



IOWA GENERAL ASSEMBLY
LEGISLATIVE SERVICES AGENCY

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MEMORANDUM

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives
FROM: Dennis C. Prouty
DATE: April 3, 2006

Monthly General Fund Receipts through March 31, 2006

The attached spreadsheet presents year-to-date FY 2006 General Fund receipts, with comparable figures for actual FY 2005. The figures can be compared to the FY 2006 estimate of \$5.684 billion set by the Revenue Estimating Conference (REC) on March 24, 2006. The FY 2006 estimate is an increase of \$115.5 million (2.1%) compared to actual FY 2005 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next meeting of the Revenue Estimating Conference has not been scheduled.

DIVISIONS

LEGAL SERVICES
RICHARD L. JOHNSON

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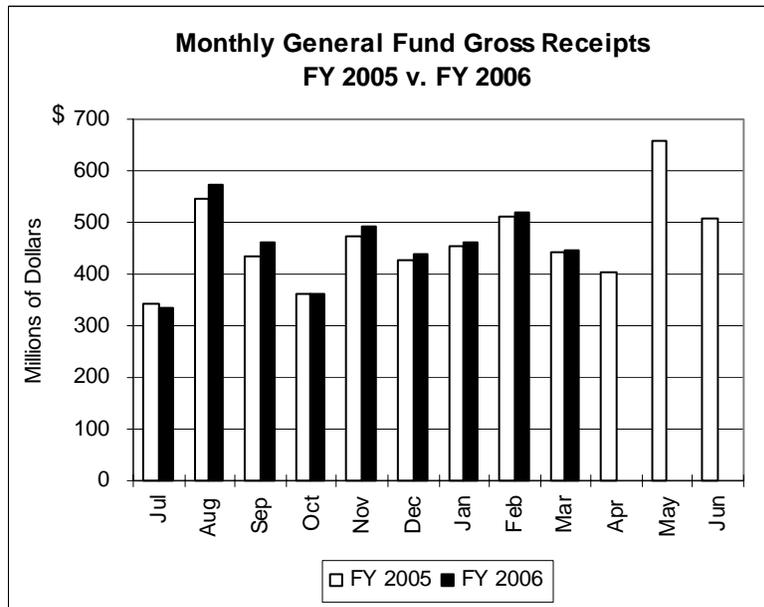
FISCAL SERVICES
HOLLY M. LYONS

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COMPUTER SERVICES
GLEN P. DICKINSON

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ADMINISTRATIVE SERVICES
TIMOTHY C. FALLER



FY 2006 Compared to FY 2005

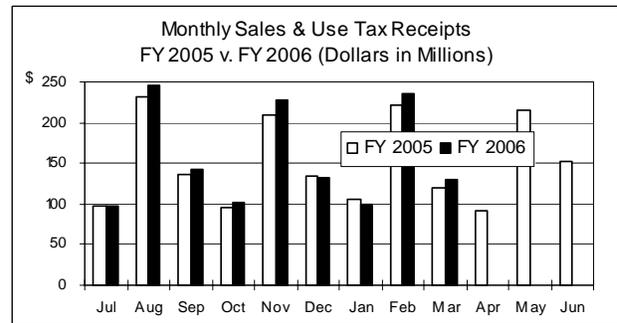
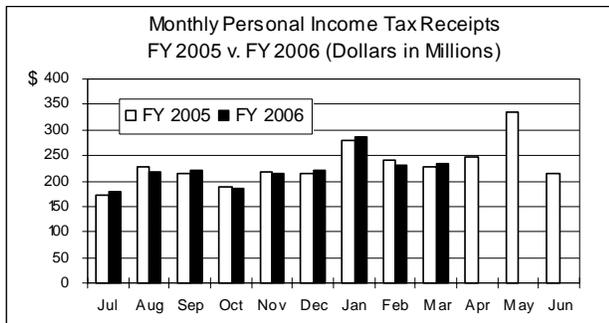
Fiscal year to date, total gross cash receipts increased \$90.6 million (2.3%) compared to FY 2005. Major revenue sources contributing to the change include:

- Personal income tax (positive \$3.4 million)
- Sales & use tax (positive \$58.8 million)
- Corporate tax (positive \$25.6 million)
- Other taxes (negative \$3.6 million)
- Other receipts (positive \$6.4 million)

Personal income tax revenues received in March totaled \$233.4 million, an increase of \$7.1 million (3.1%) compared to March 2005.

The State lowered income tax withholding table rates effective April 1, 2005. The first day the change could impact receipts was April 26, 2005. Withholding tax deposits have shown negative growth since April 26th, decreasing \$47.8 million (- 2.2%) through March. Legislative Services Agency projections call for a reduction of \$157.6 million between April 26 and March 31 as a result of the table changes. Adjusting for that amount of reduction, the base withholding receipt growth since April 26 is positive 5.1%.

The FY 2006 REC income tax estimate of \$2.812 billion represents a projected increase of 1.1% compared to actual FY 2005. Year-to-date, total income tax receipts have increased 0.2%. By subcategory, withholding tax payments decreased 1.7%, income tax estimate payments increased 8.7%, and payments with returns have increased 22.1%. The following chart compares FY 2006 monthly personal income tax receipts from all three personal income tax subcategories with FY 2005.



Sales/use tax receipts received in March totaled \$130.1 million, an increase of \$10.5 million (8.8%) compared to March 2005.

The REC estimate for FY 2006 sales/use tax receipts is \$1.885 billion, an increase of 4.0% compared to actual FY 2005. Year-to-date, sales/use tax receipts increased 4.3%. The preceding chart compares FY 2006 monthly sales tax receipts with FY 2005.

Corporate tax receipts received in March totaled \$28.2 million, a \$4.1 million increase (17.0%) compared to March 2005. The REC estimate for FY 2006 corporate tax revenue is \$312.1 million, which represents an increase of 11.1% compared to actual FY 2005. Year-to-date, corporate tax revenue has increased 14.6%.

Other tax receipts received in March totaled \$31.7 million, a \$23.0 million decrease (- 42.0%) compared to March 2005. The large decrease for the month is the result of insurance tax rate reductions being phased-in over several years. The REC estimate for FY 2006 receipts from other taxes is \$345.0 million, which represents a decrease of 2.9% compared to actual FY 2005. Year-to-date, other tax receipts have decreased 1.6%. A further revenue decrease will occur with the next insurance premium payment due June 1.

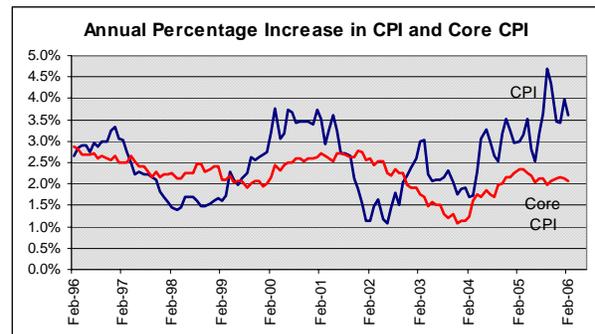
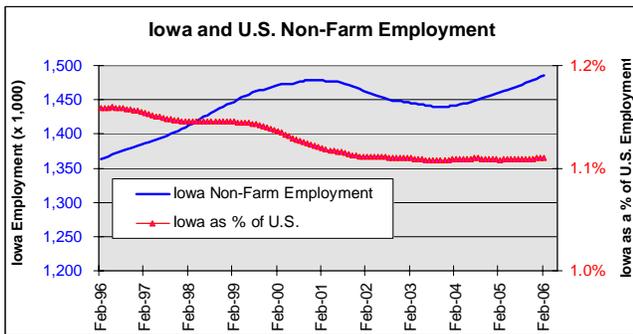
Other receipts (non-tax receipts) received in March totaled \$23.2 million, a \$3.8 million increase (19.6%) compared to March 2005. Interest income and fee revenue increased for the month while judicial revenue decreased.

The REC estimate for FY 2006 other receipt revenue is \$330.4 million, which represents a decrease of 2.2% compared to actual FY 2005. Year-to-date, other receipts have increased 2.5%.

Status of the Economy

Iowa non-farm employment was reported at 1,470,900 for the month of February (not seasonally adjusted), 28,600 higher (2.0%) than February 2005.

The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,485,800, so annualized Iowa non-farm employment is roughly 7,100 above its 2001 peak and 45,900 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has held relatively stable over the past three years.



Consumer prices increased 0.2% during the month of February (not seasonally adjusted). The Consumer Price Index (CPI-U) through February 2006 was 198.7 (1983/84=100), 3.6% higher than one year ago. Core CPI, an inflation measure that excludes food and energy prices, increased 0.5% during February and the year-over-year change was 2.1%. The core inflation rate has generally declined since the early 1990's. The graph shows that although the full measure of inflation has accelerated significantly since March 2004, the Core CPI rate has remained well within a normal range.

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

GENERAL FUND RECEIPTS - FY 2005 vs. FY 2006 July 1 through March 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 05 Actual Compared to FY 06 REC Estimate		
	FY 2005	FY 2006	Year to Date % Change	March % Change	Actual FY 2005	Estimate FY 2006	Projected % Change
Personal Income Tax	\$ 1,984.1	\$ 1,987.5	0.2%	3.1%	\$ 2,782.3	\$ 2,812.0	1.1%
Sales/Use Tax	1,353.7	1,412.5	4.3%	8.8%	1,812.3	1,884.9	4.0%
Corporate Income Tax	175.6	201.2	14.6%	17.0%	280.9	312.1	11.1%
Inheritance Tax	59.9	54.9	-8.3%	-19.2%	78.4	70.9	-9.6%
Insurance Premium Tax	64.0	66.1	3.3%	-58.1%	130.9	128.3	-2.0%
Cigarette Tax	64.4	65.7	2.0%	-7.7%	87.4	89.1	1.9%
Tobacco Tax	6.5	6.5	0.0%	-25.0%	8.7	9.0	3.4%
Beer Tax	10.4	10.6	1.9%	0.0%	14.0	14.3	2.1%
Franchise Tax	21.6	20.5	-5.1%	41.7%	35.4	32.8	-7.3%
Miscellaneous Tax	1.4	0.3	-78.6%	66.7%	0.6	0.6	0.0%
Total Special Taxes	\$ 3,741.6	\$ 3,825.7	2.2%	-0.3%	\$ 5,230.9	\$ 5,354.0	2.4%
Institutional Payments	9.5	9.8	3.2%	-7.7%	12.7	12.5	-1.6%
Liquor Profits	39.8	41.0	3.0%	-1.9%	59.0	61.8	4.7%
Interest	7.5	14.4	92.0%	183.3%	9.7	13.5	39.2%
Fees	50.1	59.9	19.6%	100.0%	72.3	72.0	-0.4%
Judicial Revenue	39.5	39.9	1.0%	-36.8%	59.2	60.9	2.9%
Miscellaneous Receipts	48.1	35.9	-25.4%	16.7%	65.1	49.7	-23.7%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,996.0	\$ 4,086.6	2.3%	0.6%	\$ 5,568.9	\$ 5,684.4	2.1%