

Revenue Estimating Conference Minutes December 12, 2005

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

Mr. Prouty called the Revenue Estimating Conference to order at 3:00 p.m.

The Revenue Estimating Conference met prior to the December 15th deadline to produce a revenue estimate for the Governor and the Legislature to use in their budgeting process.

Approval of Minutes of October 14, 2005 Meeting

Motion made by Mr. Ralston, seconded by Mr. Underwood to approve the Minutes of the October 14, 2005 meeting as printed. Motion carried.

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

The first item on the agenda was to consider FY06 estimates to determine whether any revisions or adjustments were needed. Referring to the spreadsheet, Mr. Prouty noted the Legislative Service Agency (LSA) suggested some minor adjustments to FY06 and FY07 and the Governor's Appointee also suggested some possible adjustments for FY06 and FY07.

Mr. Prouty explained LSA's FY06 estimates saying \$26.7M had been added to Personal Income Tax and Sales/Use Tax for an overall increase for receipts of 1% over FY05 estimates. The Department of Revenue implemented withholding tax table changes last April which have been taken into account. Personal Income Tax and Sales/Use Tax are the two basic differences between LSA estimates and the Governor's Appointee estimates.

Mr. Ralston shared that he spoke with a group of people across Iowa that felt they had had their best year ever and expected it to continue. People attending the Iowa Manufacturing Extension Partnership and the Iowa Taxpayers Association Annual meeting also felt good about the future. Mr. Ralston added that he was very respectful of the process and the estimates on the table, but felt the state would have revenue in excess of 1% for FY06, stating we're at 3.3% now. He did acknowledge that the bottom could drop out, but didn't feel it would drop to 1%.

Mr. Underwood raised his concern as to what the withholding table impact would be in the current fiscal year and how that would impact the refunds. There's about \$20M difference in refunds. The other differences are relatively minor and he felt the withholding table impact needed to be discussed.

Mr. Prouty agreed that withholding is the biggest difference in the estimates. The withholding changes started in FY06. If FY06 and FY07 are added together, the difference between the estimates is about \$15M. The uncertainty lies with how that money is coming in, when it's coming in and whether it goes back out in refunds. Both estimates for the two years aren't that far off. It's just which year is it going to show up?

Mr. Underwood felt that with the \$50M difference, it would be easy to split the difference saying that it's going to be somewhere between \$125M and \$175M. It's just a matter of what the real impact is going to be.

Motion made by Mr. Underwood, seconded by Mr. Ralston to accept LSA Net General Fund Receipts of \$5050.8M, adding \$25M to Personal Income Tax, changing the total for Net General Fund Receipts to \$5075.8M. Motion carried.

Motion made by Mr. Underwood, seconded by Mr. Ralston to accept the FY06 Estimated of \$163.7M for Gambling Revenues Deposited to Other Funds. Motion carried.

Review Fiscal Year 2007 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Revenues Transferred to Other Funds.

Mr. Prouty shared that the differences between the two estimates for FY07 are again with Personal Income Tax, Sales/Use Tax and Corporate Income Tax. After law changes, LSA has Personal Income Tax at 4.6% and the Governor's Appointee is proposing 3.9%.

Mr. Underwood stated that the \$25M would need to be removed from FY07 since it was moved to FY06

Mr. Ralston made motion to accept the Governor's Appointee estimates for FY07. Discussion followed regarding the \$25M being moved from FY07 to FY06 in the LSA estimates. At this point it could cause problems to accept the Governor's Appointee estimates for FY07. Mr. Ralston withdrew his motion.

Mr. Ralston noted the difference in the two estimates to be in corporate income growth. LSA is basically using no growth in Corporate Income Taxes; adjustments all relate to law changes versus Governor's Appointee showing the 5% growth in Corporate Income Tax. Mr. Underwood felt that was a little aggressive.

Mr. Prouty added that there is a \$56M difference in Refunds for FY07.

Following a lengthy discussion on FY07 adjustments, Mr. Prouty stated that in order to maintain the public growth, \$25M would need to be added to FY07 to keep the same relationship. Instead of adding \$25M to the first year and taking it out, \$50M would need to be added to keep the percentage in perspective.

Mr. Underwood made motion, seconded by Mr. Ralston to accept the LSA FY07 estimates of \$5,314.7M for Net General Fund Receipts. Motion carried.

Motion made by Mr. Ralston, seconded by Mr. Underwood to accept \$185.6M for the Estimated Gambling Revenues Deposited to Other Funds. Motion carried.

Other Business

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

Respectfully submitted



Marcia E. Murrow
Secretary
Department of Management