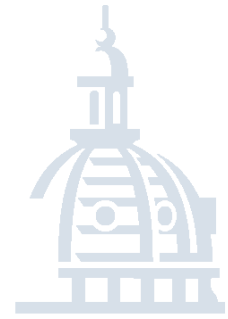


FISCAL UPDATE

Fiscal Services Division



March 24, 2014

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STATUS OF APPROPRIATION BILLS

Subcommittee Bills		
Administration and Regulation	SSB 3210	Voted out of Subcommittee – 3/13
Agriculture and Natural Resources	HSB 679	Voted out of Subcommittee – 3/20
Judicial Branch	HF 2449	Voted out of House Appropriations – 3/20
Justice System	HF 2450	Voted out of House Appropriations – 3/20
Transportation	SF 2130	Voted out of Senate Appropriations – 2/6
Other Bills		
LIHEAP Supplemental Appropriation	SF 2110	Passed Senate – 2/11
Antibullying Appropriations	SF 2318	Passed Senate – 3/18

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REVENUE ESTIMATING CONFERENCE

March REC Meeting. The Revenue Estimating Conference (REC) met on March 20, 2014, and made no net changes to the December REC revenue estimates for FY 2014 or FY 2015. The March REC estimate for FY 2014 General Fund receipts, including transfers, totals \$6,682.2 million, a decrease of \$86.6 million (-1.3%) compared to actual FY 2013. Estimated FY 2014 changes compared to FY 2013 include:

- A decrease of \$41.1 million (-1.0%) in gross income tax receipts. Downward adjustments were made to account for one-time income tax revenues received in FY 2013 and to account for the taxpayer trust fund payments that will be made in the Spring of 2014. Although the taxpayer trust fund payment will lower gross income tax receipts, an adjustment is made to the transfers section so that there will be no General Fund impact (on an accrual basis). Through March 19, gross income tax receipts were up 4.5%.
- An increase of \$102.2 million (4.0%) in gross sales/use tax receipts. Continued economic growth is anticipated to lead to growth in taxable sales. Through March 19, gross sales/use tax receipts were up 4.2%.
- An increase of \$30.2 million (5.4%) in gross corporate tax. Through March 19, gross corporate tax receipts were up 7.3%.
- A reduction of \$120.0 million in cigarette and tobacco tax. As a result of a law change enacted this past legislative session, all cigarette and tobacco tax receipts are deposited in the Health Care Trust Fund and not the State General Fund.
- A reduction of \$52.2 million in other receipts. Most of the reduction is attributable to a law change enacted this past legislative session eliminating the deposit of racing and gaming receipts to the State General Fund. Beginning in FY 2014, these receipts will now be deposited in the Iowa Skilled Worker and Job Creation Fund.
- An increase in the amount of tax refunds of \$125.5 million. Growth due the tax liability decrease resulting from the Taxpayer Trust Fund Tax Credit and a higher refundable Earned Income Tax Credit is anticipated to boost total tax refunds.

FY 2014 Revenue Estimating Conference Projection						
Dollars in Millions						
	Actual	December	March	Increase	Increase	Percentage
	FY 2013	FY 2014	FY 2014	(Decrease)	(Decrease)	Change
		Estimate	Estimate	to December	to Actual	to Actual
				Estimate	FY 2013	FY 2013
Income Tax	\$4,083.9	\$4,005.6	\$4,042.8	\$37.2	\$-41.1	-1.0%
Sales/Use Tax	2,547.6	2,655.0	2,649.8	-5.2	102.2	4.0%
Corporate Tax	555.3	551.1	585.5	34.4	30.2	5.4%
Insurance Tax	104.9	108.6	105.3	-3.3	0.4	0.4%
Cigarette/Tobacco Tax	121.4	1.4	1.4	0.0	-120.0	-98.8%
Other Taxes	145.3	167.5	153.6	-13.9	8.3	5.7%
Total Taxes	\$7,558.4	\$7,489.2	\$7,538.4	\$49.2	\$-20.0	-0.3%
Other Receipts	330.0	270.2	277.8	7.6	-52.2	-15.8%
Gross Tax & Other Receipts	\$7,888.4	\$7,759.4	\$7,816.2	\$56.8	\$-72.2	-0.9%
Accruals (Net)	13.1	37.9	41.6	3.7	28.5	217.6%
Refund (Accrual Basis)	-830.5	-900.0	-956.0	-56.0	-125.5	15.1%
Schl. Infrs. Refunds (Accrual)	-419.2	-425.5	-426.0	-0.5	-6.8	1.6%
Total Net Receipts	\$6,651.8	\$6,471.8	\$6,475.8	\$4.0	\$-176.0	-2.6%
Transfers (Accrual Basis)	117.0	210.4	206.4	-4.0	89.4	76.4%
Net Receipts Plus Transfers	\$6,768.8	\$6,682.2	\$6,682.2	\$0.0	\$-86.6	-1.3%

There were no law change adjustments to the December REC estimates.

The REC maintained the December 2013 estimate for FY 2015 at \$6,983.2 million, an increase of \$301.0 million (4.5%) compared to the FY 2014 estimate. The REC anticipates steady economic growth that will provide modest revenue growth for the upcoming fiscal year.

FY 2015 Revenue Estimating Conference Projection						
Dollars in Millions						
		December	March	Increase	Increase	Percentage
	Estimate	FY 2015	FY 2015	(Decrease)	(Decrease)	Change
	FY 2014	Estimate	Estimate	to December	to Estimated	to Estimated
				Estimate	FY 2014	FY 2014
Income Tax	\$4,042.8	\$4,272.2	\$4,291.4	\$19.2	\$248.6	6.1%
Sales/Use Tax	2,649.8	2,769.7	2,753.0	-16.7	103.2	3.9%
Corporate Tax	585.5	563.5	610.0	46.5	24.5	4.2%
Insurance Tax	105.3	111.4	107.5	-3.9	2.2	2.1%
Cigarette/Tobacco Tax	1.4	0.0	0.0	0.0	-1.4	N.A.
Other Taxes	153.6	175.4	162.3	-13.1	8.7	5.7%
Total Taxes	\$7,538.4	\$7,892.2	\$7,924.2	\$32.0	\$385.8	5.1%
Other Receipts	277.8	269.2	270.0	0.8	-7.8	-2.8%
Gross Tax & Other Receipts	\$7,816.2	\$8,161.4	\$8,194.2	\$32.8	\$378.0	4.8%
Accruals (Net)	41.6	22.0	23.1	1.1	-18.5	-44.5%
Refund (Accrual Basis)	-956.0	-934.0	-974.3	-40.3	-18.3	1.9%
Schl. Infrs. Refunds (Accrual)	-426.0	-451.9	-440.5	11.4	-14.5	3.4%
Total Net Receipts	\$6,475.8	\$6,797.5	\$6,802.5	\$5.0	\$326.7	5.0%
Transfers (Accrual Basis)	206.4	185.7	180.7	-5.0	-25.7	-12.5%
Net Receipts Plus Transfers	\$6,682.2	\$6,983.2	\$6,983.2	\$0.0	\$301.0	4.5%

The next meeting has not been scheduled but will likely be held in the Fall of 2014. A [detailed spreadsheet](#) of the REC estimates is available on the LSA website.

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CHILD CARE ASSISTANCE AND ADOPTION SUBSIDY PROJECTIONS

Projections Workgroup: Staff from the Department of Management (DOM), the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 16, 2014, to discuss estimated Child Care Assistance (CCA) and Adoption Subsidy Program expenditures for FY 2014 and FY 2015. The projections workgroup is established in Iowa Code section [234.47](#) to estimate the expenditures and revenues for these programs.

Child Care Assistance Subsidy Program

FY 2014: Senate File 446 (Health and Human Services Appropriations Act) included a General Fund appropriation of \$62.7 million for the Child Care Assistance (CCA) Program. This is an increase of \$445,000 compared to FY 2013. In addition, there was approximately \$4.5 million in federal funds that were carried forward from a surplus in FY 2013 to be used for the Program in FY 2014. The federal funds that carry forward are used to supplant the General Fund appropriation. Thus, the overall appropriation does not increase, but the amount of the General Fund appropriation is reduced. Also, a portion of the carryforward was used to pay for fines related to a federal Office of the Inspector General (OIG) audit.

FY 2014 Range: For FY 2014, the projections workgroup agreed to a consensus estimated surplus of \$6.8 million. This projection is based on eight months of expenditure data available in FY 2014. A large contributing factor to the increased surplus estimate is due to the passage of the federal 2014 Consolidated Appropriations Act passed by the U.S. Congress and signed by the President on January 17, 2014. This spending legislation fully restored sequestration reductions to the Child Care Development Block Grant. Therefore, additional federal funds are available for the remainder of FY 2014 to substitute previous General Fund appropriations. In addition, a surplus is estimated due to Iowa CCA Program payments experiencing a decline over the last calendar year. A combination of two factors can contribute to a decline in parents seeking CCA Program assistance:

- More parents employed and receiving monetary work compensation above the 145.0% of the federal poverty level (FPL) program eligibility cap;
- More parents who are considered long-term unemployed (i.e., out of work for 27 weeks or longer, but still seeking employment) that do not meet the minimum employment for 28 hours a week eligibility requirement.

FY 2015: SF 446 included a General Fund appropriation of \$62.7 million for the CCA Program. This is the same amount as FY 2014.

FY 2015 Range: For FY 2015, the projections workgroup agreed to a consensus estimated surplus of \$7.9 million for the CCA Program. This projection is based on eight months of expenditure data available in FY 2014, FY 2014 CCA Program trends, and increased federal funds due to the passage of the federal 2014 Consolidated Appropriations Act. This estimated surplus includes the carryforward of the FY 2014 estimated surplus and an increase of \$3.0 million in federal Temporary Assistance for Needy Families (TANF) funding to supplant General Fund dollars.

Governor's Recommendation. Senate Study Bill 3133 (Governor's budget bill) makes a General Fund appropriation of \$57.9 million for FY 2015. This is a decrease of \$4.8 million compared to the FY 2015 appropriation and a surplus of \$5.3 million compared to the FY 2015 consensus estimate. However, the Governor's recommendation includes an estimated General Fund carryforward of \$2.9 million from FY 2014, \$3.0 million in federal TANF funding to maintain the TANF appropriation to the CCA Program, and \$2.2 million in additional TANF funding. The \$2.2 million in additional TANF is not all one-time funding. This amount is comprised of an FY 2014 \$1.2 million surplus that is one-time funding, and \$1.0 million from reducing the FY 2015 amount to the Family Investment Program (FIP) (an annual grant that is not one-time funding).

Adoption Subsidy Program

FY 2014: Senate File 446 included a General Fund appropriation of \$40.7 million for the Adoption Subsidy program. This was an increase of \$3.0 million compared to FY 2013.

FY 2014 Range: For FY 2014, the projections workgroup agreed to a consensus estimate of no need or surplus compared to the FY 2014 appropriation. This projection was based on eight months of expenditure data available in FY 2014.

FY 2015: For FY 2015, SF 446 included a General Fund appropriation of \$40.7 million for the Adoption Subsidy Program. This is the same amount as FY 2014.

FY 2015 Range: For FY 2015, the projections workgroup agreed to a consensus estimated need of \$1.8 million for the Adoption Subsidy Program. This projection is based on previous year trends and eight months of expenditure data available in FY 2014. Previous FY 2015 estimates projected higher funding needs. However, adoptions in Iowa have displayed a consistent decline over the last fiscal year. The DHS is currently analyzing the trend. One DHS theory is that a sense of urgency to adopt before the potential annual sunset of an adoption tax credit has been eliminated when the adoption tax credit was renewed last year for an indefinite time period.

Governor's Recommendation. In Senate Study Bill 3133 (Governor's budget bill), the Governor recommended a General Fund appropriation of \$42.6 million for FY 2015. This is a \$1.9 million increase compared to FY 2014 and a \$68,000 decrease compared to the FY 2015 consensus estimate.

Next Meeting. The Child Care and Adoption Subsidy Program projections workgroup will meet again in July 2014, for review and potential revision of the FY 2014 and FY 2015 expenditure projections.

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MEETINGS MONITORED

Meetings Monitored. The following meetings were monitored by Fiscal Services staff. Contact the staff listed for more information.

Meeting	Date	Staff Contact
Board of Regents	03/12/2014	Robin Madison (281-5270)
Regents Performance-Based Funding Task Force	03/13/2014	Robin Madison (281-5270)

This document is available online at: <https://www.legis.iowa.gov/publications/fiscal/fiscalUpdate>