

Revenue Estimating Conference Minutes December 6, 2002

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

Dennis Prouty called the Revenue Estimating Conference to order at 10:00 a.m. with all members present.

Dennis asked for a motion to approve the minutes of the September 6, 2002 REC Meeting. Motion made by Holmes Foster, seconded by David Underwood to approve minutes as printed. Motion carried.

FY2003 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Gambling Revenues Transferred to Other Funds

Dennis shared some of the factors taken into consideration when figuring the FY03 estimates.

Comparing the DOM and LFB estimates, Dennis stated there wasn't much difference in either year and not much difference from what had been done September 6th. In personal income tax, withholding is the only thing that shows any growth. Estimates are down, payments are down and so withholding is the strong factor within that. Sales tax is basically flat. Another 1% of the utility tax was exempted for this current estimate. Use tax is unchanged. Corporate income tax is making a small recovery from FY2002. The September 6th estimates for Total Tax and Other Receipts were at \$5,008.1. LFB is estimating \$5,025.0 for FY03 which is .3 of 1% growth. Dennis shared that some adjustments were made in refunds but totally the estimate went up 1.4% over September under the LFB assumptions.

Holmes felt with the lack of growth, LFB's estimates were acceptable.

David stated there are not a lot of indicators out there that anything has really changed in Iowa's economy. Sales tax seems to be up some from last May.

Holmes made motion, seconded by David to accept all of LFB's FY03 estimates for Net General Fund Receipts of \$4,520.4. Motion carried.

FY2004 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Gambling Revenues Transferred to Other Funds

Holmes stated that again DOM estimates left sales tax flat with the adjustment for the utility tax. We're showing some growth, but the categories seem to be consistent with the national numbers, except for sales tax. Iowa sales tax is not declining and we're showing small increases in tax receipts, which is consistent with a slow recovery.

Dennis shared that LFB had included a small growth in estimate payment for personal income tax and a small amount for pay returns. Withholding tax is again the major factor of that group. Sales tax was adjusted another 1% for utility exemption. There is basically a little bit of growth scattered throughout the various items. LFB's estimates for Total Tax and Other Receipts is \$5,106.8 and DOM's estimate is at \$5,100.3 which is very close.

Holmes made motion, seconded by David to accept LFB's estimate for FY04 of \$4,525.8. Motion carried.

Following discussion on estimated Gambling Revenues deposited to other funds, David made motion, seconded by Holmes accepting the estimates of \$121.3M for both FY03 and FY04. Motion carried.

Motion made by David, seconded by Holmes to accept estimates of \$4.3M for Wine Receipts for both FY03 and FY04. Motion carried.

Other Business

Dennis stated the REC members went before the Oversight and the Fiscal Committee early in the interim and talked about ways to improve information and accuracy for REC's projections. We need to find a way to improve the system we're using and report back to the Oversight Committee.

Holmes shared that the Fiscal Committee made a similar request of Revenue & Finance and they have done some exhausting work on needs that would produce more numbers and more information. REC will defer the recommendations of Revenue & Finance insofar as needs for personnel, software, hardware and services. Holmes said he has been a little dismayed to find how little is known about the economy of our own state. We need a look at the current numbers and current trends and add to that where we think the economy is going. Holmes stated that we simply don't have sufficient information.

David said staff at Revenue & Finance have been working hard to provide more detailed information on the historical numbers and revenue, breaking it down so that we can determine what the drivers really are of Iowa's economy. Wages are watched very closely. Some of the information that is coming out of Workforce Development can be tied to some of this and trends can be developed better. With regard to personal income tax items, David felt we need to be able to dig into it but resources are limited. He agreed that we need to wait and look at the Department of Revenue & Finance's recommendations to see what it's going to take. It's going to take some people and probably take some IT resources as well. Unfortunately, it's going to take some money. Iowa doesn't have an economic department at the Capitol Building.

Following discussion, it was agreed to set up a conference call in a couple weeks to review information to be shared with the Oversight Committee.

With no further business, Holmes made motion to arise, seconded by David. Motion carried.