

## MEMORANDUM



TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

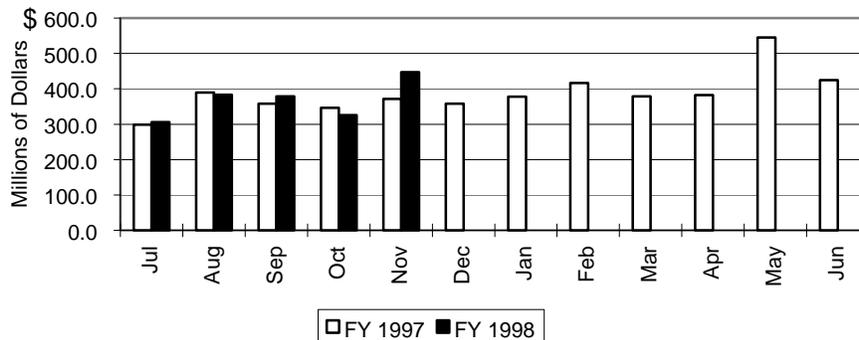
FROM: Dennis C. Prouty

DATE: December 1, 1997

### General Fund Receipts Through November 30, 1997

The attached spreadsheet represents total FY 1998 General Fund receipts, with comparable figures for FY 1997. These can be compared to the latest FY 1998 estimate (\$4.785 billion) set by the Revenue Estimating Conference (REC) on November 20, 1997. The estimate represents an increase of \$137.1 million (2.9%) compared to FY 1997. The current FY 1998 REC estimate includes the two major tax reduction bills passed during the 1997 Legislative Session; the 10.0% income tax reduction (HF 388) and the inheritance tax reduction (SF 35) as well as all bills passed during the 1997 Legislative Session.

Monthly General Fund Receipts - FY 1997 v. FY 1998

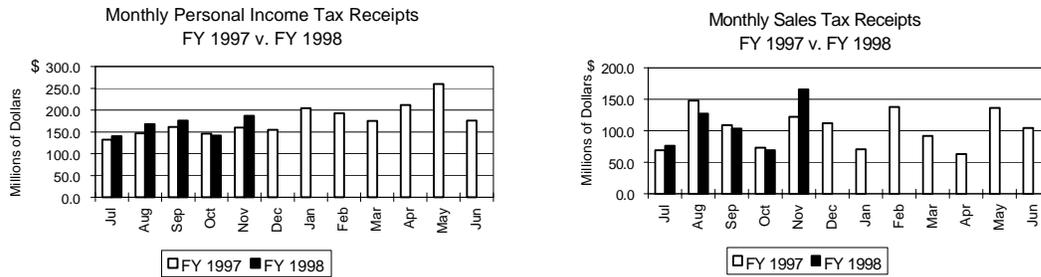


### November 1997 Compared to November 1996

Total General Fund receipts collected in November were 20.2% higher compared to November 1996. Special tax receipts showed an increase of 23.9%. Personal income tax receipts increased 16.9%. Sales tax receipts were 35.7% higher than November 1996. Use tax receipts increased 12.9%, and corporate income tax receipts were 46.8% higher than November 1996.

## FY 1998 Compared to FY 1997

Year-to-date revenue growth increased by \$74.9 million (4.2%) compared to FY 1997. This is above the current REC estimate of 2.9% for FY 1998. Lower than expected year-to-date revenue growth for sales tax (3.9% v. 5.1% as set by the November REC) has been offset by strong year-to-date growth in personal income tax and use tax.



**Gross personal income tax** revenues received in November were \$27.0 million (16.9%) higher than November 1997. Year-to-date receipts continue to be strong, with an increase of 8.9% compared to the FY 1997 amount. The primary cause of growth in personal income tax receipts is withholding payments, which are \$21.7 million (13.6%) greater than FY 1997.

The REC FY 1998 income tax estimate of \$2.232 billion represents a projected increase of 5.2% compared to FY 1997. As stated earlier, this reflects the 10.0% income tax reduction. The effects of the law change will not be evident until February 1998 when the withholding tables are updated to reflect the 10.0% tax reduction.

**Sales tax** receipts in November increased above last year's level by \$43.5 million (35.7%). The change in the method of local-option sales tax payment to local governments is at least partially responsible for the strong November growth. As directed by HF 729 (Local Option Taxes Administration Act), the Department of Revenue and Finance began making monthly rather than quarterly distributions. This accounts for approximately \$24.0 million of the increase in the monthly receipts. Total year-to-date receipts are \$20.1 million (3.9%) above last year's level. The current REC estimate for FY 1998 sales tax receipts is \$1.300 billion, which represents an increase of 5.2% compared to FY 1997.

**Corporate income tax** receipts in November were \$3.6 million (46.8%) higher than November 1997. After two months of relatively strong growth, October corporate income tax receipts fell behind last year's level by a significant amount. The strong November growth has not offset the October loss significantly, with year-to-date receipts being \$10.7 million (9.9%) lower than FY 1997.

The November REC projected FY 1998 corporate income tax receipts would total \$300.0 million, a decrease of \$18.8 million (5.9%) compared to FY 1997.

**Racing and gaming** receipts in November were \$1.2 million (10.7%) lower than November 1997. However, the September and October growth has resulted in a year-to-date increase of \$2.5 million (5.2%) compared to FY 1997. The year-to-date gain is equally attributable to receipts generated by riverboats and slot machines.

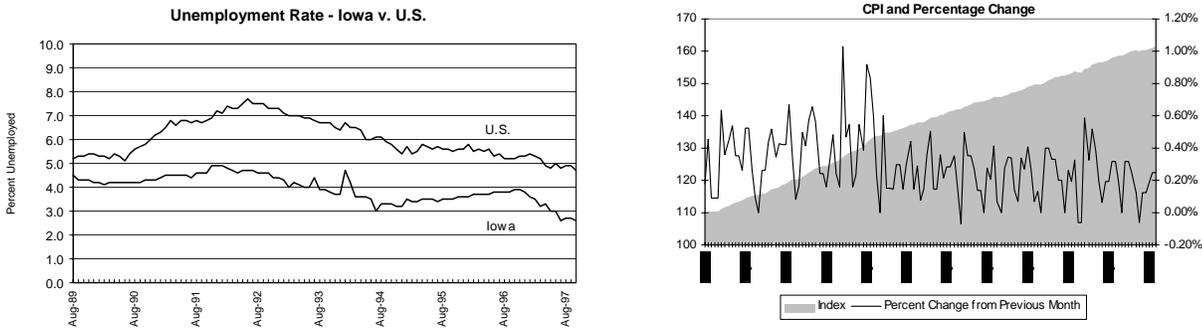
All racing and gaming receipts in excess of \$60.0 million are deposited in the Rebuild Iowa Infrastructure Account. As a result, activity in these accounts has little direct impact on the General Fund because there is virtually no doubt that receipts will exceed the \$60.0 million threshold. The November REC estimated that \$72.6 million from this source would be deposited to the Infrastructure Account in FY 1998.

**Institutional payments** in November were \$3.4 million (36.6%) lower than November 1997. The loss is primarily attributable to the change enacted in HF 715 (Human Services Appropriations Act) that prevents institutional reimbursements at the Glenwood State Hospital-School from being deposited into the General Fund. However, there is a corresponding reduction in appropriations as well from this provision.

## Status of the Economy

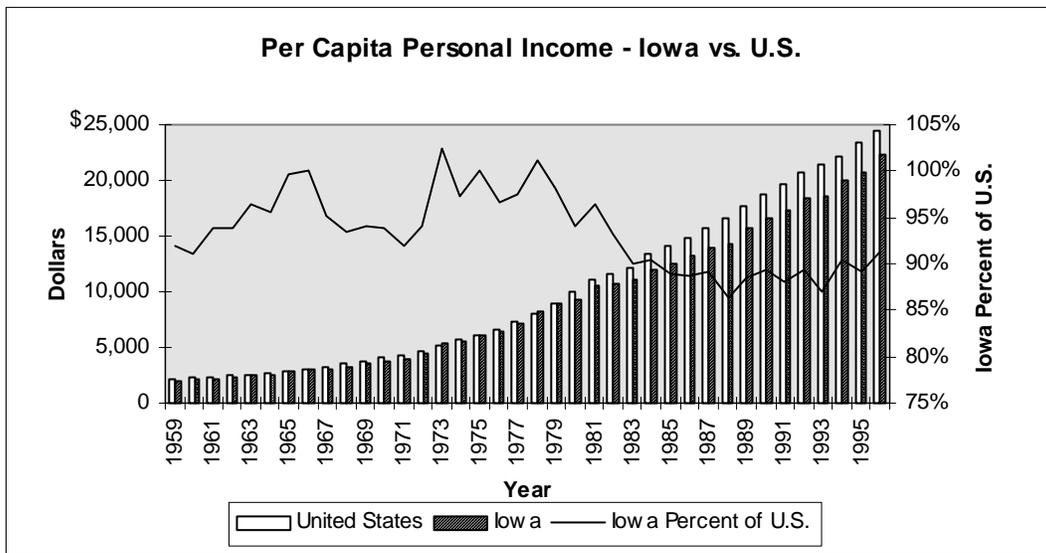
The seasonally adjusted percent unemployed for the State fell from the 2.7% rate in September to 2.6% in October. The unemployment rate a year ago was 3.9%. Iowa's total employment registered 1,550,300, up from September's level of 1,549,500, but lower than the March 1997 record high of 1,574,200. The U.S. unemployment rate in October also fell from August's level of 4.9% to 4.7%. The number of unemployed persons stood at 41,500 in October, the lowest number since this data series began in 1978.

Consumer prices in October increased 0.3%. The Consumer Price Index (CPI-U) through October 1997 was 161.6 (1983=100), which is 2.1% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through September 1997.



The Bureau of Economic Analysis has released a revised cross-state comparison of 1996 per capita personal income. Per capita income in Iowa in 1996 grew nearly 7.2%, which surpassed national per capita income growth of 4.6%. The growth in Iowa narrowed the gap between income levels in Iowa versus the nation. In 1996, Iowa per capita income was \$22,306, which was 91.3% of the national level of \$24,426. In percentage terms, the gap is the smallest since 1982.

The following chart compares Iowa and national per capita income. The bars show income levels, using the left axis. The line shows Iowa's per capita personal income expressed as a percent of national per capita income, and uses the axis on the right side of the chart.



Information related to State General Fund receipts is available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616) or Larry Sigel (515-281-4611).

GENERAL FUND RECEIPTS - FY 1998 vs. FY 1997					ESTIMATED GENERAL FUND RECEIPTS		
July 1, 1997, through November 30, 1997, in millions of dollars					in millions of dollars		
	FY 1997	FY 1998	Year to Date % CHANGE	November % CHANGE	Actual FY 1997	Estimate FY 1998	% CHANGE
Personal Income Tax	\$ 746.4	\$ 813.1	8.9%	16.9%	\$ 2,123.1	\$ 2,232.9	5.2%
Sales Tax	521.4	541.5	3.9%	35.7%	1,237.4	1,300.0	5.1%
Use Tax	99.3	109.1	9.9%	12.9%	223.1	245.0	9.8%
Corporate Income Tax	107.6	96.9	-9.9%	46.8%	318.8	300.0	-5.9%
Inheritance Tax	47.4	47.7	0.6%	15.9%	109.3	97.2	-11.1%
Insurance Premium Tax	0.1	0.6	500.0%	n/m	106.0	110.0	3.8%
Cigarette Tax	40.2	39.7	-1.2%	-1.4%	94.6	97.0	2.6%
Tobacco Tax	2.5	2.6	4.0%	-20.0%	5.7	5.7	-0.2%
Beer Tax	5.7	5.7	0.0%	0.0%	12.5	12.5	0.2%
Franchise Tax	11.4	11.7	2.6%	25.0%	35.6	35.6	-0.1%
Miscellaneous Tax	1.3	1.4	7.7%	150.0%	1.2	1.0	-16.0%
<b>Total Special Taxes</b>	<b>\$ 1,583.3</b>	<b>\$ 1,670.0</b>	<b>5.5%</b>	<b>23.9%</b>	<b>\$ 4,267.3</b>	<b>\$ 4,436.9</b>	<b>4.0%</b>
Institutional Payments	42.5	30.2	-28.9%	-36.6%	104.3	73.1	-29.9%
Liquor Transfers:							
Profits	11.0	11.0	0.0%	0.0%	28.8	30.0	4.2%
7% Gross Revenue	3.8	3.8	0.0%	0.0%	9.0	9.0	0.0%
Interest	5.0	8.5	70.0%	15.8%	18.0	20.0	11.4%
Fees	24.5	26.3	7.3%	5.3%	63.6	64.8	1.9%
Judicial Revenue	15.0	15.4	2.7%	4.3%	42.9	43.9	2.2%
Miscellaneous Receipts	31.5	23.8	-24.4%	-12.4%	54.0	47.3	-12.3%
Racing and Gaming Receipts	47.9	50.4	5.2%	-10.7%	60.0	60.0	0.0%
<b>TOTAL RECEIPTS</b>	<b>\$ 1,764.5</b>	<b>\$ 1,839.4</b>	<b>4.2%</b>	<b>20.2%</b>	<b>\$ 4,647.9</b>	<b>\$ 4,785.0</b>	<b>2.9%</b>