

**Revenue Estimating Conference
Minutes
March 11, 2010**

Members present: Richard Oshlo, Holly Lyons, David Underwood.

Mr. Oshlo called the Revenue Estimating Conference to order at 1:30 p.m.

Approval of Minutes of December 11, 2009 Meeting

Mr. Underwood made a motion, seconded by Ms. Lyons to approve the minutes of the December 11, 2009 meeting as printed. Motion carried.

Review Fiscal Year 2010 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Gambling Revenues Transferred to Other Funds

Mr. Oshlo reviewed the Governor's appointee estimates and stated that it appears we are on track to meet the December's REC estimates. He added that while some internal changes have been made by reducing personal income, increasing sales and use tax revenue, and increasing corporate income tax revenue, he believes we are essentially flat for Fiscal Year 2010 from the December REC estimate.

Ms. Lyons reviewed the LSA estimates. She shared that the pace of job loss has slowed, but unemployment remains high which means that revenue collections remain low. There is a concern that companies and government have re-engineered, reorganized and are becoming more efficient and, therefore, won't be hiring back the number of people that were laid off during the recession. Some of the positive indicators in Iowa include falling unemployment claims, increasing retail sales, and more new housing starts. She added that the LSA Fiscal Year 2010 estimates have changed very little since December.

Mr. Underwood shared that with his survey of employers in Iowa, the results were basically the same now as they were in December. Those who were optimistic in December are still optimistic, and those who were pessimistic in December still are. The agriculture sector of equipment manufacturing is looking at a good year. He expressed his concern regarding the number of teachers in school districts and community colleges being laid off as well as the number of state employees retiring and leaving state government. Some employers are going with longer work weeks rather than hiring additional employees.

Mr. Underwood made motion, seconded by Mr. Oshlo to accept the LSA estimates and changing the figure for refunds from \$911 million back to the December estimate of \$901 million making the total Net Receipts Plus Transfers \$5,402.1M. Motion carried. This is a growth of -9% over Fiscal Year 2009.

Mr. Underwood made motion, seconded by Ms. Lyons to accept the Fiscal Year 2010 estimate of \$202.2M for Gambling Revenues deposited to Other Funds. Motion passed.

Review Fiscal Year 2011 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Revenues Transferred to Other Funds.

Mr. Oshlo shared there is probably a consensus that we are beginning to turn and the real question is the narrow framed difference between LSA numbers and the Governor's appointee's numbers which boils down to the determination of what growth will occur at the beginning of a recovering

period. There needs to be a cautious sense of optimism without abandoning the concern that unemployment hasn't been reduced yet, employment levels are slow, and we are slow to recover.

Mr. Underwood noted that between the state and federal tax law changes, there is about \$38.9M to make up which is about 1.2% increase required in personal income tax to cover those two tax law changes. He expressed his concern with the sales tax estimates, noting there are conservative, cautious and educated consumers out there waiting for the sales. They are paying down debt instead of consuming. He added that the people in the housing industry are not expecting much of an increase in that market until late 2011.

Ms. Lyons asked Mr. Underwood if he would entertain a motion to accept the LSA estimates with a slight adjustment in the sales tax estimate.

Mr. Underwood agreed with her suggestion and made a motion, seconded by Mr. Oshlo, with an adjustment of a \$10 million increase in the sales tax on LSA estimates, making the total Net Receipts Plus Transfers \$5,436.3. Motion passed. This is a 0.6% positive growth over the new Fiscal Year 2010 estimate.

Mr. Underwood made motion, seconded by Mr. Oshlo to accept the Fiscal Year 2011 estimate of \$197.6M for Gambling Revenues deposited to Other Funds. Motion passed.

Other Business

Mr. Oshlo shared that the Governor appointed a task force to look at the State Tax Credit Programs and submit a recommendation he could include in his budget and propose to the legislature who has been studying the tax credits programs. The task force asked the Department of Revenue to score the impact of this recommendation on Fiscal Year 2011 which became apparent there was a misunderstanding. Mr. Oshlo noted that the members of the Revenue Estimating Conference include in its personal income, corporate income tax figures an adjustment for tax credits and may be the only ones who are familiar with that. The Governor's task force suggested that as part of greater transparency, the list of tax credits and dollar amounts for each of the tax credits included in the REC estimates be made available at future REC meetings. Mr. Oshlo distributed the handout making it available to the public. This will be a handout at all future REC meetings, but will not require action from REC members.

With no further business, the meeting was adjourned.

Respectfully submitted



Marcia E. Murrow
Secretary
Department of Management