

**Revenue Estimating Conference
Minutes
April 4, 2008**

Members present: Dennis Prouty, Chair; Charles Krogmeier; David Underwood.

Mr. Prouty called the Revenue Estimating Conference to order at 10:00 a.m.

Approval of Minutes of December 11, 2007 Meeting

Motion made by Mr. Underwood, seconded by Mr. Krogmeier to approve the minutes of the December 11, 2007 meeting as printed. Motion carried.

Review Fiscal Year 2008 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Gambling Revenues Transferred to Other Funds

Mr. Prouty shared that the agenda for this meeting was to review FY2008 and FY2009 estimates. He asked Mr. Krogmeier for his comments on the FY2008 estimates.

Mr. Krogmeier noted that the Legislative Service Agency (LSA) had a higher projection for personal income tax receipts than the Governor's Appointee. He also shared his concerns about the accruals, stating there have been positive accruals for the past two years. Historically, there has never been three consecutive years of positive accruals. Therefore, the Governor's Appointee estimate is showing \$32M as a negative number in accruals.

Mr. Prouty agreed that the income tax and accruals were the significant differences in the two estimates. LSA built into their estimate the federal economic stimulus package. He estimated that a billion dollars would be coming into the state between May and July. The effect being that LSA put in a total of \$50M over the two years. They put \$15M in for the stimulus package in FY2008 and \$40M scattered through three taxes in FY2009. That is primarily where the accruals number is driven for FY2008. There's \$25M difference between the LSA estimate and the Governor's Appointee estimate. Mr. Prouty shared that since the corner for the downturn hasn't reached Iowa as anticipated; LSA extended the personal income tax a little further out, recognizing that the slowdown is eventually going to reach Iowa.

From a personal income tax standpoint, Mr. Underwood agreed with Mr. Prouty adding that the growth in wages and the related growth in withholding is astonishing and has been great for Iowa. He believes the receipts have been strong because people are employed and they're being paid more money and noted that both estimates reflect an increase in refunds. Mr. Underwood talked about some of the other aspects of the income tax reporting which showed some growth with interest and capital gains, and also dividend reporting. He is confident that the interest is going to start tumbling down before long and as the interest rates go down, he thinks we'll to see the final April returns still pretty strong.

Mr. Underwood asked for clarification on how the stimulus package would impact the accruals.

Mr. Prouty explained that as people start spending more money because of their stimulus checks, there would be a larger portion of the sales tax collected and not remitted to the state by June 30. That additional sales tax is estimated in the accruals.

Mr. Lunde with the Department of Management was asked to explain accruals. He shared that accrual numbers are a net number and are revenue received from July through August that could

be attributed back to the prior fiscal year. The large contributors are withholding tax and sales tax. The withholding tax goes back to the payroll that was paid in June and the sales tax is the tax received around quarterly and monthly payments received in July and August that's attributable back to sales made in June. Last year's accrual numbers are netted against this year's accrual numbers to get a positive or negative number.

Following more discussion on accruals, Mr. Underwood made a motion to accept the LSA numbers and change the accruals to the previous number of -\$16.8. Mr. Krogmeier said he was not comfortable with that motion and could not second it.

In order to have discussion on the motion, Mr. Prouty turned the chair over to Mr. Krogmeier. Mr. Prouty seconded the motion.

Mr. Krogmeier gave the chair back to Mr. Prouty who then asked for discussion.

Mr. Krogmeier expressed his concern about raising the accrual number.

Mr. Prouty called for a vote on the motion. Ayes: Underwood and Prouty. Nay: Krogmeier. Motion carried.

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

Using the amendments made in FY2008 estimates, Mr. Prouty requested a recalculation of Net General Fund Receipts for both LSA and the Governor's Appointee.

Following the recalculation, Mr. Krogmeier made a motion, seconded by Mr. Underwood to use LSA estimates less \$15M from personal income tax and \$8M from sales/use tax. Motion carried with no dissenting votes.

With LSA and Governor's Appointee estimated Gambling Revenue Deposited to Other Funds being the same, Mr. Krogmeier made a motion, seconded by Mr. Underwood to accept the estimate for FY2008 of \$219.2M and the estimate for FY2009 of \$222.0M. Motion carried.

With no further business Mr. Krogmeier moved, seconded by Mr. Underwood to arise. Meeting adjourned.

Respectfully submitted



Marcia E. Murrow
Secretary
Department of Management