

Dennis C Prouty
Director
515/281-5279
dennis.prouty@legis.state.ia.us

**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

State Capitol
Des Moines, Iowa
50319

MEMORANDUM



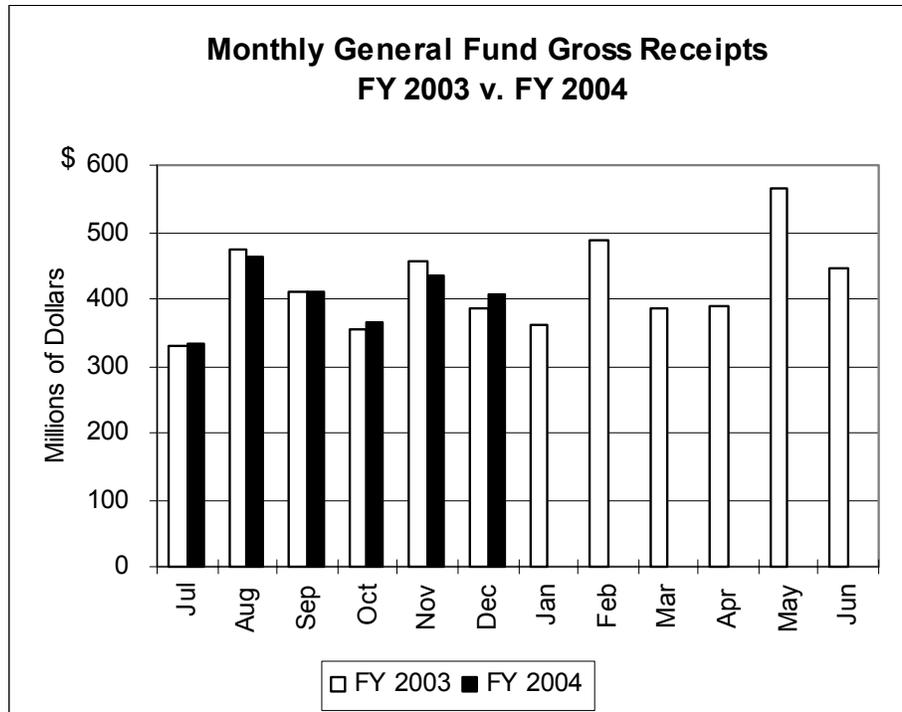
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: January 5, 2004

Monthly General Fund Receipts through December 31, 2003

The attached spreadsheet presents total FY 2004 monthly General Fund receipts, with comparable figures for actual FY 2003. The figures can be compared to the FY 2004 estimate (\$5.107 billion) set by the Revenue Estimating Conference (REC) on December 8, 2003. The estimate represents an increase of \$60.3 million (1.2%) compared to actual FY 2003 gross cash receipts (excluding transfers). A date for the next Revenue Estimating Conference has not been set.



FY 2004 Compared to FY 2003

Year-to-date FY 2004 total gross revenues (excluding transfers) increased \$3.2 million (0.1%) compared to the same time period of FY 2003. Major revenue sources contributing to the change include:

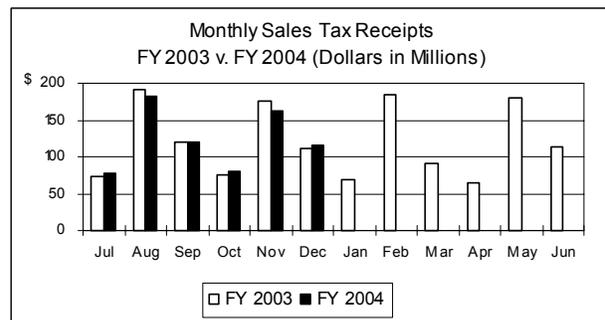
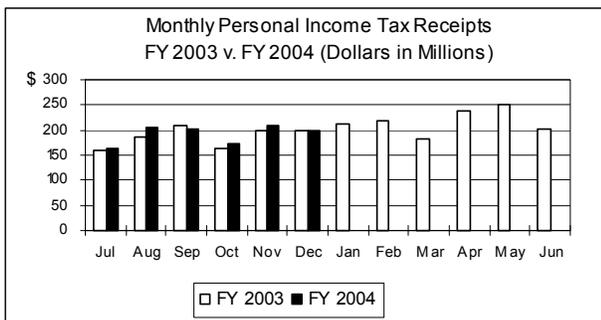
- Personal income tax (positive \$37.3 million)
- Sales & use tax (negative \$8.5 million)
- Corporate tax payments (negative \$25.4 million)
- Other taxes (negative \$0.3 million)
- Other receipts (positive \$0.1 million)

Much of the projected revenue growth in FY 2004 is due to changes to unclaimed property regulations. The new revenue from this source is not expected until late in FY 2004. Therefore, FY 2004 comparisons to the REC estimate will appear lower than is actually the case until the unclaimed property proceeds are deposited to the General Fund in late spring.

Personal income tax revenues received in December totaled \$200.0 million, an increase of \$1.4 million (0.7%) compared to December 2002.

The FY 2004 REC income tax estimate of \$2.527 billion represents a projected increase of 4.5% compared to actual FY 2003. The year-to-date change in personal income tax receipts is 3.3%. Withholding tax payments are up 4.8% while estimated income tax payments are down 9.6%.

The following Chart compares FY 2004 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2003.



Sales tax receipts received in December totaled \$115.7 million, an increase of \$3.8 million (3.4%) compared to December 2002.

The REC estimate for FY 2004 sales tax receipts is \$1.450 billion, no change compared to actual FY 2003. The year-to-date growth in sales tax receipts is negative 0.9%.

The preceding Chart compares FY 2004 monthly sales tax receipts with FY 2003.

Use tax receipts received in December totaled \$14.3 million, an increase of \$2.9 million (25.9%) compared to December 2002.

The REC estimate for FY 2004 use tax receipts is \$252.9 million, a decrease of 0.5% compared to the FY 2003 level. The year-to-date growth in use tax receipts is negative 1.2%.

Corporate tax receipts received in December totaled \$22.8 million, a \$2.0 million increase (9.5%) compared to December 2002. The REC estimate for FY 2004 corporate tax receipts is \$180.1 million, which represents a

decrease of 24.0% compared to actual FY 2003. The year-to-date growth in corporate use tax receipts is negative 22.0%.

Other tax receipts received in December totaled \$20.9 million, a \$1.4 million (- 6.2%) decrease compared to actual FY 2003. Cigarette and tobacco tax receipts were up for the month, while inheritance and franchise tax receipts were down.

The REC estimate for FY 2004 receipts from other taxes is \$355.2 million, which represents a decrease of 5.6% compared to actual FY 2003. The year-to-date growth in other taxes is negative 0.3%.

Other receipts (non-tax receipts) received in December totaled \$31.9 million, a \$11.4 million (55.9%) increase compared to actual FY 2003. The increase was due to the transfer of Area Education Agency (AEA) balances to the General Fund during December.

The REC estimate for FY 2004 other receipts is \$341.2 million, which represents an increase of 9.5% compared to actual FY 2003. The year-to-date growth in other receipts is 0.0%. Much of the projected revenue increase (unclaimed property) in other receipts is not expected until late spring, 2004.

Status of the Economy

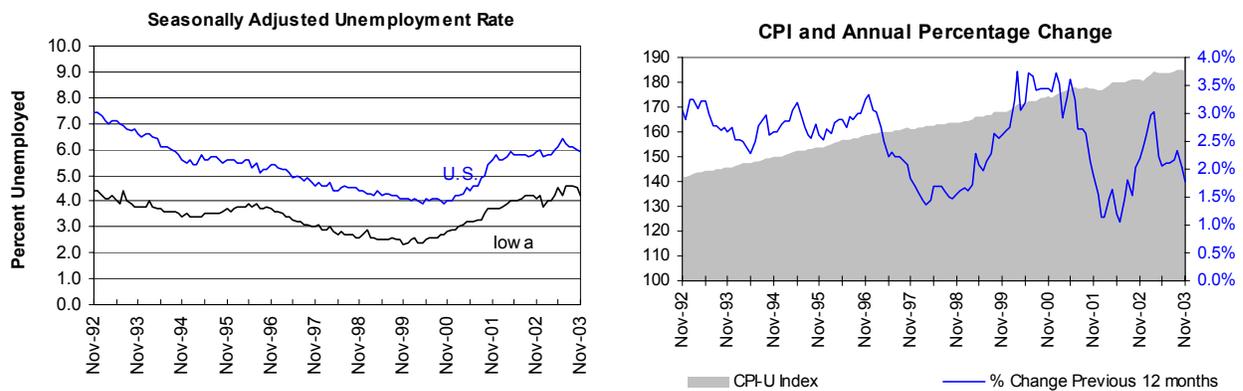
The November seasonally adjusted Iowa civilian unemployment rate was 4.2%, 0.3% lower than the October 2003 level and 0.1% higher than the 4.1% level one year ago. Iowa's total adjusted November 2003 employment registered at 1,568,200, down 40,000 from last year's level. The number of unemployed persons in Iowa was reported at 68,000 in November, a decrease of 1,300 compared to November 2002.

The seasonally adjusted employment numbers for 2003 and prior years are due to be revised (benchmarked) in January. It is probable the large employment drop shown in current numbers will disappear when the benchmarking procedure is complete.

The U.S. unemployment rate in November 2003 was 5.9%, 1.7 percentage points above the Iowa rate. The U.S. rate one year ago was 5.9%.

Consumer prices decreased 0.27% during the month of November (not seasonally adjusted). The Consumer Price Index (CPI-U) through November 2003 was 184.5 (1983/84=100), 1.8% higher than one year ago.

The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through November.



Information related to State General Fund receipts is available on the Fiscal Division's web site at:

<http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2003 vs. FY 2004 July 1 through December 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 03 Actual Compared to FY 04 REC Estimate		
	FY 2003	FY 2004	Year to Date % CHANGE	December % CHANGE	Actual FY 2003	Estimate FY 2004	Projected % CHANGE
Personal Income Tax	\$ 1,114.5	\$ 1,151.7	3.3%	0.7%	\$ 2,417.6	\$ 2,527.2	4.5%
Sales Tax	746.9	739.9	-0.9%	3.4%	1,450.3	1,450.4	0.0%
Use Tax	125.4	123.9	-1.2%	25.9%	254.2	252.9	-0.5%
Corporate Income Tax	115.7	90.3	-22.0%	9.5%	237.0	180.1	-24.0%
Inheritance Tax	47.4	40.7	-14.1%	-21.8%	88.1	76.7	-12.9%
Insurance Premium Tax	0.8	5.4	575.0%	199.0%	142.2	130.0	-8.6%
Cigarette Tax	44.4	43.5	-2.0%	11.0%	88.1	86.3	-2.0%
Tobacco Tax	3.8	4.1	7.9%	53.8%	7.4	7.5	1.4%
Beer Tax	7.3	7.3	0.0%	-4.3%	13.9	14.0	0.7%
Franchise Tax	16.0	17.9	11.9%	-8.8%	35.3	39.2	11.0%
Miscellaneous Tax	1.6	2.0	25.0%	-75.3%	1.1	1.5	36.4%
Total Special Taxes	\$ 2,223.8	\$ 2,226.7	0.1%	2.4%	\$ 4,735.2	\$ 4,765.8	0.6%
Institutional Payments	9.6	6.2	-35.4%	-12.6%	16.2	14.6	-9.9%
Liquor Transfers - Profits	20.0	20.5	2.5%	11.1%	40.0	42.0	5.0%
Liquor Transfers - 7% Revenues	4.5	4.5	0.0%	0.0%	9.0	9.0	0.0%
Interest	11.5	3.5	-69.6%	-28.1%	18.1	12.0	-33.7%
Fees	37.0	35.3	-4.6%	-5.2%	72.1	66.2	-8.2%
Judicial Revenue	20.3	24.8	22.2%	273.6%	54.7	57.3	4.8%
Miscellaneous Receipts	21.6	29.8	38.0%	240.7%	41.4	80.1	93.5%
Racing and Gaming Receipts	60.0	60.0	0.0%	100.0%	60.0	60.0	0.0%
	0.0						
TOTAL GROSS RECEIPTS	\$ 2,408.3	\$ 2,411.3	0.1%	5.2%	\$ 5,046.7	\$ 5,107.0	1.2%