

**Revenue Estimating Conference
March 14, 2001**

Cynthia Eisenhower called the Revenue Estimating Conference to order at 1:00 p.m. with all members present.

Cynthia stated that today's task was to update FY 2001 and FY 2002 general fund estimates as well as estimates for refunds, lottery, transfers and gambling transfer.

Dennis Prouty made motion to accept the minutes of the December 8, 2000 REC meeting, seconded by David Underwood. Motion carried.

Cynthia started with the FY 2001 general fund revenue referring to the handout showing the comparison of the estimates that the Fiscal Bureau generated and the estimates the Department of Management generated and how these relate to actual year-end-receipts for six prior years. Looking at FY 01 estimates between the Fiscal Bureau and the Department of Management, Cynthia talked about the corporate income tax estimates. That seems to be the tax with the biggest discrepancy in our estimates. In order to achieve last year's level, which is not likely, corporate receipts would have to increase almost \$14M over last year. With companies being proactive with restructuring in today's economy, Cynthia doesn't think corporate receipts will drop quite as much as Fiscal Bureau's estimates might suggest. Cynthia was hoping to find a middle ground between the estimates of \$296.2M and \$312.2M.

David Underwood commented that as he was working with this, he came up with \$306M. He looked at where we are today with over \$32M, took a look at what we got last four months of last year and tried to apply that based upon the way they are coming in. Everything we've seen recently has been a little lower estimate. That works out to about a 6% decline.

Dennis Prouty said that overall for FY 01 there is a \$6.6M total difference between LFB and DOM and when it's that close, there isn't much difference between the overall figure. We're all looking at it in the same light and have the same type of perception on where we think the revenue is going to be.

Cynthia asked Dennis if he would consider David's estimate for corporate.

Dennis said he felt comfortable with David's estimate and asked if David had any other concerns.

Davis said his concern dealt with the sales tax, where you're about \$10M difference there and the question is if LFB and DOM in the estimates, considered the estimated \$10M cost for the utilities.

Dennis and Cynthia said that was considered in the estimates.

Dennis Prouty made motion, seconded by David Underwood for FY 01 for total tax and other receipts of \$5.131B. Motion carried.

Dennis Prouty made motion to adopt refund estimates of \$554.1M, seconded by David Underwood. Motion carried.

Cynthia asked for discussion or motion on lottery and other transfers. Dennis Prouty moved to adopt \$103.2M for lottery and other transfers, seconded by David Underwood. Motion carried.

David Underwood made motion to adopt estimates of \$130.5M for gambling revenue, seconded by Dennis Prouty. Motion carried.

Cynthia stated that with respect to the FY 02 general fund estimate, the most significant difference would be FY 02 sales tax revenue. The Standard and Poor's DRI forecasts the rate of consumer spending to rebound from 3.1% to 4% in FY 2002. It was mentioned in the Economic Forecasting Council that farm income will be stable and that we can look forward to some farm spending this spring. While 4.5% might be ambitious, Cynthia would like to find a middle ground between 3.6% and 4.5%.

Dennis Prouty made motion to change Department of Management's estimate for sales tax figure to \$1.5B, seconded by David Underwood.

David Underwood expressed some concern as to whether revenues will rebound as much and as fast as we predict.

Cynthia relied largely on the fact that Iowa's population growth in employment is at an all time high. We are not recession proof, but certainly Iowa's response to economic downturns and upturns is more moderate than the national trends. Iowa has a strong labor market, particularly for people who are experiencing layoffs and having to change jobs. Overtime is down and inventories are up. We have heard from the Economic Forecasting Council there are a lot of reasons why those conditions should be considered temporary in nature and not long-term.

David asked if the utility sales tax impact on FY 02 was to begin in January.

Joel Lunde responded confirming the one-cent reduction would begin in January.

With no further discussion, Cynthia asked for a vote for the motion on the floor of \$5,352.6M. Motion carried.

Moving to FY 2002 Refunds, Cynthia stated there was a minimal difference between LFB and DOM estimates. Motion made by Dennis Prouty to accept DOM's estimates of \$565M for FY 02 Refunds, seconded by David Underwood. Motion carried.

With regards to FY 02 Lottery and other transfers, Cynthia asked for motion stating LFB and DOM's estimates were the same. David Underwood made motion to accept the estimate of \$37.7M, seconded by Dennis Prouty. Motion carried.

LFB and DOM both gave estimates of \$140M for FY 02 Gambling Revenues. Dennis Prouty made motion to accept the estimate of \$140M for Gambling Revenues, seconded by David Underwood.

David Underwood asked why we were so optimistic about gambling in the next year. Joel Lunde responded that the \$140M is lower estimate than had been estimated in December, but the state is taking an additional 2% from the slot machines.

With no further discussion, Cynthia asked for a vote on the motion for FY 02 Gambling Revenues. Motion carried.

With no further business to bring before the Council, the meeting was adjourned.