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LEGISLATIVE SERVICES AGENCY

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MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: April 2, 2007

Monthly General Fund Receipts through March 31, 2007

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$6.056 billion set by the Revenue Estimating Conference (REC) on December 12, 2006. The FY 2007 estimate is an increase of \$284.9 million (4.9%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting is scheduled for April 6th.

DIVISIONS

LEGAL SERVICES
 RICHARD L. JOHNSON

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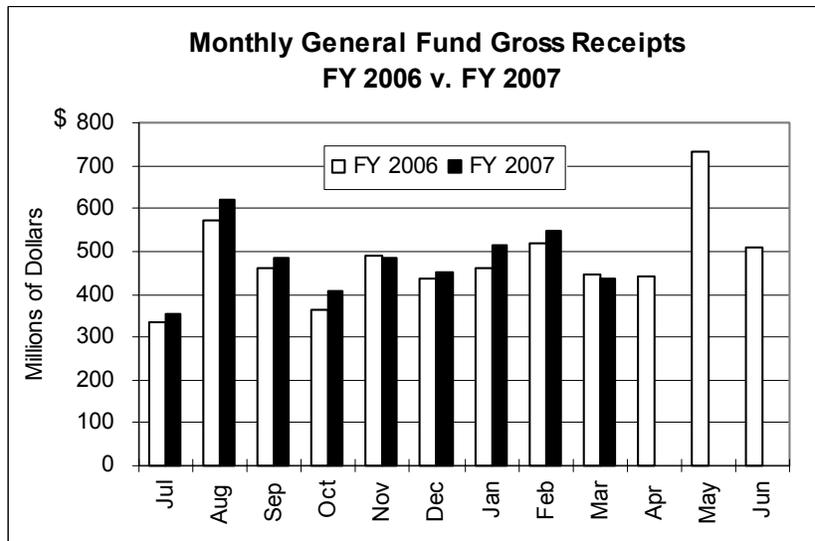
FISCAL SERVICES
 HOLLY M. LYONS

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COMPUTER SERVICES
 GLEN P. DICKINSON

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ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER



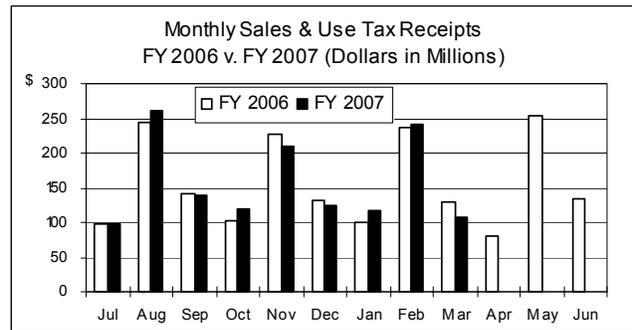
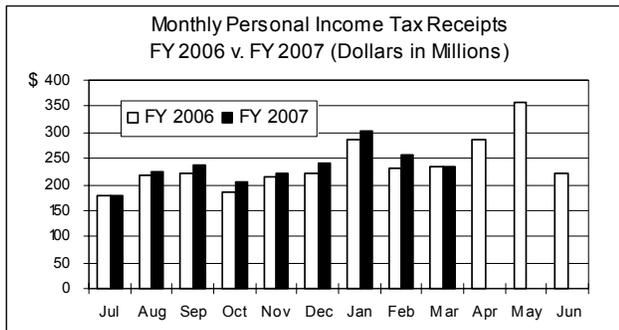
FY 2007 Compared to FY 2006

Fiscal year to date, total gross cash receipts increased \$215.1 million (5.3%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$114.2 million, 5.7%)
- Sales/use tax (positive \$8.4 million, 0.6%)
- Corporate tax (positive \$72.5 million, 36.0%)
- Other taxes (positive \$13.1 million, 5.8%)
- Other receipts (positive \$6.9 million, 2.6%)

Personal income tax revenues received in March totaled \$235.3 million, an increase of \$1.9 million (0.8%) compared to March 2006. The withholding receipt portion of personal income tax increased \$2.4 million (1.3%) for the month. March 2007 withholding receipts were negatively impacted by a \$10.5 million due date issue that had the opposite impact on February receipts. March receipts were positively impacted by a \$4.0 million annual transfer to the Department of Economic Development Workforce Development Fund. That transfer took place in November this year but occurred in March last year. After the two adjustments, the March withholding percentage increase was 5.0%.

The FY 2007 REC income tax estimate of \$3.027 billion represents a projected increase of 6.1% compared to actual FY 2006. Year-to-date, total income tax receipts have increased 5.7%. By subcategory, withholding tax payments increased 5.1%, income tax estimate payments increased 9.3%, while payments with returns increased 9.2%. The following chart compares FY 2007 monthly personal income tax receipts from the three personal income tax subcategories with FY 2006.



Sales/use tax receipts received in March totaled \$107.4 million, a decrease of \$22.7 million (- 17.4%) compared to March 2006.

March 2007 sales/use tax receipts were negatively impacted by a \$14.0 million due date issue that had the opposite impact on February receipts. In addition, March sales/use receipts were negatively impacted by an increase in local option tax transfers (sales and hotel/motel tax). Local option tax revenue is first deposited to the State General Fund. Near the end of each month, a large transfer is made out of the General Fund. The monthly transfers are made on an estimated basis. This year's March transfer equaled \$51.0 million while last year's March transfer equaled \$42.6 million. Even without these two issues, March sales/use tax growth would still have been negative.

The REC estimate for FY 2007 sales/use tax receipts is \$1.932 billion, an increase of 2.7% compared to actual FY 2006. Fiscal year-to-date sales/use tax receipts increased 0.6%. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

Corporate tax receipts received in March totaled \$35.9 million, a \$7.7 million increase (27.3%) compared to March 2006. Corporate tax receipts have shown strong growth since February 2003.

The REC estimate for FY 2007 corporate tax revenue is \$433.3 million, an increase of 24.3% compared to actual FY 2006. Year-to-date corporate tax revenue has increased 36.0%.

Other tax receipts received in March totaled \$31.9 million, a \$0.2 million increase (0.6%) compared to March 2006. Insurance premium tax receipts were down \$7.7 million for the month while cigarette tax revenue increased \$4.9 million. The cigarette tax rate increased from \$0.36 per pack to \$1.36 per pack in mid-March. Inheritance tax revenue also increased in March.

The REC estimate for FY 2007 receipts from other taxes is \$332.5 million, a decrease of 3.2% compared to actual FY 2006. Year-to-date other tax receipts have increased 5.8%. Revenue from other taxes will decrease in June when the final fiscal year insurance premium tax payment is due.

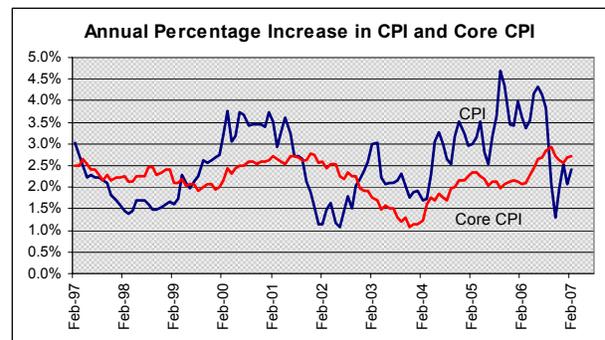
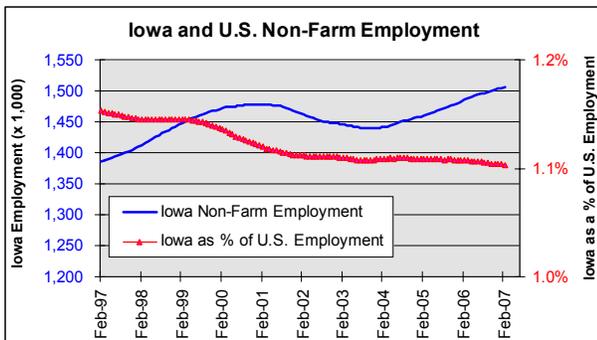
Other receipts (non-tax receipts) received in March totaled \$26.1 million, a \$2.9 million increase (12.5%) compared to March 2006. Interest income and judicial revenue increased for the month. The REC estimate for FY 2007 other receipt revenue is \$330.9 million, a decrease of 3.6% compared to actual FY 2006. Year-to-date other receipts have increased 2.6%.

Status of the Economy

Iowa non-farm employment was reported at 1,490,200 for the month of February (not seasonally adjusted), 19,200 higher (1.3%) than February 2006.

Iowa’s 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,506,200, so annualized Iowa non-farm employment is 27,500 above its 2001 peak and 66,300 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa’s share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since 2003, but the recent trend is still negative.

Recent revisions to the payroll employment data series (benchmarking) reduced the number of Iowa jobs (particularly over the last six months) and increased the number of U.S. jobs. Prior to this adjustment, Iowa’s share of total U.S. jobs had shown a modest increase over the last two years.



Consumer prices increased 0.5% during the month of February (not seasonally adjusted). The Consumer Price Index (CPI-U) through February 2007 was 202.499 (1983/84=100), 2.4% higher than one year ago. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.5% for February and the year-over-year change was 2.7%. The core inflation rate declined considerably from the early 1990’s through March 2004. Since March 2004, inflation as measured by core CPI has more than doubled, moving from 1.2% to 2.7%.

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/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through March 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	March % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 1,987.5	\$ 2,101.7	5.7%	0.8%	\$ 2,854.2	\$ 3,027.0	6.1%
Sales/Use Tax	1,412.5	1,420.9	0.6%	-17.4%	1,881.1	1,931.9	2.7%
Corporate Income Tax	201.2	273.7	36.0%	27.3%	348.6	433.3	24.3%
Inheritance Tax	54.9	57.7	5.1%	28.8%	73.1	74.4	1.8%
Insurance Premium Tax	66.1	69.7	5.4%	-49.7%	121.4	110.0	-9.4%
Cigarette Tax	65.7	70.4	7.2%	68.1%	89.5	89.5	0.0%
Tobacco Tax	6.5	7.0	7.7%	16.7%	9.2	9.7	5.4%
Beer Tax	10.6	10.6	0.0%	-11.1%	14.2	14.5	2.1%
Franchise Tax	20.5	21.3	3.9%	23.5%	35.5	33.4	-5.9%
Miscellaneous Tax	0.3	1.0	233.3%	900.0%	0.6	1.0	66.7%
Total Special Taxes	\$ 3,825.7	\$ 4,033.9	5.4%	-3.0%	\$ 5,427.4	\$ 5,724.7	5.5%
Institutional Payments	9.8	9.1	-7.1%	16.7%	13.0	12.6	-3.1%
Liquor Profits	41.0	44.0	7.3%	0.0%	63.8	65.8	3.1%
Interest	14.4	24.6	70.8%	76.5%	17.5	23.3	33.1%
Fees	59.9	66.2	10.5%	-5.3%	76.2	69.1	-9.3%
Judicial Revenue	39.9	44.4	11.3%	55.6%	63.1	64.3	1.9%
Miscellaneous Receipts	35.9	19.5	-45.7%	-4.8%	49.7	35.8	-28.0%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 4,086.6	\$ 4,301.7	5.3%	-2.2%	\$ 5,770.7	\$ 6,055.6	4.9%