



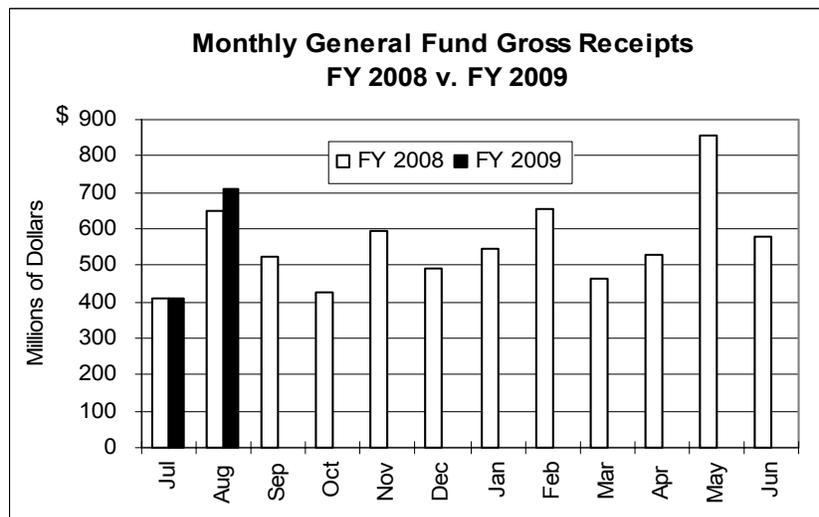
TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: September 2, 2008

### Monthly General Fund Receipts through August 31, 2008

The attached spreadsheet presents total FY 2009 General Fund gross receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$6.852 billion set by the Revenue Estimating Conference (REC) on April 4, 2008. The FY 2009 estimate is an increase of \$133.8 million (2.0%) compared to actual FY 2008 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). The sales and use tax rate increase that went into effect July 1 is not currently reflected in the FY 2009 REC estimate. The next REC meeting has not been scheduled.



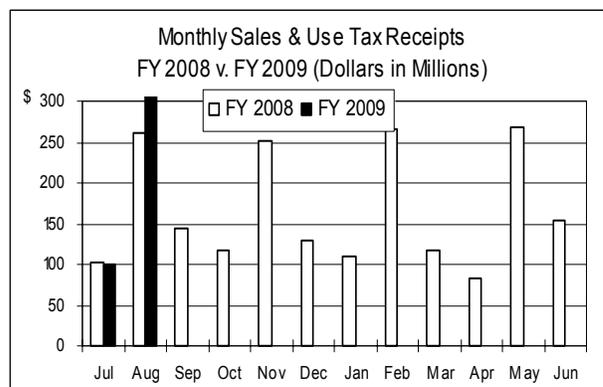
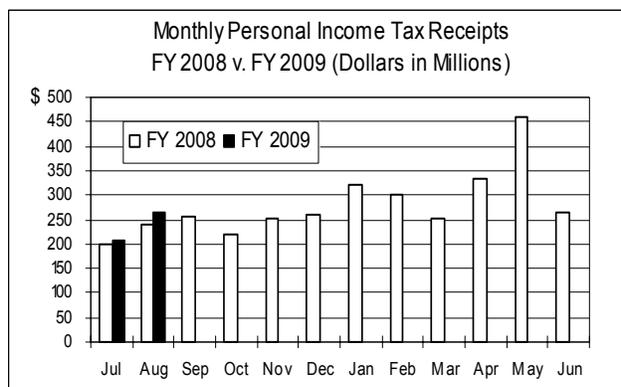
### FY 2009 Compared to FY 2008

Year-to-date FY 2009 gross cash receipts (excluding transfers) increased \$58.2 million (5.5%) compared to FY 2008. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$33.3 million, 7.6%)
- Sales/Use Tax (positive \$44.7 million, 12.3%)
- Corporate Tax (negative \$10.8 million, - 21.1%)
- Other taxes (negative \$3.5 million, - 3.0%)
- Other receipts (negative \$5.3 million, - 6.1%)

**Personal Income Tax** revenues received in August totaled \$264.0 million, an increase of \$22.2 million (9.2%) compared to August 2007.

The FY 2009 REC Income Tax estimate of \$3.502 billion represents a projected increase of 4.2% compared to actual FY 2008. Through August, total Income Tax receipts increased by 7.6%. By subcategory, withholding payments increased \$26.7 million (6.7%), estimate payments increased \$1.1 million (3.1%), and payments with returns increased \$5.4 million (113.7%). The following chart compares FY 2009 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2008.



**Sales/Use Tax** receipts received in August totaled \$310.0 million, an increase of \$49.3 million (18.9%) compared to August 2007. The State Sales/Use Tax was increased from 5.0% to 6.0% beginning July 1, 2008 with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August, Sales/Use gross tax receipts are no longer adjusted for SILO sales tax payments to school districts. This adjustment accounted for approximately \$28.8 million of the increase in August.

The increased Sales/Use Tax rate is not currently reflected in the REC estimate. The REC estimate for FY 2009 Sales/Use Tax receipts was \$2.055 billion, an increase of 2.7% compared to actual FY 2008. Through August, total Sales/Use Tax receipts have increased 12.3%. The preceding chart compares FY 2009 monthly Sales/Use Tax receipts with FY 2008.

**Corporate Tax** receipts received in August totaled \$17.5 million, an increase of \$3.6 million (25.9%) compared to August 2007.

The REC estimate for FY 2009 Corporate Tax revenue is \$424.2 million, a decrease of 12.3% compared to actual FY 2008. Year-to-date total Corporate Tax revenue has decreased 21.1%.

**Other tax receipts** received in August totaled \$77.8 million, a \$8.1 million (- 9.4%) decrease compared to August 2007. Inheritance (\$ - 4.9 million) and Cigarette (\$ - 4.7 million) tax revenue accounted for most of the decrease of other tax receipts in August.

The REC estimate for other tax revenue is \$502.7 million, an increase of 1.8% compared to actual FY 2008. Through August, Other Tax revenue has decreased 3.0%.

**Other receipts** (non-tax receipts) received in August totaled \$41.5 million, a change of \$ - 5.5 million (- 11.7%) compared to August 2007. Liquor Profits and Miscellaneous Receipts accounted for most of the decrease for the month.

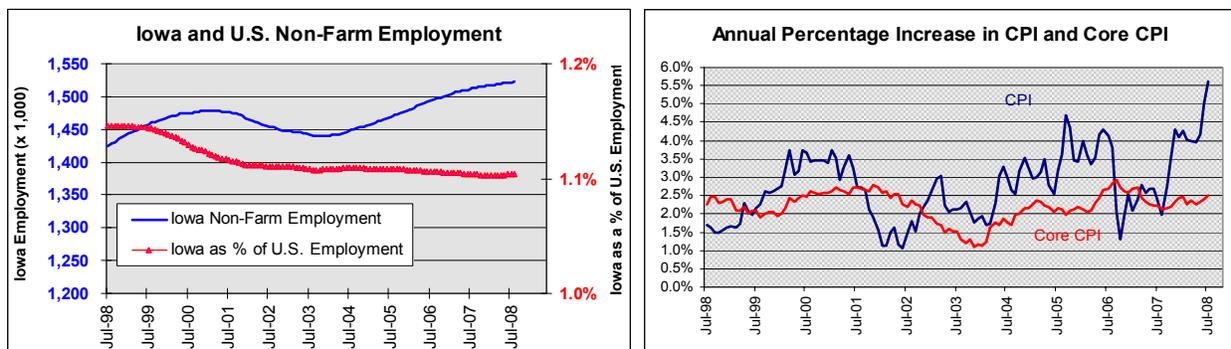
The REC estimate for FY 2009 other receipts revenue is \$368.6 million, a decrease of 3.2% compared to actual FY 2008. Year-to-date total Other receipts has decreased 6.1%.

## Status of the Economy

Iowa non-farm employment was reported at 1,512,800 for the month of July (not seasonally adjusted), 5,200 higher (0.3%) than July 2007.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,522,200 so annualized Iowa non-farm employment is 43,500 above its 2001 peak and 82,300 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 1998 through 2002. Although the percentage has increased slightly the past 7 months and the decline has slowed considerably since early 2002, the overall trend remains slightly negative.



Consumer prices increased 0.5% during July (not seasonally adjusted). The Consumer Price Index (CPI-U) through July 2008 was 220.0 (1983/84=100). The July year-over-year change of 5.6% makes the statistic above 5.0% for the second consecutive month and is the highest reported year-over-year rate since January of 1991. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure excluding food and energy prices, increased in July and stands at 2.5% in the year-over-year comparison. The core inflation rate declined considerably from the early 1990's through March 2004 but has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices are up 29.3% (its highest rate since October, 2005) and food prices are up 5.8% year-over-year, its highest rate since 1990.

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

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 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 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	August % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 439.8	\$ 473.1	7.6%	9.2%	\$ 3,359.7	\$ 3,501.9	4.2%
Sales/Use Tax	364.3	409.0	12.3%	18.9%	2,000.2	2,054.7	2.7%
Corporate Income Tax	51.1	40.3	-21.1%	25.9%	483.8	424.2	-12.3%
Inheritance Tax	13.5	14.8	9.6%	32.3%	78.4	76.0	-3.1%
Insurance Premium Tax	52.1	48.1	-7.7%	-9.6%	111.7	127.1	13.8%
Cigarette Tax	42.7	41.7	-2.3%	-18.8%	229.5	225.8	-1.6%
Tobacco Tax	3.8	4.6	21.1%	-17.6%	21.2	20.9	-1.4%
Beer Tax	2.8	2.9	3.6%	7.1%	14.5	14.5	0.0%
Franchise Tax	2.8	2.1	-25.0%	0.0%	37.6	37.4	-0.5%
Miscellaneous Tax	0.1	0.1	0.0%	-400.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 972.9	\$ 1,036.7	6.6%	11.2%	\$ 6,337.5	\$ 6,483.5	2.3%
Institutional Payments	2.3	2.4	4.3%	-13.3%	14.9	12.8	-14.1%
Liquor Profits	9.9	5.0	-49.5%	-100.0%	72.4	70.5	-2.6%
Interest	3.6	3.0	-16.7%	525.0%	25.3	19.0	-24.9%
Fees	15.6	15.7	0.6%	62.1%	82.1	77.7	-5.4%
Judicial Revenue	10.3	10.0	-2.9%	16.7%	90.0	90.8	0.9%
Miscellaneous Receipts	5.7	10.4	82.5%	-6.9%	36.1	37.8	4.7%
Racing and Gaming Receipts	39.3	34.9	-11.2%	-16.1%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,059.7	\$ 1,117.9	5.5%	9.5%	\$ 6,718.3	\$ 6,852.1	2.0%