Total Reductions in GF Receipts	(\$63.7)	(\$47.6)	\$16.1		

Iowa Department of Management
September 3, 2008

**STATE OF IOWA
GENERAL FUND RECEIPTS STATEMENT
FOR THE TWO MONTHS ENDING AUGUST 31, 2009
(\$ MILLIONS)**

CASH BASIS

	TWO MONTHS THROUGH AUGUST		FY10 Over (Under) FY09		FY10 Annual Est Percent Of Growth
	FY09	FY10	Dollars	Percent	
Personal Income Tax	\$473.0	\$462.1	(\$10.9)	-2.3%	-0.7%
Sales/Use Tax	409.0	421.8	12.8	3.1%	3.0%
Corporate Income Tax	40.3	31.5	(8.8)	-21.8%	-9.7%
Inheritance Tax	14.8	12.1	(2.7)	-18.2%	4.0%
Insurance Premium Tax	48.1	40.0	(8.1)	-16.8%	20.7%
Cigarette Tax	41.7	38.3	(3.4)	-8.2%	-6.4%
Tobacco Tax	4.6	4.5	(0.1)	-2.2%	0.0%
Beer Tax	2.9	2.8	(0.1)	-3.4%	0.7%
Franchise Tax	2.1	1.8	(0.3)	-14.3%	-7.4%
Miscellaneous Tax	0.1	(1.4)	(1.5)	-1500.0%	-58.3%
Total Special Taxes	\$1,036.6	\$1,013.5	(\$23.1)	-2.2%	0.2%
Institutional Payments	2.4	2.8	0.4	16.7%	-11.6%
Liquor Transfers:	5.0	13.0	8.0	160.0%	-12.7%
Interest	3.0	0.1	(2.9)	-96.7%	-3.4%
Fees	15.7	9.4	(6.3)	-40.1%	-3.3%
Judicial Revenue	9.9	10.9	1.0	10.1%	-1.5%
Miscellaneous Receipts	10.4	5.4	(5.0)	-48.1%	-5.0%
Racing and Gaming	34.9	32.9	(2.0)	-5.7%	0.0%
Total Receipts	\$1,117.9	\$1,088.0	(\$29.9)	-2.7%	-0.1%
Transfers	\$17.3	\$18.3	\$1.0		
Total Rcpts & Transfers	\$1,135.2	\$1,106.3	(\$28.9)		
Reductions in General Fund Receipts					
School Infrastructure Transfer	(\$28.8)	(\$68.4)	(\$39.6)		
Refunds	(64.9)	(37.0)	27.9		
Total Reductions in GF Receipts	(\$93.7)	(\$105.4)	(\$11.7)		

Iowa Department of Management
September 3, 2008