

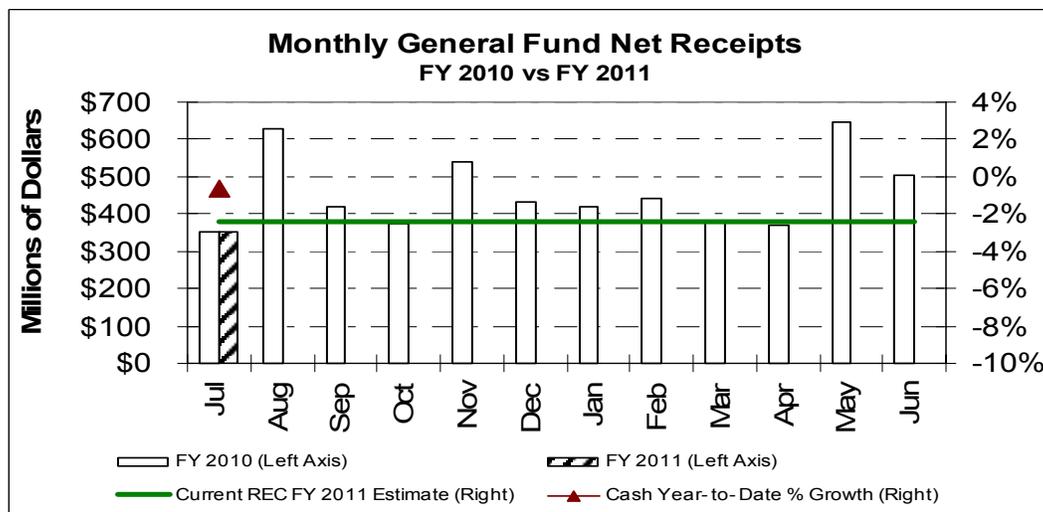
TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: August 2, 2010

### Monthly General Fund Receipts through July 31, 2010

The attached spreadsheet presents FY 2011 General Fund total net receipts with comparable figures for actual FY 2010. The figures can be compared to the FY 2011 estimate of \$5.358 billion set by the Revenue Estimating Conference (REC) on March 11, 2010. The FY 2011 estimate is a decrease of \$132.1 million (- 2.4%) compared to actual FY 2010 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



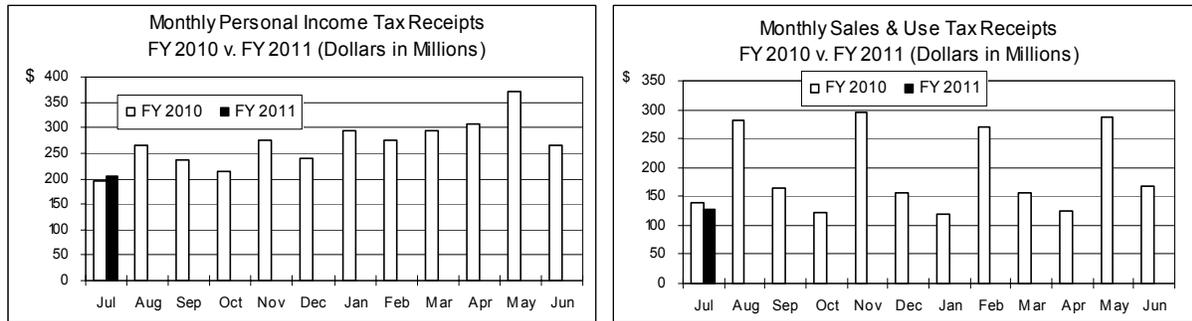
### FY 2011 Compared to FY 2010

Year-to-date FY 2011 total net receipts (excluding transfers) decreased \$2.3 million (- 0.6%) compared to FY 2010. Major sources and their contribution to the FY 2011 change include:

- Personal income tax (positive \$7.5 million, 3.8%)
- Sales/use tax (negative \$10.1 million, - 7.2%)
- Corporate tax (positive \$11.5 million, 87.1%)
- Other taxes (negative \$0.3 million, - 1.0%)
- Other receipts (negative \$5.3 million, - 16.2%)
- Tax refunds not including school infrastructure refunds (positive \$1.4 million)
- School infrastructure sales/use tax refunds (negative \$7.0 million)

**Personal Income Tax** revenues received in July totaled \$203.8 million, an increase of \$7.5 million (3.8%) compared to July 2009.

The FY 2011 REC income tax estimate of \$3.202 billion represents a projected decrease of 1.0% compared to actual FY 2010. By subcategory, withholding payments increased by \$3.9 million (2.3%), estimate payments increased \$1.5 million (6.7%), and payments with returns increased by \$2.2 million (70.9%), The following chart compares FY 2011 monthly income tax receipts from the three personal income tax subcategories with FY 2010.



**Sales/Use Tax** receipts received in July totaled \$129.3 million, a decrease of \$10.1 million (-7.2%) compared to July 2009. July 31, 2010, fell on a weekend while July 31, 2009, was a Friday. This calendar event may explain the cause of the decrease in sales/use tax receipts.

The REC estimate for FY 2011 sales/use tax receipts is \$2.267 billion, a decrease of 1.1% compared to actual FY 2010. The preceding chart compares FY 2011 monthly sales/use tax receipts with FY 2010.

**Corporate Tax** receipts received in July totaled \$24.7 million, an increase of \$11.5 million (87.1%) compared to July 2009.

The REC estimate for FY 2011 corporate tax revenue is \$369.3 million, a decrease of 5.1% compared to actual FY 2010.

**Other tax receipts** received in July totaled \$30.1 million, a decrease of \$0.3 million (-1.0%) compared to July 2009. Cigarette tax and franchise tax were down while all other taxes in the category were positive for the month.

The REC estimate for FY 2011 other tax revenue is \$431.7 million, a decrease of 0.5% compared to actual FY 2010.

**Other receipts** (non-tax receipts) received in July totaled \$27.5 million, a decrease of \$5.3 million (-16.2%) compared to July 2009. As a result of recent legislation, FY 2011 is the first year that racing and gaming revenue was not initially deposited in the General Fund. This negatively impacted receipts in July by \$10.9 million when compared to July 2009. Racing and gaming receipts will be deposited in the General Fund later in the fiscal year.

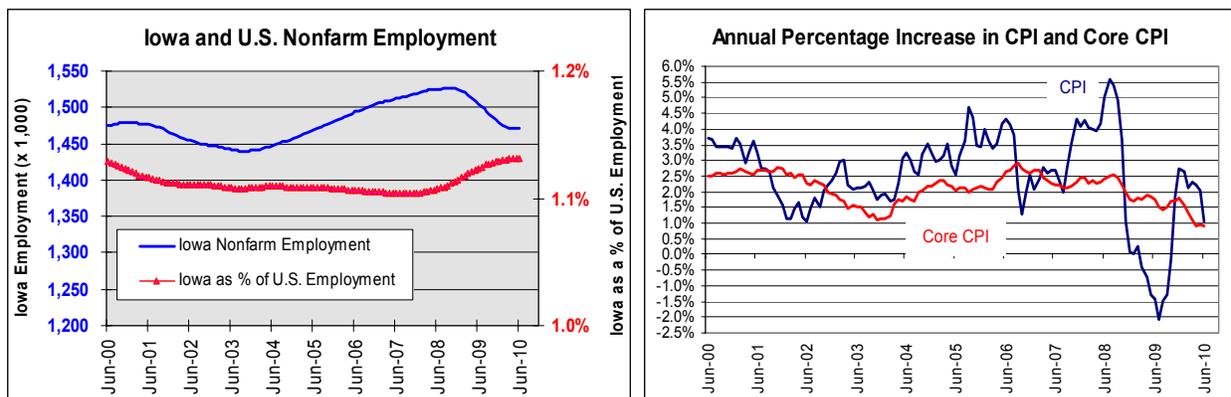
The REC estimate for FY 2011 other receipts revenue is \$351.9 million, a decrease of 2.1% compared to actual FY 2010.

**Tax Refunds** issued in July totaled \$17.9 million, a decrease of \$1.4 million (-7.3%) compared to July 2009. In addition, school infrastructure refunds totaled \$45.5 million in July, an increase of \$7.0 million compared to July 2009.

## Status of the Economy

Iowa non-farm employment was reported at 1,491,900 for the month of June (not seasonally adjusted), 800 lower (- 0.1%) than June 2009.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-2001 recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The 12-month average peaked again in October 2008 at 1,525,400, 46,700 above the 2001 peak and 85,500 above the recession low. The current 12-month average reading is now 1,470,600, so annual average Iowa non-farm employment is 55,800 below the October 2008 peak. The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. nonfarm employment had expanded 29 straight months from January 2008 to May 2010, however, that percentage declined slightly in June.



Consumer prices decreased 0.1% in June (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2010 was 218.0 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual rate now stands at 1.1%, the first time below 2.0% since November 2009.

Core CPI, an inflation measure excluding food and energy expenditures, was flat for the third month in a row in June and stands at 0.9%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for nineteen consecutive months. For the two components excluded from the core rate, energy prices are up 3.0% year-over-year while food prices are up 0.7%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2010 vs. FY 2011 July 1 through July 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 10 Actual Compared to FY 11 REC Estimate		
	FY 2010	FY 2011	Year to Date % Change	July % Change	Actual FY 2010	Estimate FY 2011	Projected % Change
Personal Income Tax	\$ 196.3	\$ 203.8	3.8%	3.8%	\$ 3,235.9	\$ 3,202.4	-1.0%
Sales/Use Tax	139.4	129.3	-7.2%	-7.2%	2,293.0	2,267.1	-1.1%
Corporate Income Tax	13.2	24.7	87.1%	87.1%	389.3	369.3	-5.1%
Inheritance Tax	6.3	6.6	4.8%	4.8%	67.4	69.6	3.3%
Insurance Premium Tax	0.9	1.5	66.7%	66.7%	88.6	90.2	1.8%
Cigarette Tax	19.0	15.9	-16.3%	-16.3%	206.1	199.9	-3.0%
Tobacco Tax	2.6	3.1	19.2%	19.2%	26.0	24.7	-5.0%
Beer Tax	1.4	1.5	7.1%	7.1%	14.4	14.4	0.0%
Franchise Tax	1.6	1.5	-6.3%	-6.3%	31.6	31.6	0.0%
Miscellaneous Tax	-1.4	0.0	N/A	N/A	(\$0.4)	1.3	-425.0%
<b>Total Special Taxes</b>	<b>\$ 379.2</b>	<b>\$ 387.9</b>	<b>2.3%</b>	<b>2.3%</b>	<b>\$ 6,352.0</b>	<b>\$ 6,270.5</b>	<b>-1.3%</b>
Institutional Payments	1.4	0.8	-42.9%	-42.9%	14.8	14.7	-0.7%
Liquor Profits	6.7	7.6	13.4%	13.4%	80.3	87.2	8.6%
Interest	0.0	0.2	0.0%	0.0%	4.0	2.8	-30.0%
Fees	3.0	2.3	-23.3%	-23.3%	47.8	32.8	-31.4%
Judicial Revenue	8.5	10.5	23.5%	23.5%	108.6	114.0	5.0%
Miscellaneous Receipts	2.3	6.1	165.2%	165.2%	37.8	34.4	-9.0%
Racing and Gaming Receipts	10.9	0.0	-100.0%	-100.0%	66.0	66.0	0.0%
<b>TOTAL GROSS RECEIPTS</b>	<b>\$ 412.1</b>	<b>\$ 415.4</b>	<b>0.8%</b>	<b>0.8%</b>	<b>\$ 6,711.4</b>	<b>\$ 6,622.4</b>	<b>-1.3%</b>
Accrued Revenue-Net*					-14.2	18.5	
Tax Refunds **	-19.3	-17.9	-7.3%	-7.3%	-839.2	-916.0	9.2%
School Infrast. Refunds **	-38.5	-45.5	18.2%	18.2%	-368.1	-367.1	-0.3%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 354.3</b>	<b>\$ 352.0</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>\$ 5,489.9</b>	<b>\$ 5,357.8</b>	<b>-2.4%</b>
<p>*FY 2010 "Accrued Revenue - Net" is currently estimated.  ** For FY 2010 and FY 2011 Year-to-Date columns, refunds are listed on a cash basis. For FY 2010 Actual and FY 2011 Estimate, refunds are listed on a fiscal year basis.</p>							