Members present: Dennis Prouty, David Underwood, Holmes Foster.

Dennis Prouty called the Revenue Estimating Conference to order at 11:00 a.m. with all members present.

Dennis Prouty welcomed Holmes Foster as a new member appointed to the Revenue Estimating Conference.

Dennis asked for motion to approve February 21, 2002 REC minutes. David Underwood made motion to accept the minutes as printed, seconded by Holmes Foster. Motion carried.

**FY2002 General Fund Receipts**

Dennis distributed a document of graphs entitled REC-May 7, 2002. The first part shows where we've been during FY2002, giving an idea of what we've been looking at and the latter part takes a graphic look at how the LFB came together to propose their projections for the current year FY2002 and FY2003. Dennis gave highlights of each chart explaining the first chart showed the daily receipts throughout the current fiscal year. At the end of April and the first of May, the receipts dropped significantly. Dennis reported they've started coming back up a little and we're now at −3.2% instead of the −3.7% where we temporarily bottomed out.

The chart on page six shows the individual income tax receipts continue to fall as payments with returns lag 31% behind last year for the remainder of this cash year.

Page 11 shows fiscal year tax refunds. These tax refunds are giving not only Iowa problems, but also other states, as well as giving the Feds problems. They are just not coming in with what has been anticipated. The chart shows the refunds through May 3rd and how the refunds are increasing as we go throughout the year.

The last report that Dennis saw from NCSL showed that as of the middle of April, there are 40 other states that are considering budget cuts for a potential of $27B shortfall. The NCSL report showed Alaska has a 31% problem, Arizona is 13%, Colorado is 12%, Indiana is 12%, New Jersey is 12% and Virginia is 10%. So, Iowa is not in this situation by itself.

Dennis shared some comments on the current law stating there were some transfers, net budgeting, and various things that were included in the FY03 budget. As of yet, that has not been signed or vetoed by the Governor so none of those figures are included in today's
spreadsheet for FY03. The Revenue Estimating Conference has always dealt with current law.

Referring to the spreadsheet distributed, Dennis gave a summary of the differences between LFB’s estimates and DOM’s estimates. Dennis pointed out that the Legislature passed a bill during the session that increased transfers for FY02 from a normal $15-$16M up to $68.6M. That has been included in the spreadsheet because the Governor has signed that bill.

Holmes Foster asked for the difference between DOM and LFB for total tax receipts with Dennis responding that the difference is $5.2M in total receipts.

David Underwood said he was discouraged that the number of employed Iowans continues to fall.

Discussion then centered on sales tax and the impact of having the end of the fiscal year land on a weekend giving less days for processing.

David made motion, seconded by Holmes to accept DOM’s estimates for FY02. Motion carried.

**FY2003 General Fund Receipts**

Dennis stated that LFB’s projections were more aggressive and more optimistic than DOM’s estimates with individual income tax, sales tax, and corporate tax. The net affect of this is $20.9M, which is the difference between the two estimates.

Holmes said he felt the economy will turn around, but it’s simply a question of when and how vigorously.

David raised a concern about how Federal law changes will impact tax receipts. Staff from the Dept. of Revenue & Finance responded saying the impact amounts to approximately $15M and has been figured into the current estimates.

Discussed lower natural gas prices with the warmer winter and what impact that might have had on sales tax revenues during the current fiscal year.

David made motion, seconded by Holmes to accept DOM’s FY03 estimate with the amendment to increase personal income tax to $2370.5B, bringing the Net General Fund Receipts total to $4399.6B. Motion passed.

**FY2003 Gambling Revenues Transferred to Other Funds**

DOM and LFB estimates were the same with no changes since the February REC meeting. Motion made by Holmes, seconded by David to adopt the proposed estimates. Motion carried.

With no further business, the meeting was adjourned.