

**Revenue Estimating Conference  
Minutes  
October 9, 2008**

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Members present: Charles Krogmeier; Holly Lyons, David Underwood.

Mr. Krogmeier and Ms. Lyons served as co-chairs and called the Revenue Estimating Conference to order at 10:00 a.m.

Following the retirement of Dennis Prouty, the first order of business was to appoint a new chair. Ms. Lyons made a motion, seconded Mr. Underwood for Mr. Krogmeier to serve as chair of the Revenue Estimating Conference. Motion carried.

**Approval of Minutes of April 4, 2008 Meeting**

Motion made by Mr. Underwood, seconded by Ms. Lyons to approve the minutes of the April 4, 2008 meeting as printed. Motion carried.

**Review Fiscal Year 2009 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Gambling Revenues Transferred to Other Funds**

In comparing the estimates by the Legislative Service Agency (LSA) and the Governor's Appointee, Mr. Krogmeier shared that LSA was more conservative in their projections. He felt the Governor's Appointee's estimates for Sales Tax were more accurate because the Governor's Appointee did not project the sales tax dropping off as quickly as LSA projected. He agreed it was softening and felt it could look different as we get closer to the holiday season. Another significant difference in the two estimates was with Corporate Taxes. Mr. Krogmeier shared that both projected a drop off; the question is how fast will it drop and how much of an impact will it have?

Ms. Lyons responded sharing her comments on the Sales and Use Tax which is the greatest difference between the two estimates. The National Retail Federation predicts a 2.2% growth in retail sales and that was in September before all this recent volatility in the market. That's compared to 3% last year. She felt if it goes down farther than the 2.2%, it would impact the numbers. She added that building permits are down as are cigarette sales.

Mr. Underwood agreed the biggest difference is in the growth of Sales Tax. The leading indicators continue to look very negative for Iowa. Historically, Iowa has trailed the rest of the economy on the way down and trailed on the way back up. Iowa usually had a six to nine month warning, but things have accelerated. It's just a matter of how quickly it's going to impact Iowa and how deeply. He added that 31 states are in a budget crisis situation due to rapidly declining revenues. Because there is so much uncertainty now, he hated to be overly optimistic.

Talking about the National economy, Mr. Krogmeier felt there was no question that we're in a recession. Mr. Underwood added that the manufacturing index has started to fall off.

Ms. Lyons agreed that only three months into the fiscal year is a little early to determine what Sales Tax is going to do. She had some concerns, but said she would be amiable to looking at splitting the difference or making some adjustments to LSA estimates.

Mr. Krogmeier proposed an adjustment to use LSA estimates as the base, adding \$40M to Sales and Use Tax and adding \$8M to Corporate Tax. This would change the Total Net Receipts to \$6,089.9M for a 1.2% growth and change the Net Receipts Plus Transfers to \$6,151.5 for a 1.1% growth.

Mr. Underwood made a motion to approve LSA estimates as adjusted, seconded by Ms. Lyons. Motion carried.

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

Mr. Krogmeier noted that the two estimates had a significant difference on Personal Income Tax. In reviewing the data, he felt the Governor's Appointee may be high on their estimate and LSA was a little low. Based upon what the University of Iowa's estimates are, he felt Iowa would see a slight drop in employment over the next six to nine months and then it should start coming back by next fall.

Mr. Underwood stated that one of the major factors of change in Iowa, other than wages, has been capital gains. We experienced unprecedented high levels in 2006 and 2007, but given the current stock market situation, he didn't think we would see that now. There are indications that the farm land has reached its peak and might be headed downwards. Some of those high prices aren't supported by today's commodity prices.

Mr. Krogmeier proposed using the LSA estimate as the base again, and make some adjustments. Following discussion and recalculating, the proposed motion was to use LSA estimates as the base and add \$12.5M to Personal Income Tax estimate. Increase Sales Tax \$40.0M to 20% growth and add \$8.5M to Corporate Tax changing Total Net Receipts to \$6,098.7M for a 0.1% growth. This would change the Net Receipts Plus Transfers to \$6,158.4M for a 0.1% growth.

Mr. Underwood made motion to approve LSA estimates as adjusted, seconded by Ms. Lyons. Motion carried.

For clarification, Mr. Krogmeier asked for a recap of the adjustments made. Mr. Robinson, with LSA, gave the following recap:

Total net receipts for FY2009 - \$6,089.9M for a 1.2% growth

Total net receipts for FY2010 - \$6,098.7M for a 0.1% growth

Net Receipts Plus Transfers for FY2009 – \$6,151.5M for a 1.1% growth

Net Receipts Plus Transfers for FY2010 – \$6,168.4M for a 0.1% growth

With LSA and Governor's Appointee estimated Gambling Revenue Deposited to Other Funds being the same, Mr. Underwood made a motion, seconded by Ms. Lyons to accept the estimate for FY2009 of \$221.4M and the estimate for FY2010 of \$222.2M. Motion carried.

Next meeting tentatively scheduled for December 12.

With no further business meet was adjourned.

Respectfully submitted



Marcia E. Murrow  
Secretary  
Department of Management