

Revenue Estimating Conference Minutes October 11, 2004

Members present: Dennis Prouty, David Underwood, Mike Ralston.

Dennis Prouty called the Revenue Estimating Conference to order at 3:00 p.m.

Reviewing the agenda, Dennis shared those items for discussion would be FY05 and FY06.

Dennis asked for a motion to approve the minutes of the March 19, 2004 REC Meeting. Motion made by David Underwood, seconded by Mike Ralston to approve the minutes as printed. Motion carried.

Review Fiscal Year 2005 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Gambling Revenues Transferred to Other Funds

Referring to the handout and looking at FY05, Dennis noted that there was very little difference between LSA (Legislative Service Agency) and DOM (Department of Management) estimates. Giving an overview, Dennis stated that before law changes personal income tax had a growth of 5.3%. LSA estimated a 3.8% growth after the law changes. Sales tax was at a 3.3% growth before law changes. LSA estimated a 2.4% growth after the law changes for FY05 with DOM estimating a 2.2% growth for FY05.

Mike shared that the Department of Revenue analyzes the current Iowa withholding tables annually. The current plan is to address and adjust Iowa withholding tables in calendar year 2005. The target date is April 1, 2005. The real impact of that is a negative \$20M figure for FY05 because of the timing issue, which is reflected in the withholding estimates. Further adjustments will be made in calendar 2006. The \$20M will be picked up in FY07.

Mike added that the first three quarters of 2004 were strong but doesn't expect to see these figures hold. In fact, he anticipates they will flatten out towards the end of the year.

David Underwood agreed that it does appear there has been a turn. Receipts started picking up in January and carried on through. That's in contrast with the first six months of the last fiscal year which was dismal. From that stand point, it's looking very good for Iowa right now. Based upon the Federal tax information, Iowa had a growth in wages of 4.8% which is one of the bigger increases in Iowa since 1999. The withholdings numbers indicate that level of growth has continued this year. There is also a significant increase in business income which shows a very good growth. Small business people in Iowa are doing well and have been able to sustain that this year.

David asked for clarification on the Lottery estimates, which show a \$3M difference between LSA and DOM estimates.

Joel Lunde responded saying the DOM estimates include the amount anticipated to receive from charter agencies, which LSA may not have included in their estimate.

David also asked for clarification on estimates for refunds. He acknowledged the difficulty in projecting refunds, but after doing some figuring, he felt there may not be enough estimated for refunds

Mike Lipsman with the Department of Revenue responded that there is nothing to indicate refunds will go up this fiscal year.

David made motion to accept DOM's FY05 estimate substituting the refund amount from LSA's estimates. Mike seconded motion.

Mike said the issue was whether or not there would be more refunds than DOM has estimated. With the information presented by Revenue staff, Mike felt comfortable with the \$695.5M in DOM's estimate for refunds.

Mike made an amendment to the motion to accept DOM's estimates including the \$695.5 for refunds. David seconded motion. Motion carried.

On the original motion, motion carried.

Estimate Fiscal Year 2006 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Revenues Transferred to Other Funds.

Dennis stated the growth for personal income tax and sales tax is somewhat higher than it appears on the handout, from the standpoint that there are adjustments that have to be made. Income tax grew approximately 4.6% while sales tax had a 2.5% growth prior to any adjustments. It shows there is a continuation of growth based upon our estimates.

David felt that based on current information, the estimates seemed reasonable.

David made motion, seconded by Mike to accept DOM's FY06 estimates. Motion carried.

Gambling Revenues

Both DOM and LSA estimate \$150.9M for gambling revenues for FY05 and for FY06. Motion made by Mike, seconded by David to accept these figures for FY05 and FY06. Motion carried.

Other Business

With no further business, David moved to adjourn.