

Revenue Estimating Conference

Minutes

April 8, 2005

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

Dennis Prouty called the Revenue Estimating Conference to order at 3:00 p.m. and reviewed agenda items for discussion.

Approval of Minutes of December 14, 2004 meeting

Motion made by Mike Ralston, seconded by David Underwood to approve the Minutes of the December 14, 2004 meeting as printed. Motion carried.

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

Mr. Prouty shared that the FY06 budget cannot be affected as far as what the Governor's recommendation and the Legislature's recommendation for spending. They cannot utilize this money unless they would happen to not withstand the law. That being the ground rules, Mr. Prouty asked for discussion on the FY05 budget.

Mr. Ralston stated the estimates of the December meeting were a little conservative. The increase lasted longer than originally projected and he felt there would be more revenue and less refunds. Because of this, he recommended the estimates for FY05 be raised above the 2.7%

Mr. Prouty responded saying there is still the outstanding question of bonus depreciation with FY05 and FY06. He also felt the receipts were much improved to what REC members originally thought they would be at the December meeting. Another concern was the affect on sales tax, the general economy and the price of gasoline. He agreed the economy looks better.

Mr. Underwood felt that since the REC met in December, employment and wage growth in Iowa has been very strong. Withholding is up 6.2% and that can't be explained by the number of people working because there hasn't been any where near that amount of growth. He added that Iowa's average wage is currently running above the national average, which isn't normal. There are a few more people in Iowa working and the people who are working are earning more. He felt this was a reflection of comments heard about businesses in Iowa having a good year in 2004 and felt it was reflected in the estimate payments as well. Not only did farmers have a better year, but also the average businessperson in Iowa had a pretty good year too. He didn't know if we'd be seeing that continued growth in profitability, or how much longer people would have that increase in wages in Iowa. Nationally wages are not increasing anywhere near that amount.

Mr. Underwood added that the last quarter would be impacted with the change in withholding tax. The sales tax, for the state, isn't quite as strong as it may appear from what the receipts have been, so once those payments get caught up a little bit, there will be some moderation there as well.

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

Mr. Ralston felt that FY06 is going to be opposite of FY05. In FY05, we knew we were going to start strong and then flatten it out a bit. He felt it would start flat in FY06, at least more flat than in FY05, and then get better. The sales tax data and corporate tax data will need to be watched closely as well as the motor fuel tax. He felt comfortable with the 2% saying the REC will have another look at that before the legislature comes back in January.

Regarding the FY06 projections, Mr. Underwood shared that the estimated growth factors are pretty much in line with historical growth averages for the state of Iowa. There are a number of adjustments that have to be made to those numbers for tax law changes and withholding changes that will continue to impact the projections. That 2% really isn't where the economic growth would take the state revenues, but some of the other law changes, whether it's a federal or state, bring down a growth factor that would probably be closer to 4% than 2%. We just need to make it clear that we don't really think the economy is just going to grow 2% in Iowa. It's actually going to go quite a bit higher than that.

Mr. Underwood made a motion, seconded by Mr. Ralston to accept the Governor's Appointee Projections for Total Tax and Other Receipts for both FY05 at 4.1% increase and FY06 at 2% increase. Motion carried.

Motion made by Mr. Ralston, seconded by Mr. Underwood to accept the Governor's Appointee Projections for Total Transfers, Accruals-net and Refunds for both FY05 and FY06. Motion carried.

Motion made by Mr. Underwood, seconded by Mr. Ralston to accept the projections for Gambling Revenue. Motion carried.

Other Business

Asking for clarification on the Estimated Gambling Revenue Deposited to Other Funds, Mr. Underwood asked if at some point in time the estimates would change to reflect the additional casinos in the event that there are new casinos approved.

Mr. Lunde responded saying there are no additional casinos in the estimates prepared for today's meeting. The estimates on the spreadsheet are what we know as of today. We'll know more the next time we meet.

With no further business, Mr. Underwood made motion, seconded by Mr. Ralston to adjourn.

Respectfully submitted



Marcia E. Murrow
Secretary
Department of Management