



STATE OF IOWA

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

DEPARTMENT OF MANAGEMENT
Richard Oshlo, Jr., Director

DATE: June 3, 2010

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

FROM: Richard Oshlo, Director
Department of Management

RE: May 2010 General Fund Receipts

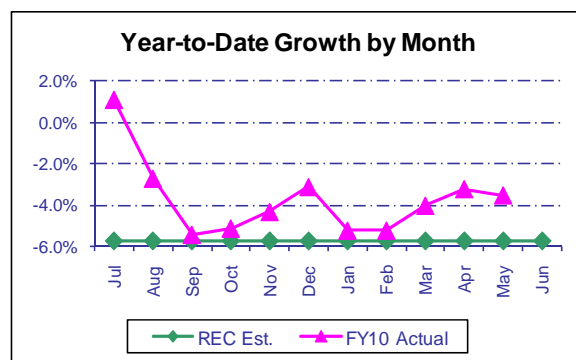
Fiscal year-to-date gross General Fund receipts through May totaled \$6.144 billion, a decrease of 3.5 percent over the same period last year, but an improvement over the Revenue Estimating Conference's (REC) estimated decline of 5.7 percent over Fiscal Year 2009. Actual year-to-date gross receipts would be \$151.7 million higher than the REC's estimate if trends continue this fiscal year. Gross General Fund receipts for the month of May totaled \$756.3 million – \$43.1 million or 5.4 percent less than was collected during May 2009, which is consistent with the REC's estimate for the month. These gross figures are on a cash basis and do not include any adjustments for tax refunds, school infrastructure transfers, or accruals.

Actual fiscal year-to-date net General Fund revenues on an accrual basis show a decline of 6.5 percent over Fiscal Year 2009, which is better than the REC's estimated rate for net revenues of a negative 9.0 percent over Fiscal Year 2009 and would be \$146 million higher if trends continue for Fiscal Year 2010.

Actual year-to-date state revenues continue to be better than the REC estimated. The Fiscal Year 2010 budget is balanced and will be balanced when the Department of Management closes the FY 2010 books in September.

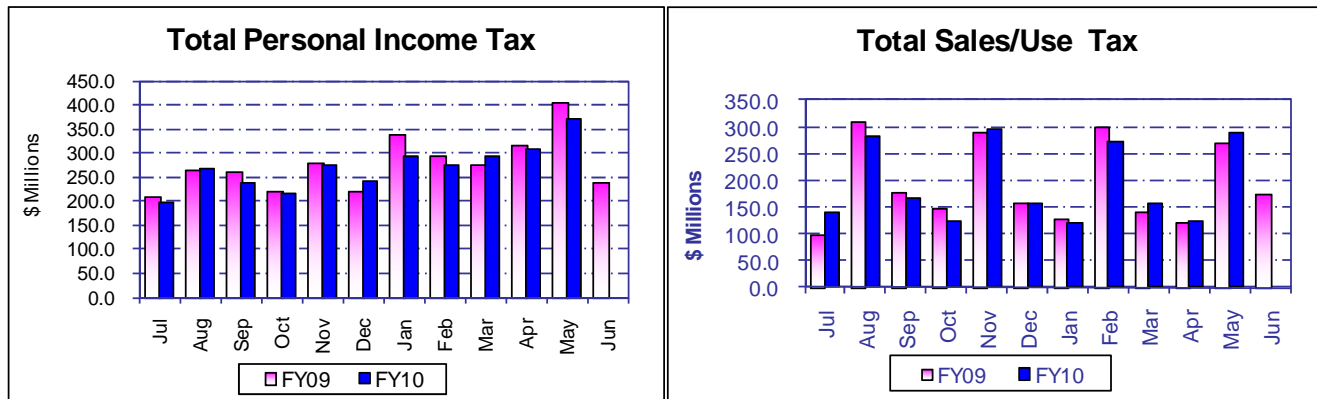
Summary

Year-to-date gross receipts are 3.5 percent lower through May 2010 than Fiscal Year 2009 and are better than the REC's estimated decline 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. Actual net receipts would be \$146.0 million higher than the REC's projection if current trends continue. 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 \$370.0 million during May. This is \$37.0 million or 9.1 percent less than the receipts of May 2009. Withholding tax receipts increased \$16.8 million or 6.7 percent compared to last year. Estimated payments decreased by \$4.3 million. Final return payments decreased \$49.5 million compared to May 2009. Fiscal year-to-date personal income tax receipts totaled \$2.972 billion, a decrease of 3.8 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.

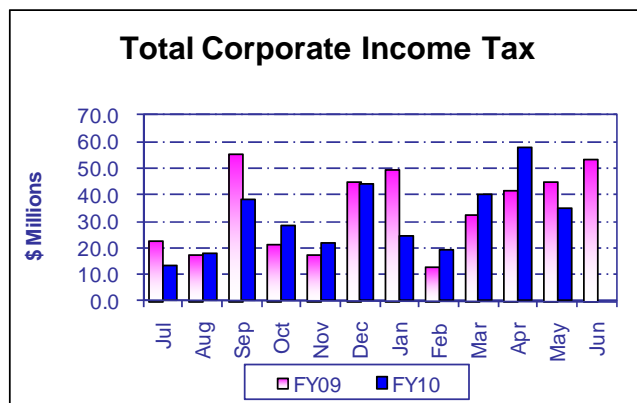


Sales/Use Tax

May sales/use tax receipts totaled \$287.7 million, which represents an increase of \$17.5 million or 6.5 percent over May 2009. For fiscal year-to-date 2010, sales/use tax receipts totaled \$2.124 billion, a decrease of 1.4 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 May totaled \$35.0 million, which is \$9.9 million or 22.0 percent less than in May 2009. Fiscal year-to-date, corporate income tax receipts totaled \$341.4 million, a decrease of 6.0 percent over Fiscal Year 2009. The REC estimated corporate income tax receipts will decrease 12.8 percent.

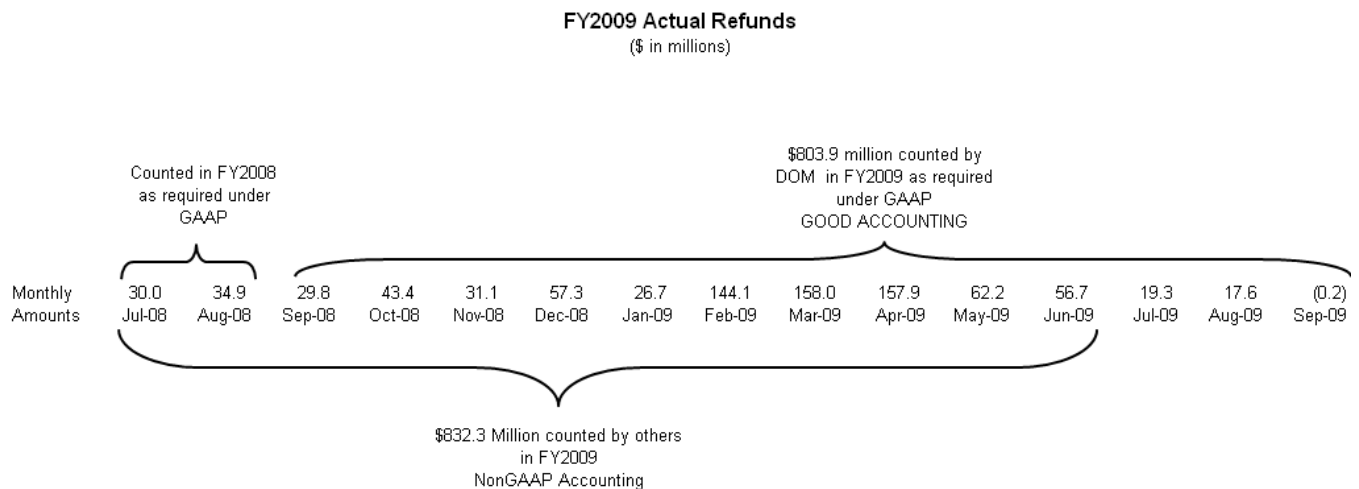


Refunds

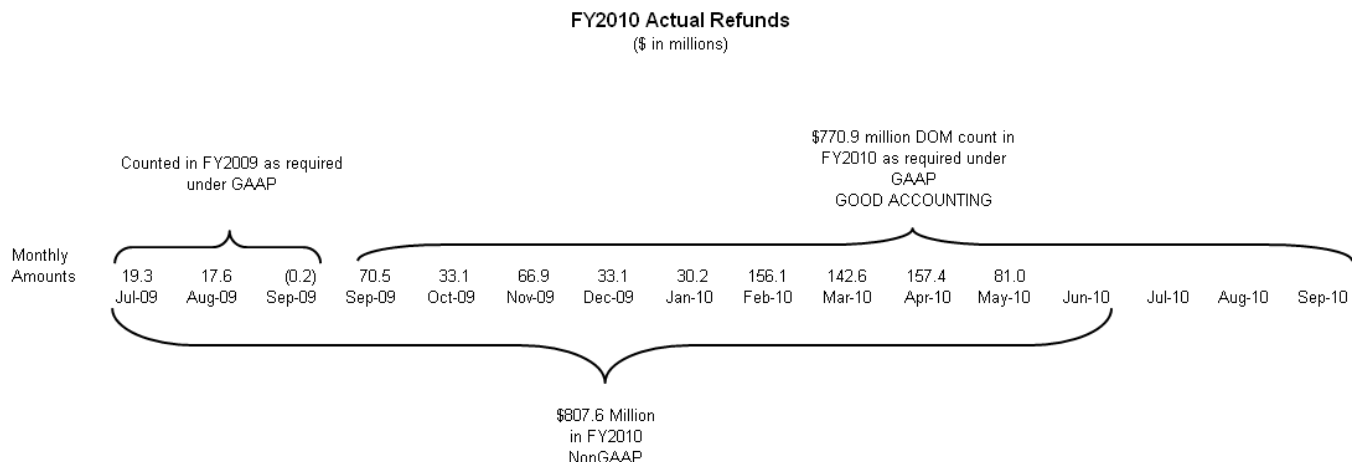
For the month of May, the Department of Revenue issued \$81.0 million in refunds on a cash basis. This compares to \$62.2 million issued May 2009. For the fiscal year-to-date, total refunds issued on a cash basis were \$807.6 million. This compares to refunds of \$775.6 million issued fiscal year to date last year. Approximately \$37 million of the \$726.6 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 the misinformation that surrounded the balancing of Fiscal Year 2009 beginning last May. While revenues had declined in May 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 eleven months of the fiscal year completed, as can be seen from the chart below, year-to-date net General Fund receipts have declined 6.5 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 May 31, 2010

	<u>FY09</u>	<u>FY10</u>	<u>Variance</u>	<u>Percent</u>	REC <u>Estimate</u>
Total Gross Receipts	5,946.1	5,705.6	(240.5)	-4.0%	-6.1%
Transfers	90.8	44.4	(46.4)	-51.1%	-17.0%
Refunds	(710.4)	(770.7)	(60.3)	8.5%	12.1%
School Infrastructure Transfer	(319.5)	(298.7)	20.8	-6.5%	-5.6%
Net General Fund Revenues	<u>5,007.0</u>	<u>4,680.6</u>	<u>(326.4)</u>	-6.5%	-9.0%

**STATE OF IOWA
GENERAL FUND RECEIPTS STATEMENT
FOR THE MONTH ENDING MAY 31, 2010
(\$ MILLIONS)**

CASH BASIS

	MONTH OF MAY		FY10 Over (Under) FY09		FY10 Annual Est Percent Of Growth
	FY09	FY10	Dollars	Percent	
Personal Income Tax	\$407.0	\$370.0	(\$37.0)	-9.1%	-5.8%
Sales/Use Tax	270.2	287.7	17.5	6.5%	-3.8%
Corporate Income Tax	44.9	35.0	(9.9)	-22.0%	-12.8%
Inheritance Tax	7.7	4.4	(3.3)	-42.9%	-9.5%
Insurance Premium Tax	16.9	15.4	(1.5)	0.0%	-6.7%
Cigarette Tax	17.7	15.6	(2.1)	-11.9%	-6.4%
Tobacco Tax	1.8	2.7	0.9	50.0%	-7.4%
Beer Tax	1.2	1.2	0.0	0.0%	-2.0%
Franchise Tax	3.3	2.0	(1.3)	-39.4%	-10.7%
Miscellaneous Tax	0.2	0.1	(0.1)	-50.0%	-45.8%
Total Special Taxes	\$770.9	\$734.1	(\$36.8)	-4.8%	-5.6%
Institutional Payments	1.6	1.6	0.0	0.0%	0.0%
Liquor Transfers:	7.5	6.1	(1.4)	-18.7%	0.0%
Interest	0.3	0.2	(0.1)	-33.3%	-80.8%
Fees	6.2	1.7	(4.5)	-72.6%	-48.0%
Judicial Revenue	10.3	10.1	(0.2)	-1.9%	15.4%
Miscellaneous Receipts	2.6	2.5	(0.1)	-3.8%	-4.5%
Racing and Gaming	0.0	0.0	0.0	0.0%	10.0%
Total Receipts	\$799.4	\$756.3	(\$43.1)	-5.4%	-5.7%
Transfers	\$0.0	\$0.0	\$0.0		
Total Rcpts & Transfers	\$799.4	\$756.3	(\$43.1)		
Reductions in General Fund Receipts					
School Infrastructure Transfer	(\$30.8)	(\$30.9)	(\$0.1)		
Refunds	(\$62.2)	(81.0)	(18.8)		
Total Reductions in GF Receipts	(\$93.0)	(\$111.9)	(\$18.9)		

Iowa Department of Management
June 3, 2010

**STATE OF IOWA
GENERAL FUND RECEIPTS STATEMENT
FOR THE ELEVEN MONTHS ENDING MAY 31, 2010
(\$ MILLIONS)**

CASH BASIS

	ELEVEN MONTHS THROUGH MAY		FY10 Over (Under) FY09		FY10 Annual Est Percent Of Growth
	FY09	FY10	Dollars	Percent	
Personal Income Tax	\$3,089.6	\$2,971.5	(\$118.1)	-3.8%	-5.8%
Sales/Use Tax	2,153.5	2,124.3	(29.2)	-1.4%	-3.8%
Corporate Income Tax	363.0	341.4	(21.6)	-6.0%	-12.8%
Inheritance Tax	68.6	61.1	(7.5)	-10.9%	-9.5%
Insurance Premium Tax	74.7	63.0	(11.7)	-15.7%	-6.7%
Cigarette Tax	197.1	184.2	(12.9)	-6.5%	-6.4%
Tobacco Tax	21.6	24.0	2.4	11.1%	-7.4%
Beer Tax	13.2	13.1	(0.1)	-0.8%	-2.0%
Franchise Tax	28.5	26.3	(2.2)	-7.7%	-10.7%
Miscellaneous Tax	0.9	(0.5)	(1.4)	-155.6%	-45.8%
Total Special Taxes	\$6,010.7	\$5,808.4	(\$202.3)	-3.4%	-5.6%
Institutional Payments	14.3	14.0	(0.3)	-2.1%	0.0%
Liquor Transfers:	73.1	74.5	1.4	1.9%	0.0%
Interest	14.5	3.9	(10.6)	-73.1%	-80.8%
Fees	73.3	44.7	(28.6)	-39.0%	-48.0%
Judicial Revenue	89.3	97.1	7.8	8.7%	15.4%
Miscellaneous Receipts	32.6	35.2	2.6	8.0%	-4.5%
Racing and Gaming	60.0	66.0	6.0	10.0%	10.0%
Total Receipts	\$6,367.8	\$6,143.8	(\$224.0)	-3.5%	-5.7%
Transfers	\$107.1	\$165.4	\$58.3		
Total Rcpts & Transfers	\$6,474.9	\$6,309.2	(\$165.7)		
Reductions in General Fund Receipts					
School Infrastructure Transfer	(\$319.5)	(\$337.2)	(\$17.7)		
Refunds	(775.6)	(807.6)	(32.0)		
Total Reductions in GF Receipts	(\$1,095.1)	(\$1,144.8)	(\$49.7)		

Iowa Department of Management
June 3, 2010