

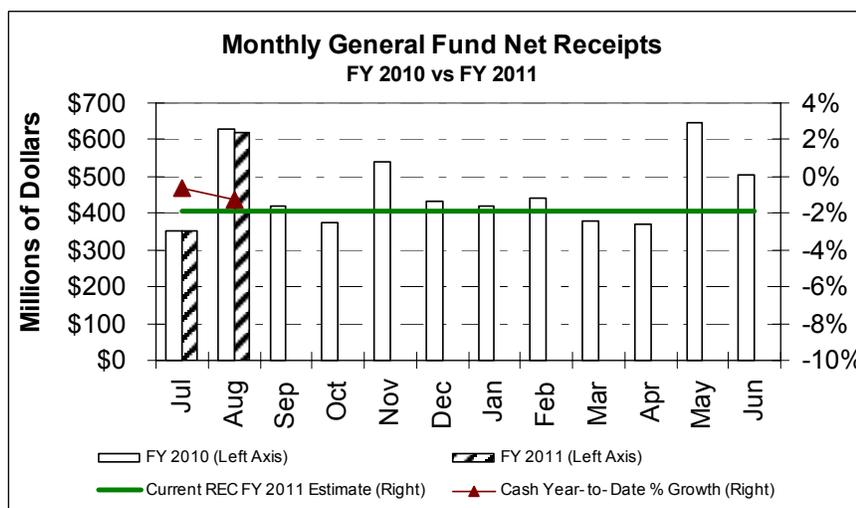
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: September 1, 2010

Monthly General Fund Receipts through August 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 currently calculates to an estimated decrease of \$101.9 million (- 1.9%) compared to actual FY 2010 total net receipts (excludes transfers). The final calculation will not be available until the end of September.



FY 2011 Compared to FY 2010

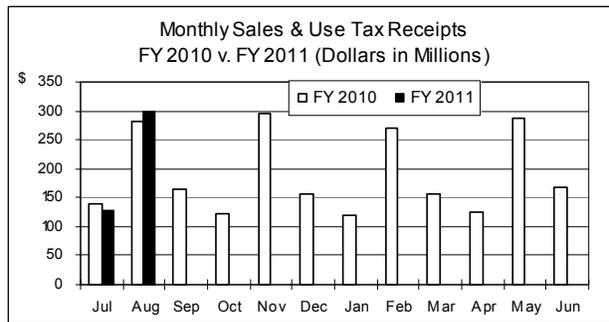
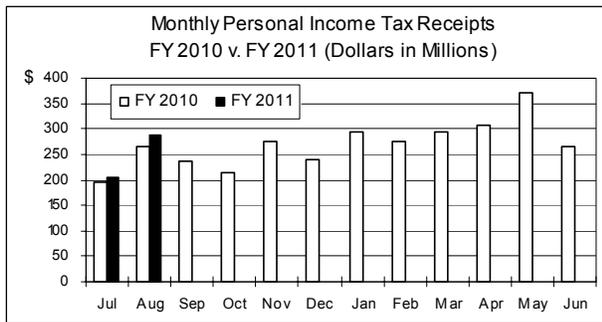
Year-to-date FY 2011 total net receipts (excluding transfers) decreased \$11.8 million (- 1.2%) compared to FY 2010. The year-to-date revenue change is significantly impacted by the racing and gaming receipt deposit timing issue discussed in the Other Receipts section below. Without this issue, net receipts would show an increase of approximately 1.8% year-to-date. Major sources and their contribution to the FY 2011 change include:

- Personal income tax (positive \$28.7 million, 6.2%)
- Sales/use tax (positive \$7.2 million, 1.7%)
- Corporate tax (positive \$3.3 million, 10.5%)
- Other taxes (positive \$8.2 million, 8.4%)

- Other receipts (negative \$32.4 million, - 43.4%)
- Tax refunds not including school infrastructure refunds (negative \$19.9 million)
- School infrastructure sales/use tax refunds (negative \$7.1 million)

Personal Income Tax revenues received in August totaled \$287.0 million, an increase of \$21.2 million (8.0%) compared to August 2009.

The FY 2011 REC income tax estimate of \$3.202 billion represents a projected decrease of 1.0% compared to actual FY 2010. Through August, total income tax receipts increased 6.2%. By subcategory, withholding payments increased \$17.2 million (4.0%), estimate payments increased \$1.4 million (5.5%), and payments with returns increased \$10.1 million (298.0%). The following chart compares FY 2011 monthly income tax receipts with FY 2010.



Sales/Use Tax receipts received in August totaled \$299.7 million, an increase of \$17.3 million (6.1%) compared to August 2009. July 31, 2010, fell on a weekend while July 31, 2009, was a Friday. This calendar event produced a significant increase for August to offset the large decrease experienced with July 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. Through August, sales/use tax receipts increased 1.7%. The preceding chart compares FY 2011 monthly sales/use tax receipts with FY 2010.

Corporate Income Tax receipts received in August totaled \$10.1 million, a decrease of \$8.2 million (- 44.8%) compared to August 2009.

The REC estimate for FY 2011 corporate tax revenue is \$369.3 million, a decrease of 5.1% compared to actual FY 2010. Through August, corporate income tax receipts increased 10.5%.

Other tax receipts received in August totaled \$76.3 million, an increase of \$8.5 million (12.5%) compared to August 2009. Insurance premium tax increased 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. Through August, other tax receipts increased 8.4%.

Other receipts (non-tax receipts) received in August totaled \$14.8 million, a decrease of \$27.1 million (- 64.7%) compared to August 2009. As a result of recent legislation, \$66.0 million in racing and gaming revenue will not be deposited to the General Fund until much later in the fiscal year. This negatively impacted receipts in August by \$22.1 million and year-to-date receipts by \$33.0 million. The full \$66.0 million in 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. Through August, other receipts decreased 43.4%.

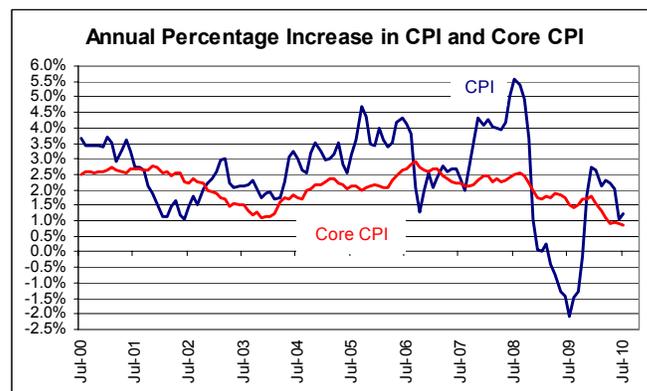
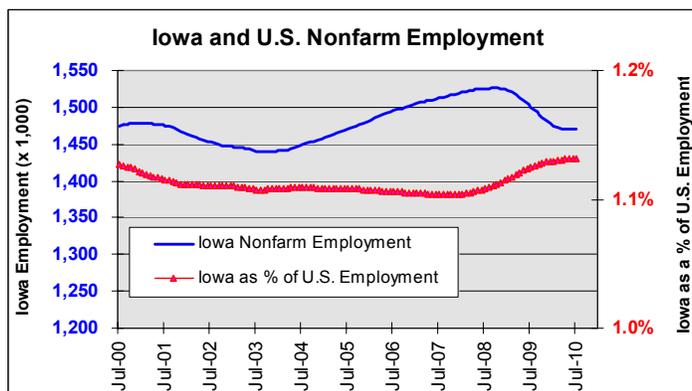
Tax Refunds issued in August totaled \$38.9 million, an increase of \$21.3 million (121.0%) compared to August 2009. August 2009 tax refunds were unusually low compared to other years and the amount issued in August 2010 was more typical for the month.

Status of the Economy

Iowa nonfarm employment was reported at 1,461,700 for the month of July (not seasonally adjusted), 3,200 higher (0.2%) than July 2009. This is the first positive job growth month since October 2008.

Iowa's 12-month average employment is presented in a graph below. Iowa's average non-farm employment peaked in October 2008 at 1,526,400, 47,700 above the peak of the prior to the previous recession (Jan. 2001) and 86,500 below the trough of that recession (Sept. 2003). The current 12-month average reading is now 1,470,600, so annual average Iowa nonfarm employment is 55,700 below the October 2008 peak and 8,100 below the January 2001 peak. This situation is not unique to Iowa, as U.S. nonfarm employment is also below the peak experienced prior to the 2001 U.S. recession.

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 has been improving since the start of the recession in December 2007; however, the improvement has moderated considerably in recent months.



Consumer prices were essentially unchanged in July (not seasonally adjusted). The Consumer Price Index (CPI-U) through July 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 inflation rate now stands at 1.2%.

Core CPI, an inflation measure excluding food and energy expenditures, was flat for the fourth month in a row in July 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 twenty consecutive months. For the two components excluded from the core rate, energy prices are up 5.2% year-over-year while food prices are up 0.9%.

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

GENERAL FUND RECEIPTS - FY 2010 vs. FY 2011 July 1 through August 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	August % Change	Actual FY 2010	Estimate FY 2011	Projected % Change
Personal Income Tax	\$ 462.1	\$ 490.8	6.2%	8.0%	\$ 3,235.9	\$ 3,202.4	-1.0%
Sales/Use Tax	421.8	429.0	1.7%	6.1%	2,293.0	2,267.1	-1.1%
Corporate Income Tax	31.5	34.8	10.5%	-44.8%	389.3	369.3	-5.1%
Inheritance Tax	12.1	12.9	6.6%	8.6%	67.4	69.6	3.3%
Insurance Premium Tax	40.0	49.2	23.0%	22.0%	88.6	90.2	1.8%
Cigarette Tax	38.3	34.7	-9.4%	-2.6%	206.1	199.9	-3.0%
Tobacco Tax	4.5	5.1	13.3%	5.3%	26.0	24.7	-5.0%
Beer Tax	2.9	2.9	0.0%	-6.7%	14.4	14.4	0.0%
Franchise Tax	1.8	1.6	-11.1%	-50.0%	31.6	31.6	0.0%
Miscellaneous Tax	-1.4	0.0	N/A	N/A	-0.4	1.3	-425.0%
Total Special Taxes	\$ 1,013.5	\$ 1,060.9	4.7%	6.1%	\$ 6,352.0	\$ 6,270.5	-1.3%
Institutional Payments	2.8	2.3	-17.9%	7.1%	14.8	14.7	-0.7%
Liquor Profits	13.0	14.8	13.8%	14.3%	80.3	87.2	8.6%
Interest	0.1	0.3	200.0%	0.0%	4.0	2.8	-30.0%
Fees	9.4	5.9	-37.2%	-43.8%	47.8	32.8	-31.4%
Judicial Revenue	10.9	11.6	6.4%	-54.2%	108.6	114.0	5.0%
Miscellaneous Receipts	5.5	7.4	34.5%	-59.4%	37.8	34.4	-9.0%
Racing and Gaming Receipts	33.0	0.0	-100.0%	-100.0%	66.0	66.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,088.0	\$ 1,103.2	1.4%	1.7%	\$ 6,711.4	\$ 6,622.4	-1.3%
Accrued Revenue-Net*					-14.2	18.5	
Tax Refunds **	-36.9	-56.8	53.9%	121.0%	-859.1	-916.0	6.6%
School Infrast. Refunds **	-68.4	-75.5	10.4%	0.3%	-378.4	-367.1	-3.0%
TOTAL NET RECEIPTS	\$ 982.7	\$ 970.9	-1.2%	-1.6%	\$ 5,459.7	\$ 5,357.8	-1.9%

*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.