



STATE OF IOWA

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

DEPARTMENT OF MANAGEMENT
Richard Oshlo, Jr., Director

DATE: July 6, 2010

TO: The Honorable Chester J. Culver
The Honorable Patty Judge

FROM: Richard Oshlo, Director
Department of Management

RE: June 2010 General Fund Receipts

Fiscal year-to-date gross General Fund receipts totaled \$6.711 billion, a decrease of 3.0 percent over the same period last year, but an improvement over the Revenue Estimating Conference's (REC) estimated decline of 5.7 percent over Fiscal Year 2009. Actual year-to-date gross receipts would be \$186.4 million higher than the REC's estimate if trends continue. Gross General Fund receipts for the month of June totaled \$567.5 million – \$13.8 million or 2.5 percent more than was collected during June 2009.

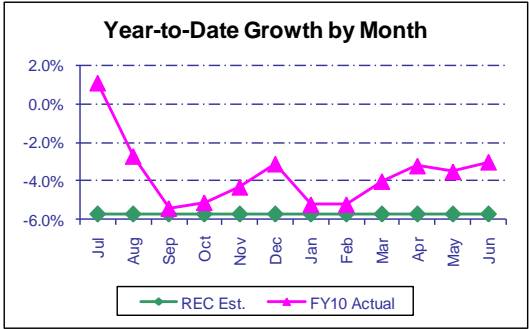
These gross figures are on a cash basis and do not include any adjustments for tax refunds, school infrastructure transfers, or accruals. The State still has to pay accrued expenditures and other obligations in July and August and we expect reversion to be lower this year. The Department of Management will not close the FY2010 books until the end of September.

Actual fiscal year-to-date net General Fund revenues on an accrual basis show a decline of 4.0 percent over Fiscal Year 2009, which is better than the REC's rate for net revenues of a negative 9.0 percent over Fiscal Year 2009.

Clearly, state revenues have been improving and the Fiscal Year 2010 budget is balanced and will be balanced when the Department of Management closes the FY 2010 books in September. Actual year-to-date state revenues are better than the REC estimated.

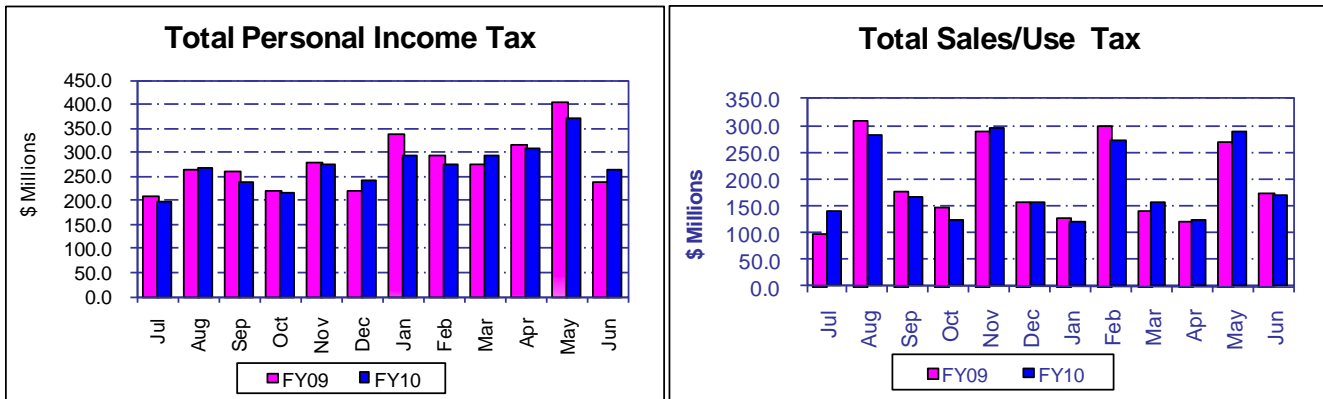
Summary

Year-to-date gross receipts are 3.0 percent lower through June 2010 than Fiscal Year 2009 which is better than the REC's estimated reduction of 5.7 percent for Fiscal Year 2010. As is shown in a new section dealing with accrual revenues, year-to-date net General Fund receipts on an accrual basis are better than the REC's estimate. The Fiscal Year 2010 budget is balanced and will be balanced when we close the books in September.



Personal Income Tax

Personal income tax receipts totaled \$264.4 million during June. This is \$23.3 million or 9.7 percent more than the receipts of June 2009. Withholding tax receipts increased \$1.6 million or 0.9 percent compared to last year. Estimated payments increased by \$0.6 million. Final return payments increased \$21.2 million compared to June 2009. Fiscal year-to-date personal income tax receipts totaled \$3.236 billion, a decrease of 2.8 percent over Fiscal Year 2009, but are an improvement over the REC’s estimate that personal income tax receipts will decrease by 5.8 percent.

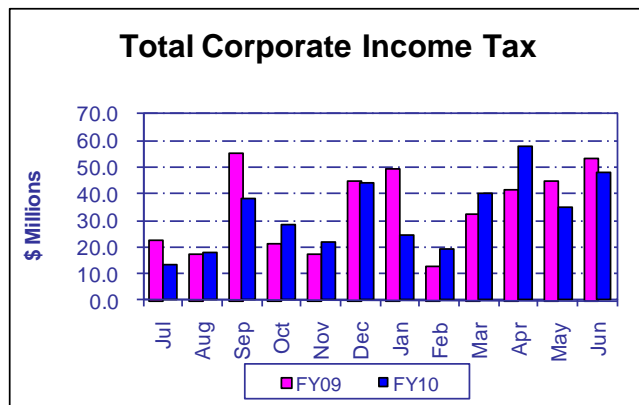


Sales/Use Tax

June sales/use tax receipts totaled \$168.8 million, which represents a decrease of \$5.1 million or 2.9 percent over June 2009. For fiscal year-to-date 2010, sales/use tax receipts totaled \$2.293 billion, a decrease of 1.5 percent over Fiscal Year 2009, an improvement over the REC’s annual estimated rate of sales/use tax growth of negative 3.8 percent.

Corporate Income Tax

Corporate income tax receipts during June totaled \$47.9 million, which is \$5.6 million or 10.5 percent less than in June 2009. Fiscal year-to-date, corporate income tax receipts totaled \$389.3 million, a decrease of 6.5 percent over Fiscal Year 2009. The REC estimated corporate income tax receipts will decrease 12.8 percent.

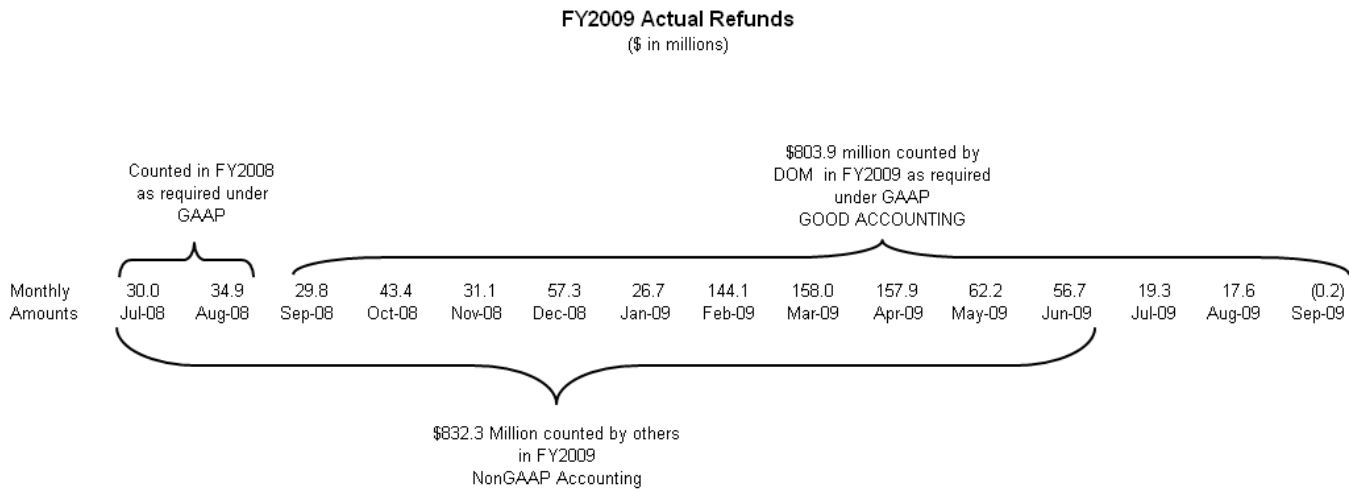


Refunds

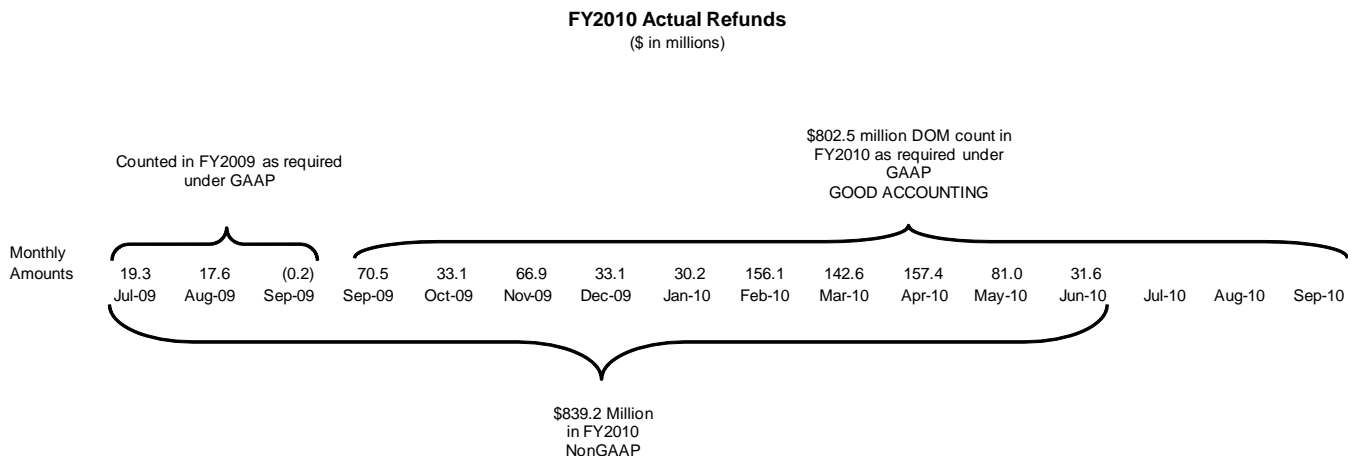
For the month of June, the Department of Revenue issued \$31.6 million in refunds on a cash basis. This compares to \$56.7 million issued June 2009. For the fiscal year-to-date, total refunds issued on a cash basis were \$839.2 million. This compares to refunds of \$832.3 million issued fiscal year to date last year. Approximately \$37 million of the \$832.3 million of refunds reported so far in Fiscal Year 2010 on a cash basis have already been “booked” in Fiscal Year 2009, according to GAAP, and should not be counted toward Fiscal Year 2010 on an accrual basis.

Refunds – Accrual Basis

The chart below identifies some of the misinformation that surrounded the balancing of Fiscal Year 2009 beginning last May. While revenues had declined in June 2009, many observers did not properly allocate refunds to the correct fiscal year, either Fiscal Year 2008 or Fiscal Year 2009. By not recognizing the difference between accrual accounting and cash accounting, these observers did not follow GAAP accounting and misled with the wrong conclusion about balancing the Fiscal Year 2009 budget.



The same allocation must occur in Fiscal Year 2010.



FY 2010 Year-to-Date Net General Fund Receipts on an Accrual Basis

With twelve months of the fiscal year completed, as can be seen from the chart below, year-to-date net General Fund receipts have declined 4.0 percent which is better than the REC's estimate of negative 9.0 percent. We will update this table monthly until the State's books are closed at the end of September 2010.

Net General Fund Receipts

Accrual Basis

Through June 30, 2010

	<u>FY09</u>	<u>FY10</u>	<u>Variance</u>	<u>Percent</u>	REC <u>Estimate</u>
Total Gross Receipts	6,499.8	6,273.1	(226.7)	-3.5%	-6.1%
Transfers	91.1	115.1	24.0	26.3%	-17.0%
Refunds	(767.1)	(802.3)	(35.2)	4.6%	12.1%
School Infrastructure Transfer	(350.3)	(329.6)	20.7	-5.9%	-5.6%
Net General Fund Revenues	<u>5,473.5</u>	<u>5,256.3</u>	<u>(217.2)</u>	-4.0%	-9.0%

**STATE OF IOWA
GENERAL FUND RECEIPTS STATEMENT
FOR THE MONTH ENDING JUNE 30, 2010
(\$ MILLIONS)**

CASH BASIS

	MONTH OF JUNE		FY10 Over (Under) FY09		FY10 Annual Est Percent Of Growth
	FY09	FY10	Dollars	Percent	
Personal Income Tax	\$241.1	\$264.4	\$23.3	9.7%	-5.8%
Sales/Use Tax	173.9	168.8	(5.1)	-2.9%	-3.8%
Corporate Income Tax	53.5	47.9	(5.6)	-10.5%	-12.8%
Inheritance Tax	6.8	6.3	(0.5)	-7.4%	-9.5%
Insurance Premium Tax	15.3	25.6	10.3	67.3%	-6.7%
Cigarette Tax	18.7	21.9	3.2	17.1%	-6.4%
Tobacco Tax	1.4	2.0	0.6	42.9%	-7.4%
Beer Tax	1.5	1.3	(0.2)	-13.3%	-2.0%
Franchise Tax	5.2	5.3	0.1	1.9%	-10.7%
Miscellaneous Tax	1.5	0.1	(1.4)	-93.3%	-45.8%
Total Special Taxes	\$518.9	\$543.6	\$24.7	4.8%	-5.6%
Institutional Payments	1.2	0.8	(0.4)	-33.3%	0.0%
Liquor Transfers:	12.4	5.8	(6.6)	-53.2%	0.0%
Interest	0.1	0.1	0.0	0.0%	-80.8%
Fees	4.4	3.1	(1.3)	-29.5%	-48.0%
Judicial Revenue	9.5	11.5	2.0	21.1%	15.4%
Miscellaneous Receipts	7.2	2.6	(4.6)	-63.9%	-4.5%
Racing and Gaming	0.0	0.0	0.0	0.0%	10.0%
Total Receipts	\$553.7	\$567.5	\$13.8	2.5%	-5.7%
Transfers	\$0.3	\$70.7	\$70.4		
Total Rcpts & Transfers	\$554.0	\$638.2	\$84.2		
Reductions in General Fund Receipts					
School Infrastructure Transfer	(\$30.8)	(\$30.9)	(\$0.1)		
Refunds	(56.7)	(31.6)	25.1		
Total Reductions in GF Receipts	(\$87.5)	(\$62.5)	\$25.0		

Iowa Department of Management
July 6, 2010

**STATE OF IOWA
GENERAL FUND RECEIPTS STATEMENT
FOR THE TWELVE MONTHS ENDING JUNE 30, 2010
(\$ MILLIONS)**

CASH BASIS

	TWELVE MONTHS THROUGH JUNE		FY10 Over (Under) FY09		FY10 Annual Est Percent Of Growth
	FY09	FY10	Dollars	Percent	
Personal Income Tax	\$3,330.7	\$3,235.9	(\$94.8)	-2.8%	-5.8%
Sales/Use Tax	2,327.4	2,293.1	(34.3)	-1.5%	-3.8%
Corporate Income Tax	416.5	389.3	(27.2)	-6.5%	-12.8%
Inheritance Tax	75.4	67.4	(8.0)	-10.6%	-9.5%
Insurance Premium Tax	90.0	88.6	(1.4)	-1.6%	-6.7%
Cigarette Tax	215.8	206.1	(9.7)	-4.5%	-6.4%
Tobacco Tax	23.0	26.0	3.0	13.0%	-7.4%
Beer Tax	14.7	14.4	(0.3)	-2.0%	-2.0%
Franchise Tax	33.7	31.6	(2.1)	-6.2%	-10.7%
Miscellaneous Tax	2.4	(0.4)	(2.8)	-116.7%	-45.8%
Total Special Taxes	\$6,529.6	\$6,352.0	(\$177.6)	-2.7%	-5.6%
Institutional Payments	15.5	14.8	(0.7)	-4.5%	0.0%
Liquor Transfers:	85.5	80.3	(5.2)	-6.1%	0.0%
Interest	14.6	4.0	(10.6)	-72.6%	-80.8%
Fees	77.7	47.8	(29.9)	-38.5%	-48.0%
Judicial Revenue	98.8	108.6	9.8	9.9%	15.4%
Miscellaneous Receipts	39.8	37.8	(2.0)	-5.0%	-4.5%
Racing and Gaming	60.0	66.0	6.0	10.0%	10.0%
Total Receipts	\$6,921.5	\$6,711.3	(\$210.2)	-3.0%	-5.7%
Transfers	\$107.4	\$206.1	\$98.7		
Total Rcpts & Transfers	\$7,028.9	\$6,917.4	(\$111.5)		
Reductions in General Fund Receipts					
School Infrastructure Transfer	(\$350.3)	(\$368.1)	(\$17.8)		
Refunds	(832.3)	(839.2)	(6.9)		
Total Reductions in GF Receipts	(\$1,182.6)	(\$1,207.3)	(\$24.7)		

Iowa Department of Management
July 6, 2010