

Excerpt from LSB's Interim Calendar and Briefing....

OVERSIGHT COMMITTEE OF THE LEGISLATIVE COUNCIL

July 9, 2002

Overview. The primary focus of the meeting concerned a continuation of the committee's examination of Iowa's revenue estimation process.

Revenue Estimating Conference. Mr. Holmes Foster and Mr. David Underwood, members of the Revenue Estimating Conference (REC), provided their perspective on revenue estimation procedures and accuracy.

- Mr. Foster observed that there is limited exposure to or communication with business and industry on the REC, with the result that a potential early warning system from the private sector is not being tapped into. He also suggested that the development of a software model or system developed to incorporate a variety of variables would be advantageous, but noted that some cost would be incurred. Mr. Foster also stated that the bases underlying REC estimates should be made readily available to the general public, which would reduce criticism of the revenue estimation process as "mysterious."
- Mr. Underwood recommended resources be invested into gaining a greater understanding of the various components or variables impacting revenue estimation, such as compiling detailed data on personal income tax returns, and indicated that acquiring greater insight into employment in the state, and updating records and systems relating to the components of revenue estimation, would be helpful.

Department of Revenue and Finance. Mr. Michael Lipsman discussed the role of the tax research and program analysis section of the Department of Revenue and Finance in tracking, analyzing, and reporting information related to tax revenue and refunds. Mr. Lipsman summarized the section's activities to include the compilation of statistical reports relating to sales and use tax and personal income taxes; the review and estimation of fiscal impacts relating to proposed and enacted state and federal tax legislation; annual updates of information connected to the operation of the Department of Revenue and Finance; provision of services entailing the preparation of reports, conducting of market studies, and compilation of policy research data for other state departments, local governments, and the general public; preparation of weekly personal income tax processing reports and monthly tax revenue and refunds reports; and the presentation of briefings on tax revenues and refunds prior to each revenue estimating conference meeting.

Iowa Economic Forecasting Council. Ms. Beth Ingram and Mr. Dan Otto, members of the Iowa Economic Forecasting Council, discussed tax revenue forecasting and the role and membership of the council.

- Ms. Ingram, chairperson of the council, indicated that the council provides revenue forecasts on a quarterly basis, and stated that, strictly based upon how it would be defined by an economist, Iowa did not technically experience a recession last year. She maintains that the economic downturn may have impacted tax revenue growth, but that some other factor is taking place, in Iowa and elsewhere, impacting income and tax revenue growth.
- Mr. Otto, professor and extension economist at Iowa State University, discussed revenue analysis and modeling procedures applicable to the agricultural sector, including evaluating implications of national agricultural policy and modeling efforts undertaken by the Food and Agricultural Policy Research Institute.

Committee Discussion. Chairperson Jenkins stated that the committee is anticipating receiving input from the REC relating to the formulation of specific recommendations for potential legislation relating to improvements to the revenue estimating process during the months of November and December.