



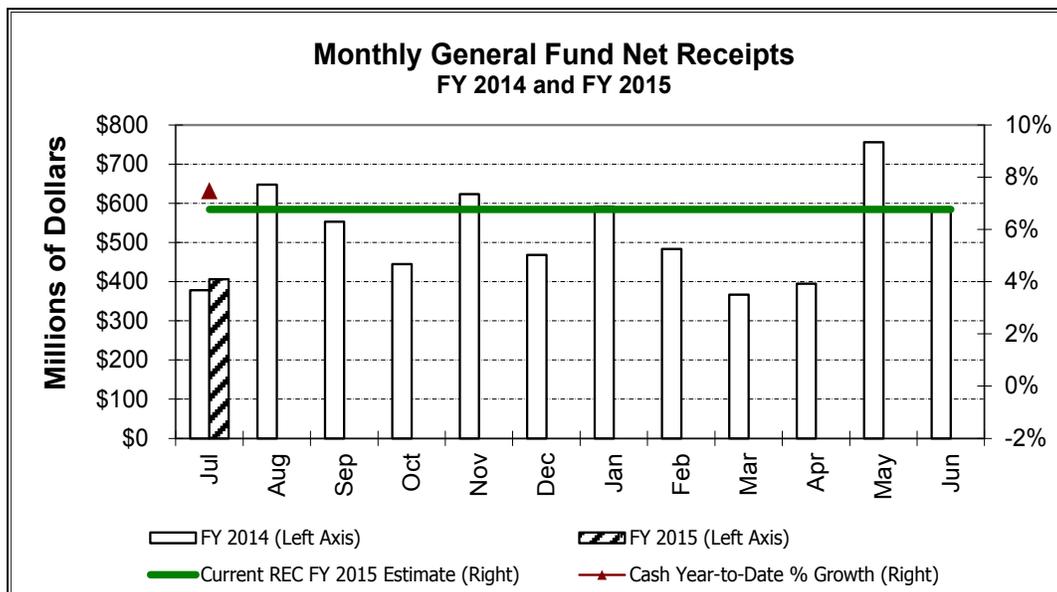
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: August 1, 2014

Monthly General Fund Receipts through July 31, 2014

The attached spreadsheet presents FY 2015 General Fund total net receipts with comparable figures for actual FY 2014. The figures can be compared to the FY 2015 estimate of \$6.802 billion set by the Revenue Estimating Conference (REC) on March 20, 2014. The FY 2015 estimate is an increase of \$431.1 million (6.8%) compared to FY 2014 total net receipts (excludes transfers), but does not include any revenue adjustments enacted after the last REC meeting. The next REC meeting has not been scheduled.



Overview of Current Situation

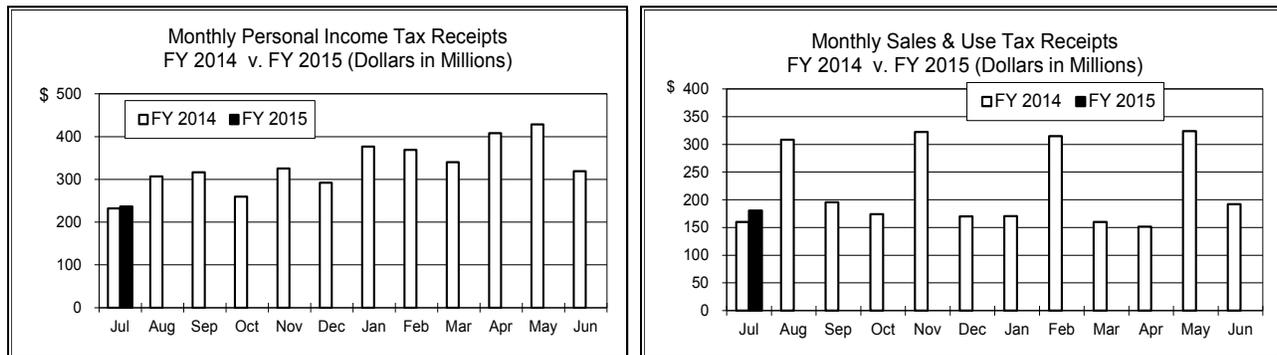
July 2014 net General Fund revenue was \$28.3 million above (7.5%) the July 2013 revenue level. Major sources of tax revenue and their contribution to the July 2014 change include:

- Personal income tax (positive \$3.9 million, 1.7%)
- Sales/use tax (positive \$20.5 million, 12.8%)
- Corporate tax (negative \$32.4 million, -59.7%)
- Other taxes (negative \$9.3 million, -57.1%)

- Other receipts (positive \$5.4 million, 33.3%)
- Tax refunds not including school infrastructure refunds (negative \$4.5 million)
- School infrastructure sales/use tax refunds (negative \$35.5 million)

Personal Income Tax revenue received in July totaled \$236.2 million, an increase of \$3.9 million (1.7%) compared to July 2013.

The FY 2015 REC income tax estimate of \$4.291 billion represents a projected increase of 8.0% compared to actual FY 2014. By subcategory, withholding payments increased \$7.9 million (4.1%), estimate payments decreased \$5.0 million (-16.4%), and payments with returns increased by \$0.9 million (11.3%). The following chart compares FY 2015 monthly income tax receipts from the three personal income tax subcategories with FY 2014.



Sales/Use Tax receipts received in July totaled \$180.4 million, an increase of \$20.5 million (12.8%) compared to July 2013. The increase can be attributed to a deposit issue last year that reduced sales/use tax by about \$23.5 million and positively impacted corporate tax receipts by a like amount.

The REC estimate for FY 2015 sales/use tax receipts is \$2.753 billion, an increase of 4.2% compared to actual FY 2014. The preceding chart compares FY 2015 monthly sales/use tax receipts with FY 2014.

Corporate Tax receipts received in July totaled \$21.9 million, a decrease of \$32.4 million (-29.7%) compared to July 2013. As noted above, much of the decrease relates to a deposit issue that positively impacted corporate tax receipts in July 2013.

The REC estimate for FY 2015 corporate tax revenue is \$610.0 million, an increase of 11.0% compared to actual FY 2014.

Other tax receipts received in July totaled \$7.0 million, a decrease of \$9.3 million (-57.1%) compared to July 2013. A reduction of \$3.3 million in inheritance tax and a reduction of \$5.0 million in the franchise tax accounted for a majority of the July decrease.

The REC estimate for FY 2015 other tax revenue is \$269.8 million, an increase of 5.3% compared to actual FY 2014.

Other receipts (non-tax receipts) received in July totaled \$21.6 million, an increase of \$5.4 million (33.3%) compared to July 2013.

The REC estimate for FY 2015 other receipts revenue is \$270.0 million, a decrease of 6.6% compared to actual FY 2014.

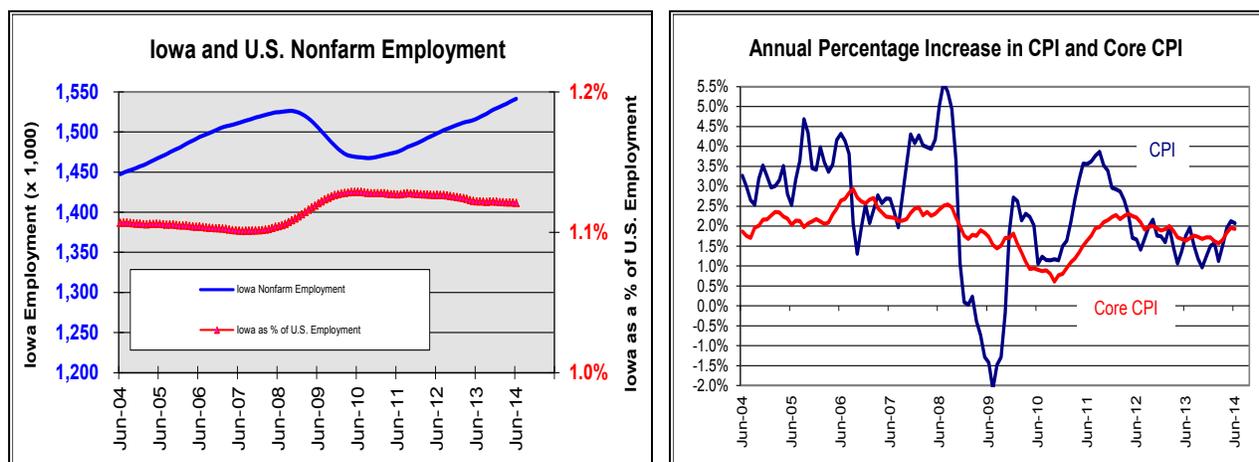
Tax Refunds issued in July totaled \$28.1 million, a decrease of \$4.5 million (-13.8%) compared to July 2013. In addition, school infrastructure refunds totaled \$32.6 million in July, a decrease of \$35.5 million compared to July 2013.

Status of the Economy

Iowa nonfarm employment was reported at 1,565,000 for the month of June 2014 (not seasonally adjusted), 21,200 higher (1.9%) than June 2013.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,541,400, resulting in an annual average Iowa nonfarm employment level 15,000 jobs above 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, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since June 2009.



The Consumer Price Index (CPI-U) through June 2014 was 238.3 (1983/84=100). Consumer prices increased 0.19% in June (not seasonally adjusted). The annual rate of inflation remained at 2.1% for the second month in a row.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.05% in June and totaled 1.9% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are up 3.2% year-over-year while food prices were up 2.2%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/publications/fiscal/dailyReceipts>.

GENERAL FUND RECEIPTS - FY 2014 vs. FY 2015 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 14 Actual Compared to FY 15 REC Estimate		
	FY 2014	FY 2015	Year to Date % Change	July % Change	Actual FY 2014	Estimate FY 2015	Projected % Change
Personal Income Tax	\$ 232.3	\$ 236.2	1.7%	1.7%	\$ 3,974.8	\$ 4,291.4	8.0%
Sales/Use Tax	159.9	180.4	12.8%	12.8%	2,642.3	2,753.0	4.2%
Corporate Income Tax	54.3	21.9	-59.7%	-59.7%	549.6	610.0	11.0%
Inheritance Tax	7.8	4.5	-42.3%	-42.3%	91.0	98.7	8.5%
Insurance Premium Tax	0.6	1.0	66.7%	66.7%	105.5	107.5	1.9%
Cigarette Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Tobacco Tax	1.4	0.0	-100.0%	-100.0%	1.4	0.0	-100.0%
Beer Tax	1.3	1.3	0.0%	0.0%	14.1	14.9	5.7%
Franchise Tax	5.2	0.2	-96.2%	-96.2%	42.9	47.6	11.0%
Miscellaneous Tax	0.0	0.0	0.0%	0.0%	1.2	1.1	0.0%
Total Gross Taxes	\$ 462.7	\$ 445.6	-3.7%	-3.7%	\$ 7,422.8	\$ 7,924.2	6.8%
Institutional Payments	1.1	2.0	81.8%	81.8%	12.8	11.1	-13.3%
Liquor Profits	3.2	7.7	140.6%	140.6%	96.6	96.0	-0.6%
Interest	0.2	0.3	50.0%	50.0%	3.4	3.5	2.9%
Fees	2.4	2.5	4.2%	4.2%	28.8	26.5	-8.0%
Judicial Revenue	6.7	6.5	-3.0%	-3.0%	104.0	102.6	-1.3%
Miscellaneous Receipts	2.6	2.6	0.0%	0.0%	43.4	30.3	-30.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
TOTAL GROSS RECEIPTS	\$ 478.9	\$ 467.3	-2.4%	-2.4%	\$ 7,711.8	\$ 8,194.2	6.3%
Accrued Revenue-Net**					41.6	23.1	
Tax Refunds *	-32.6	-28.1	-13.8%	-13.8%	-956.0	-974.3	1.9%
School Infrast. Refunds *	-68.1	-32.6	-52.1%	-52.1%	-426.0	-440.5	3.4%
TOTAL NET RECEIPTS	\$ 378.2	\$ 406.6	7.5%	7.5%	\$ 6,371.4	\$ 6,802.5	6.8%

* For FY 2014 and FY 2015 Year-to-Date columns, refunds are presented on a cash basis. For FY 2014 Actual and FY 2015 Estimate, refunds are presented on a fiscal year basis.

** The FY 2014 Accrued Revenue-Net is currently estimated.