

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: January 2, 2013

Monthly General Fund Receipts through December 31, 2012

The attached spreadsheet presents FY 2013 General Fund total net receipts with comparable figures for actual FY 2012. The figures can be compared to the FY 2013 estimate of \$6.407 billion set by the Revenue Estimating Conference (REC) on December 12, 2012. The FY 2013 estimate is an increase of \$204.4 million (3.3%) compared to actual FY 2012 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

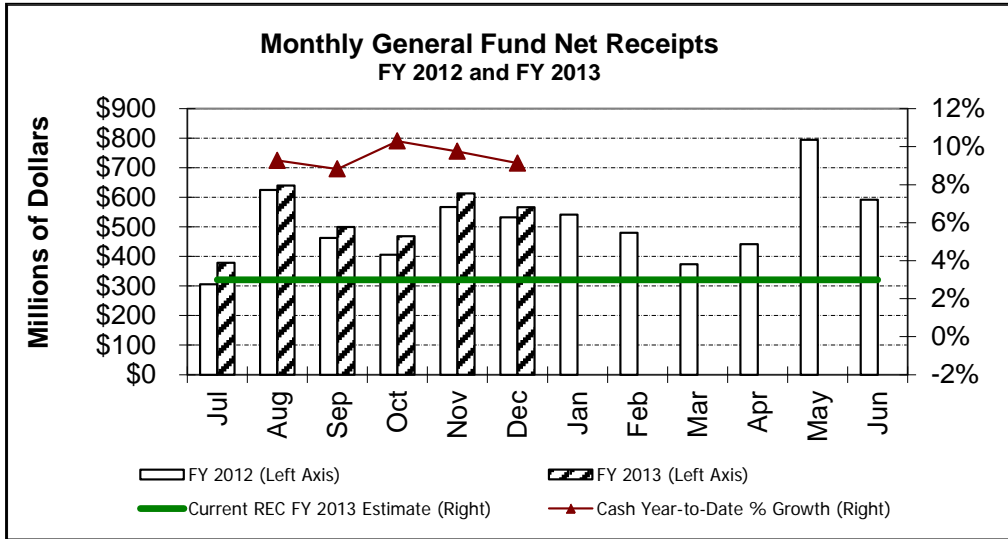
FY 2013 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = + 3.3%						
Year-to-Date Ending:	Year-to-Date FY 2012	Year-to-Date FY 2013	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$1,799.9	\$1,985.1	\$185.2	10.3%	\$59.3	\$125.9
Nov	2,366.8	2,597.7	230.9	9.8%	78.0	152.9
Dec	2,899.4	3,164.2	264.8	9.1%	95.5	169.3
Jan	3,440.7					
Feb	3,921.1					
Mar	4,294.9					
Apr	4,736.3					
May	5,530.8					
Jun	6,122.9					
Year end	6,202.4					

Overview of Current Situation

December 2012 net General Fund revenue was \$34.0 million (6.4%) above the December 2012 revenue level. Year-to-date net tax receipts are \$264.8 million (9.1%) higher than FY 2012. However, deposit timing issues and legislative adjustments had a positive net impact on December revenues of approximately \$23.0 million, Major sources of tax revenue and their contribution to the FY 2013 change include:

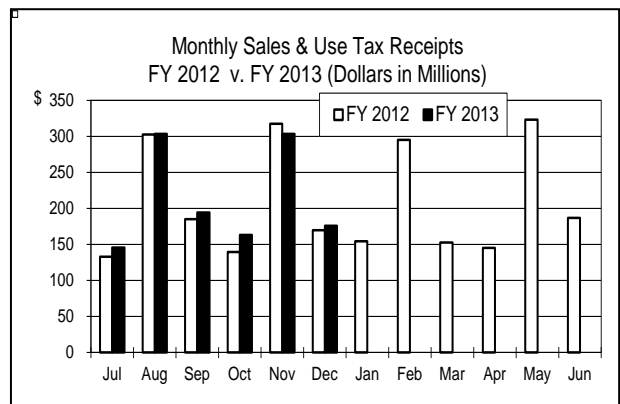
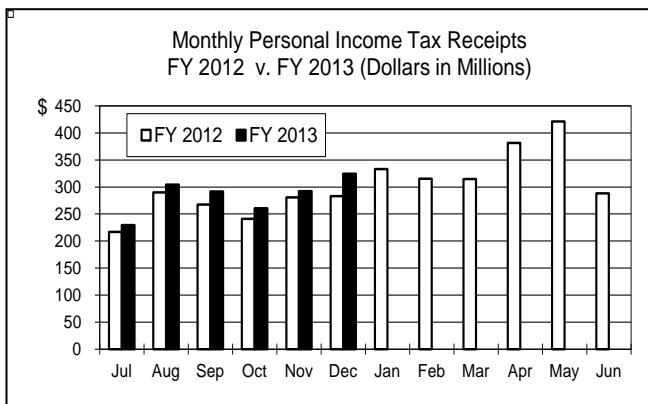
- Personal income tax (positive \$123.7 million, 7.8%)

- Sales/use tax (positive \$38.1 million, 3.1%)
- Corporate tax (positive \$50.7 million, 23.5%)
- Other taxes (positive \$8.1 million, 6.7%)
- Other receipts (positive \$0.8 million, 0.5%)
- Tax refunds not including school infrastructure refunds (positive \$45.5 million)
- School infrastructure sales/use tax refunds (negative \$2.1 million)



Personal Income Tax revenue received in December totaled \$324.6 million, an increase of \$41.6 million (14.7%) compared to December 2011. Deposit timing issues this past month contributed to a positive net impact of approximately \$33.0 million and will likely reverse in January.

The FY 2013 REC income tax estimate of \$3.824 billion represents a projected increase of 5.2% compared to actual FY 2012. Through December, personal income tax receipts have increased \$123.7 million (7.8%). By subcategory, withholding payments increased \$92.8 million (6.8%), estimate payments increased \$30.6 million (19.2%), and payments with returns increased \$0.5 million (0.8%). The following chart compares FY 2013 monthly income tax receipts from the three personal income tax subcategories with FY 2012.



Sales/Use Tax receipts received in December totaled \$175.9 million, an increase of \$6.1 million (3.6%) compared to December 2011.

The REC estimate for FY 2013 sales/use tax receipts is \$2.582 billion, an increase of 3.1% compared to actual FY 2012. Year-to-date sales/use tax receipts total \$1,286 million, an increase of \$38.1 million (3.1%) compared to FY 2012. The preceding chart compares FY 2013 monthly sales/use tax receipts with FY 2012.

Corporate Tax receipts received in December totaled \$72.9 million, an increase of \$8.3 million (12.8%) compared to December 2011.

The REC estimate for FY 2013 corporate tax revenue is \$593.0 million, an increase of 13.9% compared to actual FY 2012. Through December, corporate tax receipts have increased \$50.7 million (23.5%).

Other tax receipts received in December totaled \$23.1 million, an increase of \$1.0 million (4.5%) compared to December 2011.

The REC estimate for FY 2013 other tax revenue is \$370.7 million, an increase of 4.3% compared to actual FY 2012. Through December, other tax receipts have increased 6.7%.

Other receipts (non-tax receipts) received in December totaled \$38.7 million, a decrease of \$13.0 million (- 25.1%) compared to December 2011. A legislative change requiring a reduction in the amount of gaming receipts deposited to the General Fund negatively impacted December receipts by \$10.0 million. This change will also have a negative impact on January receipts.

The REC estimate for FY 2013 other receipts revenue is \$323.8 million, a decrease of 9.2% compared to actual FY 2012. Year-to-date other receipts have increased 0.5% through December.

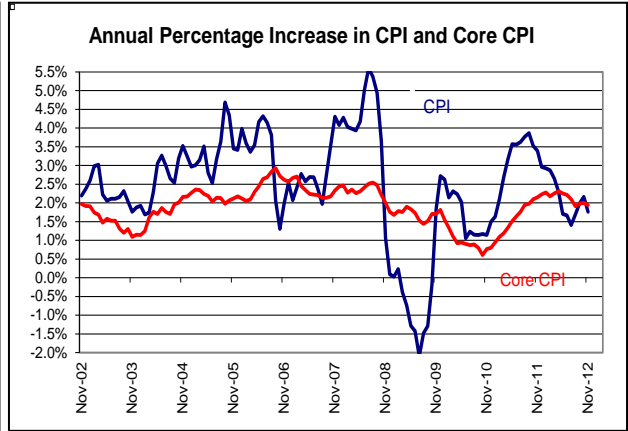
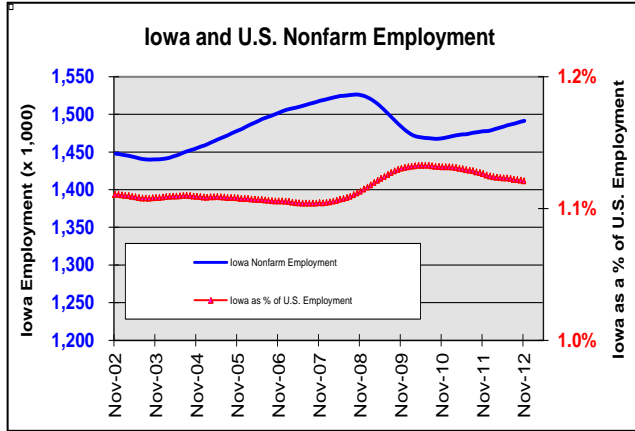
Tax Refunds issued in December totaled \$35.7 million, an increase of \$9.9 million (38.4%) compared to December 2011. School infrastructure refunds totaled \$32.9 million in December, no change compared to December 2011.

Status of the Economy

Iowa nonfarm employment was reported at 1,513,900 for the month of November (not seasonally adjusted), 11,900 higher (0.8%) than November 2011.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,491,400, resulting in an annual average Iowa nonfarm employment level 34,900 below the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment.



The Consumer Price Index (CPI-U) through November 2012 was 231.22 (1983/84=100). Consumer prices decreased (-0.5%) in November (not seasonally adjusted) and the annual rate of inflation decreased to 1.8% from the previous month's level of 2.2%.

Core CPI, an inflation measure excluding food and energy expenditures, decreased slightly in November and totaled 1.9% year-over-year. For the two components excluded from the core rate, energy prices are up 0.3% year-over-year while food prices are up 1.8%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2012 vs. FY 2013 July 1 through December 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 12 Actual Compared to FY 13 REC Estimate		
	FY 2012	FY 2013	Year to Date % Change	December % Change	Actual FY 2012	Estimate FY 2013	Projected % Change
Personal Income Tax	\$ 1,579.7	\$ 1,703.4	7.8%	14.7%	\$ 3,634.3	\$ 3,823.6	5.2%
Sales/Use Tax	1,247.9	1,286.0	3.1%	3.6%	2,505.3	2,582.3	3.1%
Corporate Income Tax	215.6	266.3	23.5%	12.8%	520.7	593.0	13.9%
Inheritance Tax	39.0	45.0	15.4%	17.6%	77.6	85.2	9.8%
Insurance Premium Tax	46.8	47.5	1.5%	0.0%	101.4	104.0	2.6%
Cigarette Tax	6.4	5.4	-15.6%	-15.6%	103.2	103.1	-0.1%
Tobacco Tax	2.6	4.3	65.4%	1700.0%	16.3	16.7	2.5%
Beer Tax	7.6	8.0	5.3%	9.1%	14.2	14.8	4.2%
Franchise Tax	17.5	17.8	1.7%	-26.4%	41.5	45.8	10.4%
Miscellaneous Tax	0.4	0.4	0.0%	-100.0%	1.1	1.1	0.0%
Total Gross Taxes	\$ 3,163.5	\$ 3,384.1	7.0%	10.5%	\$ 7,015.6	\$ 7,369.6	5.0%
Institutional Payments	6.1	6.8	11.5%	125.0%	13.0	14.5	11.5%
Liquor Profits	48.3	52.7	9.1%	-22.7%	94.6	94.6	0.0%
Interest	1.2	1.1	-8.3%	0.0%	2.4	2.5	4.2%
Fees	12.4	13.1	5.6%	3.7%	29.1	26.5	-8.9%
Judicial Revenue	45.9	43.7	-4.8%	6.3%	113.8	113.9	0.1%
Miscellaneous Receipts	14.5	17.6	21.4%	-13.0%	37.7	31.8	-15.6%
Racing and Gaming Receipts	46.1	40.3	-12.6%	-41.2%	66.0	40.0	-39.4%
TOTAL GROSS RECEIPTS	\$ 3,337.9	\$ 3,559.4	6.6%	7.4%	\$ 7,372.3	\$ 7,693.4	4.4%
Accrued Revenue-Net					61.3	16.0	
Tax Refunds *	-216.3	-170.8	-21.0%	38.4%	-820.6	-870.5	6.1%
School Infrast. Refunds *	-222.2	-224.3	0.9%	0.0%	-410.6	-432.1	5.2%
TOTAL NET RECEIPTS	\$ 2,899.4	\$ 3,164.2	9.1%	6.4%	\$ 6,202.4	\$ 6,406.8	3.3%
* For FY 2012 and FY 2013 Year-to-Date columns, refunds are presented on a cash basis. For FY 2012 Actual and FY 2013 Estimate, refunds are presented on a fiscal year basis.							