



## MEMORANDUM

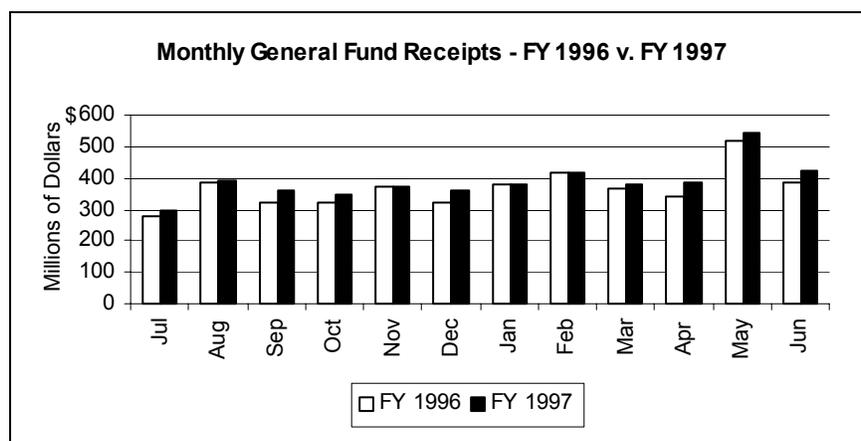
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: July 1, 1997

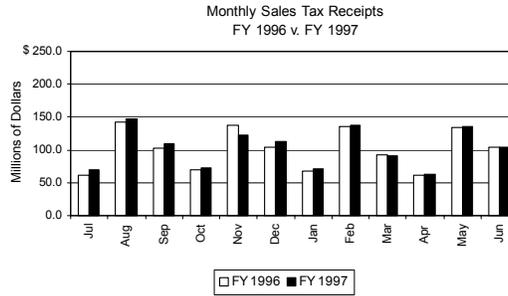
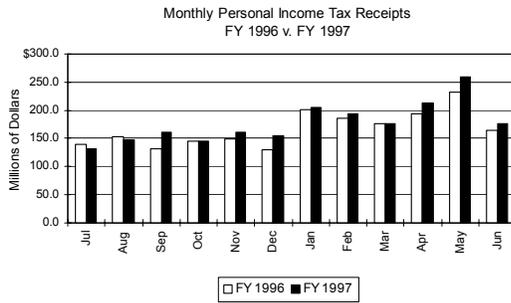
### General Fund Receipts Through June 30, 1997

The attached spreadsheet represents total FY 1997 General Fund receipts, with comparable figures for FY 1996. These can be compared to the latest FY 1997 estimate (\$4.611 billion) set by the Revenue Estimating Conference (REC).



General Fund cash receipts in FY 1997 totaled \$4.648 billion, an increase of \$241.2 million (5.5%) compared to FY 1996. Actual FY 1997 receipts exceeded the latest REC estimate by \$37.0 million. In April, the REC estimated FY 1997 total General Fund receipts would grow 4.6%.

Tax receipts in FY 1997 increased 5.7%. Personal income tax receipts increased 6.1%. Sales tax receipts were 2.0% higher than the previous fiscal year. Use tax receipts and corporate income tax receipts exceeded last year's level by 7.3% and 14.8%, respectively. Overall growth in FY 1997 receipts was boosted by a 10.8% increase in June's receipts, compared to June 1996.



**Gross personal income tax** revenues received in June were \$11.1 million (6.7%) greater than June 1996. Growth was attributable to estimate payments and withholding receipts, which grew by 17.3% and 5.5%, respectively. The strong performance of estimate payments was primarily due to a timing factor. Second quarter estimate payments in 1997 were due June 30, but were not due until July 1 last year. This factor alone explains nearly all of June's \$5.2 million growth in estimate payments. For the year, estimate payments exceeded last year's level by \$15.7 million (5.9%).

Withholding receipts in June exceeded the June 1996 level by \$7.3 million (5.5%). The growth in receipts from withholding has been reasonably stable over the last seven months, with the year-to-date growth rate ranging from a low of 4.9% to a high of 5.8%. For the year, withholding receipts surpassed the FY 1996 amount by \$83.1 million (5.4%). Given consistently low inflation and stable labor trends, the performance of this revenue source is another indication the State's general economy remains healthy.

Return payments in FY 1997 totaled \$231.4 million, an increase of \$23.5 million (11.3%) compared to FY 1996.

The REC FY 1997 income tax estimate of \$2.109 billion represented an increase of 5.4% compared to FY 1996. Actual FY 1997 income tax receipts totaled \$2.123 billion, which exceeded the estimate by approximately \$14.1 million.

**Sales tax** receipts in June fell 0.4% compared to June 1996. The lingering effects of the November local option reconciliation payment are still being reflected in the year-to-date growth rate of 2.0%. The Fiscal Bureau issued an analysis of sales tax activity to the Fiscal Committee on May 29. Although sales tax receipts have experienced little growth over last year's level, the conclusion of the analysis suggests there is currently no cause for alarm with respect to implications on total General Fund receipts.

For the past seven months, which does not include the local option effect, sales tax receipts exceeded last year's level by \$17.7 million (2.5%). To reflect lower sales tax activity, the April REC reduced the FY 1997 estimate by \$15.0 million to \$1.260 billion, an increase of 3.9% compared to FY 1996. Actual FY 1997 sales tax receipts totaled \$1.237 billion, which was \$22.6 million less than the estimate.

**Corporate income tax** receipts in June were 88.7% greater than June 1996. As with personal income tax estimate payments, the increase was almost exclusively a result of the due date of corporate estimate payments. The timing effect contributed between \$15.0 million and \$20.0 million to FY 1997 actual receipts. The year-to-date percentage growth rate jumped from 7.2% at the end of last month to 14.8%. The REC estimate of \$295.0 million was exceeded by approximately \$23.8 million.

**Franchise tax** receipts in FY 1997 totaled \$35.6 million, an increase of \$9.2 million (34.6%) compared to FY 1996. This is the highest year on record, surpassing the \$34.1 million collected in FY 1994. The REC estimate of \$30.0 million was exceeded by \$5.6 million.

## Racing and Gaming Receipts

The REC anticipated total FY 1997 racing and gaming receipts of \$120.7 million, \$60.0 million of which is deposited in the General Fund. The remainder is deposited into the Rebuild Iowa Infrastructure Fund (RIIF).

Actual FY 1997 racing and gaming receipts totaled \$126.6 million, which is \$5.9 million greater than the REC estimate. Thus, on a cash basis, the RIIF received a total of \$66.6 million in FY 1997 from racing and gaming receipts. The FY 1998 REC estimate for racing and gaming receipts to the RIIF is \$65.2 million.

## Refunds

The Fiscal Bureau issued a memo to the Fiscal Committee on May 29 describing refunds activity for FY 1997, which does not officially end for another two months. However, using a cash basis comparison, refunds issued in FY 1997 totaled \$385.6 million, which is \$2.3 million less than the REC estimate of \$387.9 million.

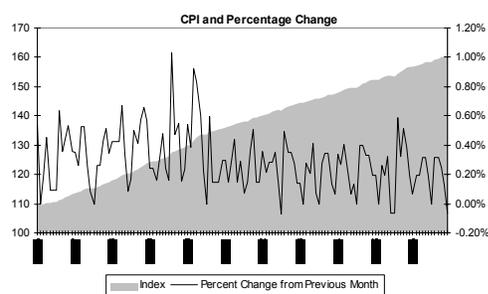
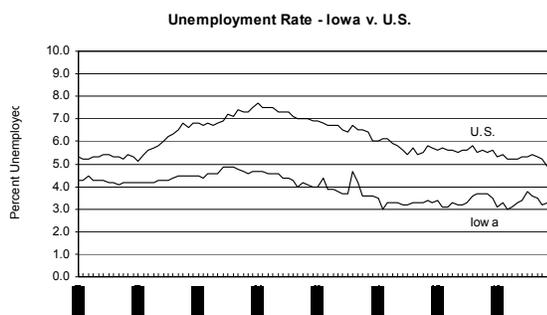
## Receipts Compared to REC Estimate

As shown in a previous section, the REC General Fund receipts estimate of \$4.611 billion was exceeded by approximately \$37.0 million, which represents 0.8% of FY 1997 actual receipts. The current FY 1998 estimate of \$4.715 billion is \$66.7 million (1.4%) greater than FY 1997 actual receipts. (The FY 1998 estimate was 2.2% greater than the April REC FY 1997 estimate.)

## Status of the Economy

The seasonally adjusted percent unemployed for the State decreased three-tenths of a point to 3.0% in May, the lowest rate since seasonally adjusted data was made available in 1978. The unemployment rate a year ago was 3.7%. Iowa's total employment registered 1,566,400, an increase of approximately 1,000 persons compared with a month ago. The U.S. unemployment rate in May decreased to 4.8% from April's 4.9% rate.

In spite of strong national employment trends, consumer prices in May decreased one-tenth of a percentage point. The Consumer Price Index (CPI) through May 1997 was 160.1 (1983=100), which is 2.2% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through May 1997.



Information related to State General Fund receipts continues to be made available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616) or Jon Muller (515-281-4611).

GENERAL FUND RECEIPTS - FY 1997 vs. FY 1996		ESTIMATED GENERAL FUND RECEIPTS in millions of dollars					
July 1, 1996, through June 30, 1997, in millions of dollars		FY 97 REC Estimate Vs. Actual		FY 1997 Actual vs. Estimate			
	FY 1996	FY 1997	Year to Date % CHANGE	June % CHANGE			
Personal Income Tax	\$ 2,000.9	\$ 2,123.1	6.1%	6.7%	REC Estimate FY 1997 \$ 2,109.0	% Change Vs. FY 1996 Actual 5.4%	Actual vs. Estimate \$ 14.1
Sales Tax	1,213.0	1,237.4	2.0%	-0.4%	1,260.0	3.9%	-22.6
Use Tax	207.8	223.1	7.3%	7.9%	225.0	8.3%	-1.9
Corporate Income Tax	277.6	318.8	14.8%	88.7%	295.0	6.3%	23.8
Inheritance Tax	95.9	109.3	14.0%	29.8%	108.0	12.6%	1.3
Insurance Premium Tax	104.3	106.0	1.6%	0.7%	107.0	2.6%	-1.0
Cigarette Tax	94.1	94.6	0.5%	5.1%	95.0	1.0%	-0.4
Tobacco Tax	5.3	5.7	7.6%	6.3%	5.5	3.8%	0.2
Beer Tax	12.6	12.5	-0.6%	-2.9%	12.5	-0.8%	-0.0
Franchise Tax	26.5	35.6	34.6%	19.2%	30.0	13.2%	5.6
Miscellaneous Tax	0.9	1.2	27.4%	-34.5%	0.9	0.0%	0.3
<b>Total Special Taxes</b>	<b>\$ 4,038.9</b>	<b>\$ 4,267.3</b>	<b>5.7%</b>	<b>10.8%</b>	<b>\$ 4,247.9</b>	<b>5.2%</b>	<b>\$ 19.4</b>
Institutional Payments	105.0	104.3	-0.7%	10.0%	102.2	-2.7%	2.1
Liquor Transfers:							
Profits	29.0	28.8	-0.6%	-43.7%	30.0	3.4%	-1.2
7% Gross Revenue	9.0	9.0	0.0%	0.0%	9.0	0.0%	0.0
Interest	13.5	18.0	33.4%	34.9%	14.5	7.4%	3.5
Fees	61.7	63.6	3.1%	25.2%	60.1	-2.6%	3.5
Judicial Revenue	40.0	42.9	7.4%	7.1%	40.1	0.2%	2.8
Miscellaneous Receipts	49.5	54.0	8.9%	64.3%	47.0	-5.1%	7.0
Racing and Gaming Receipt	60.0	60.0	0.0%	n/m	60.0	0.0%	0.0
<b>TOTAL RECEIPTS</b>	<b>\$ 4,406.6</b>	<b>\$ 4,647.8</b>	<b>5.5%</b>	<b>10.8%</b>	<b>\$ 4,610.8</b>	<b>4.6%</b>	<b>\$ 37.0</b>