



MEMORANDUM

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives
FROM: Dennis C. Prouty
DATE: July 1, 2004

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Monthly General Fund Receipts through June 30, 2004

The attached spreadsheet presents year-to-date FY 2004 General Fund receipts, with comparable figures for actual FY 2003. The figures can be compared to the FY 2004 estimate of \$5.139 billion set by the Revenue Estimating Conference (REC) on March 19, 2004. The FY 2004 estimate is an increase of \$92.5 million (1.8%) compared to actual FY 2003 gross cash receipts (excluding transfers & accrued revenue changes). A date for the next Revenue Estimating Conference has not been set.

DIVISIONS

LEGAL SERVICES
RICHARD L. JOHNSON

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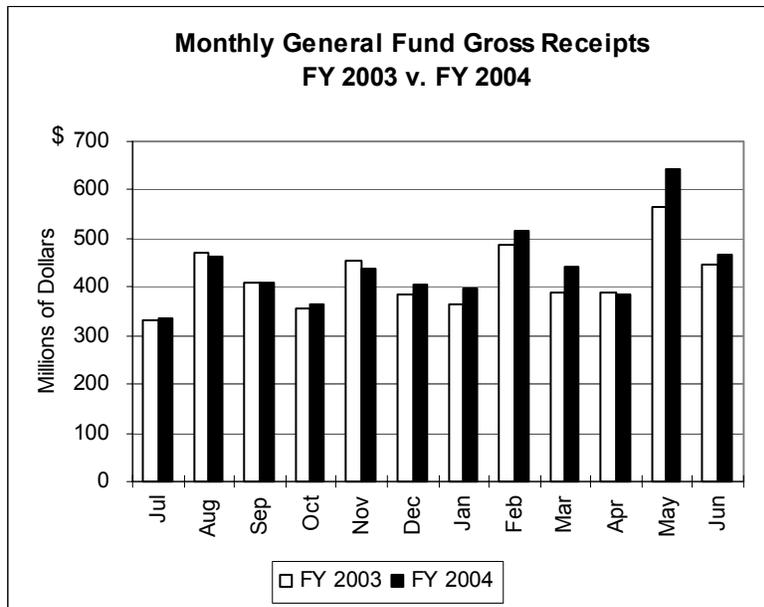
FISCAL SERVICES
HOLLY M. LYONS

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COMPUTER SERVICES
GLEN P. DICKINSON

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ADMINISTRATIVE SERVICES
TIMOTHY C. FALLER



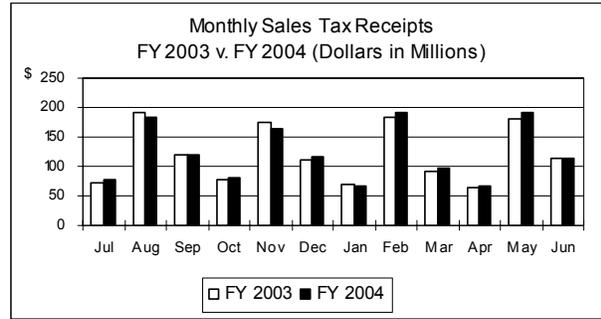
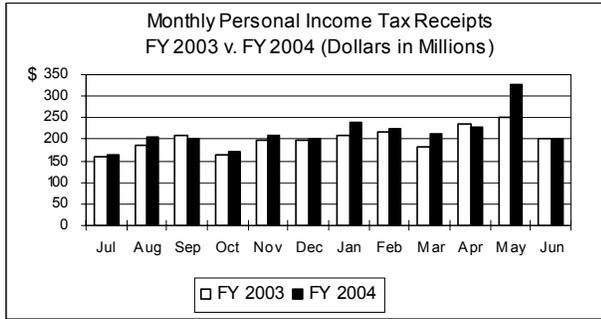
FY 2004 Compared to FY 2003

FY 2004 total cash gross revenues (excluding transfers) increased \$211.2 million (4.2%) compared to FY 2003. Major revenue sources contributing to the change include:

- Personal income tax (positive \$174.7 million)
- Sales & use tax (positive \$27.9 million)
- Corporate tax payments (negative \$2.2 million)
- Other taxes (negative \$9.6 million)
- Other receipts (positive \$20.4 million)

Personal income tax revenues received in June totaled \$203.5 million, an increase of \$1.4 million (0.7%) compared to June 2003.

The FY 2004 REC income tax estimate of \$2.534 billion represents a projected increase of 4.8% compared to actual FY 2003. For FY 2004, personal income tax receipts increased 7.2%. Withholding tax payments increased 6.5% while estimated income tax payments increased 4.4% and payments with returns increased 20.1% for the year. The following Chart compares FY 2004 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2003.



Sales tax receipts received in June totaled \$112.7 million, a decrease of \$0.4 million (- 0.4%) compared to June 2003.

The REC estimate for FY 2004 sales tax receipts is \$1.437 billion, a decrease of 0.9% compared to actual FY 2003. For FY 2004, sales tax receipts increased 1.1%. The preceding Chart compares FY 2004 monthly sales tax receipts with FY 2003.

Use tax receipts received in June totaled \$14.3 million, a decrease of \$0.8 million (- 5.4%) compared to June 2003.

The REC estimate for FY 2004 use tax receipts is \$266.9 million, an increase of 5.0% compared to the FY 2003 level. For FY 2004, use tax receipts grew 5.0%.

Corporate tax receipts received in June totaled \$39.3 million, a \$9.2 million increase (30.4%) compared to June 2003. The REC estimate for FY 2004 corporate tax receipts is \$194.3 million, which represents a decrease of 18.0% compared to actual FY 2003. For FY 2004, corporate tax receipts declined 0.9%.

Other tax receipts received in June totaled \$72.8 million, a \$9.0 million (14.2%) increase compared to June 2003. Franchise and insurance tax revenue increased in June. Payment and processing issues related to the June 1 insurance tax prepayment contributed to the June increase.

The REC estimate for FY 2004 receipts from other taxes is \$363.6 million, which represents a decrease of 3.3% compared to actual FY 2003. For FY 2004, other taxes declined 2.6%, with most of the decrease attributed to inheritance and insurance taxes. For the fiscal year, inheritance, insurance, and cigarette tax receipts were moderately above projections.

Other receipts (non-tax receipts) received in June totaled \$22.2 million, a \$0.6 million (2.6%) increase compared to June 2003. Liquor profits and institutional payments contributed to the June increase, while fee revenue decreased for the month.

The REC estimate for FY 2004 other receipts is \$343.1 million, which represents an increase of 10.1% compared to actual FY 2003. For FY 2004, other receipts grew 6.6%. For the fiscal year, fee revenue was \$13.4 million above projections and miscellaneous revenue was \$25.3 million below projections. This shortfall is due to unclaimed property revenue that was projected to be deposited during the cash year but will not be deposited until the accrual period.

Tax refunds have increased \$56.2 million (9.3%) fiscal year-to-date. For the full fiscal year, the REC projects tax refunds will increase \$78.2 million (12.1%). A significant reduction in the backlog of tax refunds from previous years has contributed to the year-to-date increase.

Remainder of the Fiscal Year

For the July 1 through June 30 cash period, General Fund revenue increased \$211.2 million and General Fund refunds increased \$56.2 million compared to FY 2003, for a net change of \$155.0 million. Before the FY 2004 books close, tax refunds issued during July and August will be subtracted and revenues that arrive after June 30 but accrue to FY 2004 will be deposited to the FY 2004 accounts. In addition, transfers from other state funds will be finalized. Each of those items will impact the final financial status of FY 2004

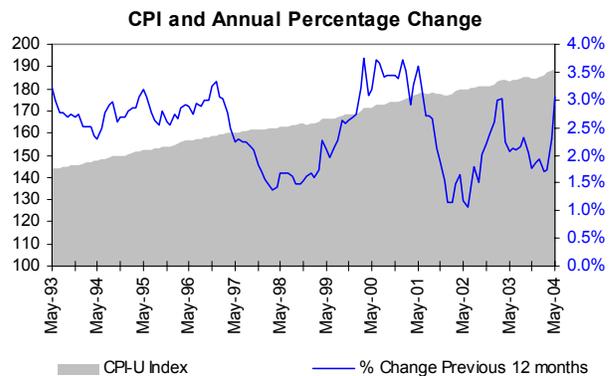
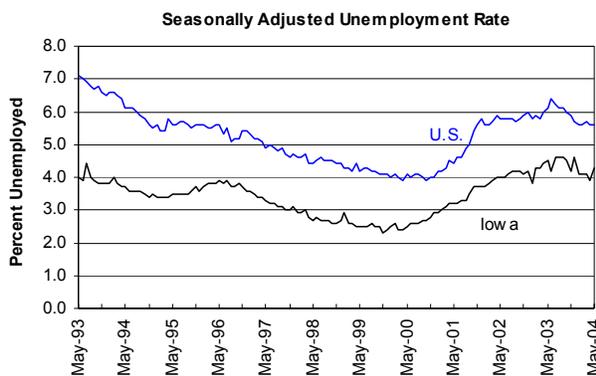
Status of the Economy

The May seasonally adjusted Iowa civilian unemployment rate was 4.3%, 0.4% higher than the April level and 0.2% lower than one year ago. Iowa’s total seasonally adjusted May 2004 employment registered at 1,562,500, up 24,000 (1.6%) from last year’s May level.

The number of unemployed persons in Iowa was reported at 70,200 in May, a decrease of 3,000 compared to May 2003.

The U.S. unemployment rate for May 2004 was 5.6%, 1.3 percentage points above the Iowa rate. The U.S. rate one year ago was 6.1%.

Consumer prices increased 0.6% during the month of May (not seasonally adjusted). The Consumer Price Index (CPI-U) through May 2004 was 189.1 (1983/84=100), 3.1% higher than one year ago. The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through May.



Information related to State General Fund receipts is available on the Fiscal Services Division’s web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

| GENERAL FUND RECEIPTS - FY 2003 vs. FY 2004 July 1 through June 30, in millions of dollars Dollars may not add due to rounding | | | | | ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 03 Actual Compared to FY 04 REC Estimate | | |
|--|-------------------|-------------------|--------------------------|------------------|--|---------------------|-----------------------|
| | FY 2003 | FY 2004 | Year to Date % CHANGE | June % CHANGE | Actual FY 2003 | Estimate FY 2004 | Projected % CHANGE |
| Personal Income Tax | \$ 2,417.6 | \$ 2,592.3 | 7.2% | 0.7% | \$ 2,417.6 | \$ 2,534.0 | 4.8% |
| Sales Tax | 1,450.3 | 1,465.6 | 1.1% | -0.4% | 1,450.3 | 1,437.3 | -0.9% |
| Use Tax | 254.2 | 266.8 | 5.0% | -5.4% | 254.2 | 266.9 | 5.0% |
| Corporate Income Tax | 237.0 | 234.8 | -0.9% | 30.4% | 237.0 | 194.3 | -18.0% |
| Inheritance Tax | 88.1 | 80.1 | -9.1% | 6.8% | 88.1 | 76.7 | -12.9% |
| Insurance Premium Tax | 142.2 | 138.2 | -2.8% | 10.6% | 142.2 | 136.6 | -3.9% |
| Cigarette Tax | 88.1 | 87.1 | -1.1% | -0.5% | 88.1 | 86.3 | -2.0% |
| Tobacco Tax | 7.4 | 8.0 | 8.1% | 16.0% | 7.4 | 7.9 | 6.8% |
| Beer Tax | 13.9 | 14.0 | 0.7% | -3.8% | 13.9 | 14.0 | 0.7% |
| Franchise Tax | 35.3 | 38.0 | 7.6% | 40.9% | 35.3 | 40.6 | 15.0% |
| Miscellaneous Tax | 1.1 | 1.1 | 0.0% | 77.1% | 1.1 | 1.5 | 36.4% |
| Total Special Taxes | \$ 4,735.2 | \$ 4,926.0 | 4.0% | 4.3% | \$ 4,735.2 | \$ 4,796.1 | 1.3% |
| Institutional Payments | 16.2 | 13.7 | -15.4% | 119.3% | 16.2 | 14.7 | -9.3% |
| Liquor Transfers - Profits | 40.0 | 49.0 | 22.5% | 85.7% | 40.0 | 45.0 | 12.5% |
| Liquor Transfers - 7% Revenues | 9.0 | 9.0 | 0.0% | 0.0% | 9.0 | 9.0 | 0.0% |
| Interest | 18.1 | 7.6 | -58.0% | 14.2% | 18.1 | 10.0 | -44.8% |
| Fees | 72.1 | 79.9 | 10.8% | -42.0% | 72.1 | 66.5 | -7.8% |
| Judicial Revenue | 54.7 | 57.5 | 5.1% | 1.3% | 54.7 | 57.3 | 4.8% |
| Miscellaneous Receipts | 41.4 | 55.3 | 33.6% | -16.8% | 41.4 | 80.6 | 94.7% |
| Racing and Gaming Receipts | 60.0 | 60.0 | 0.0% | -100.0% | 60.0 | 60.0 | 0.0% |
| TOTAL GROSS RECEIPTS | \$ 5,046.7 | \$ 5,258.0 | 4.2% | 4.2% | \$ 5,046.7 | \$ 5,139.2 | 1.8% |