

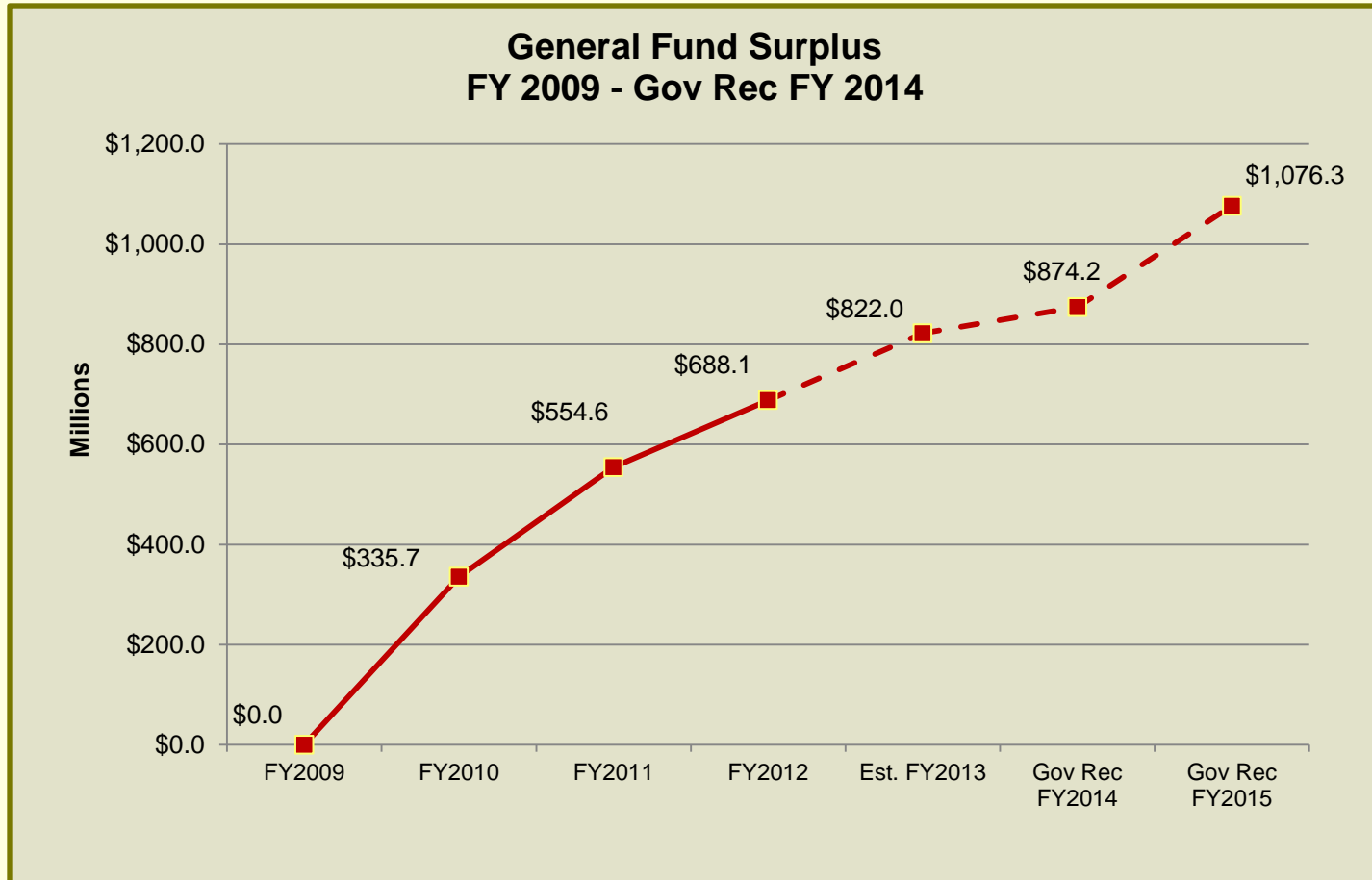
Legislative Services Agency Fiscal Services Division

Overview of the Governor's Budget Recommendations for FY 2014 and FY 2015 and Current Economic Outlook

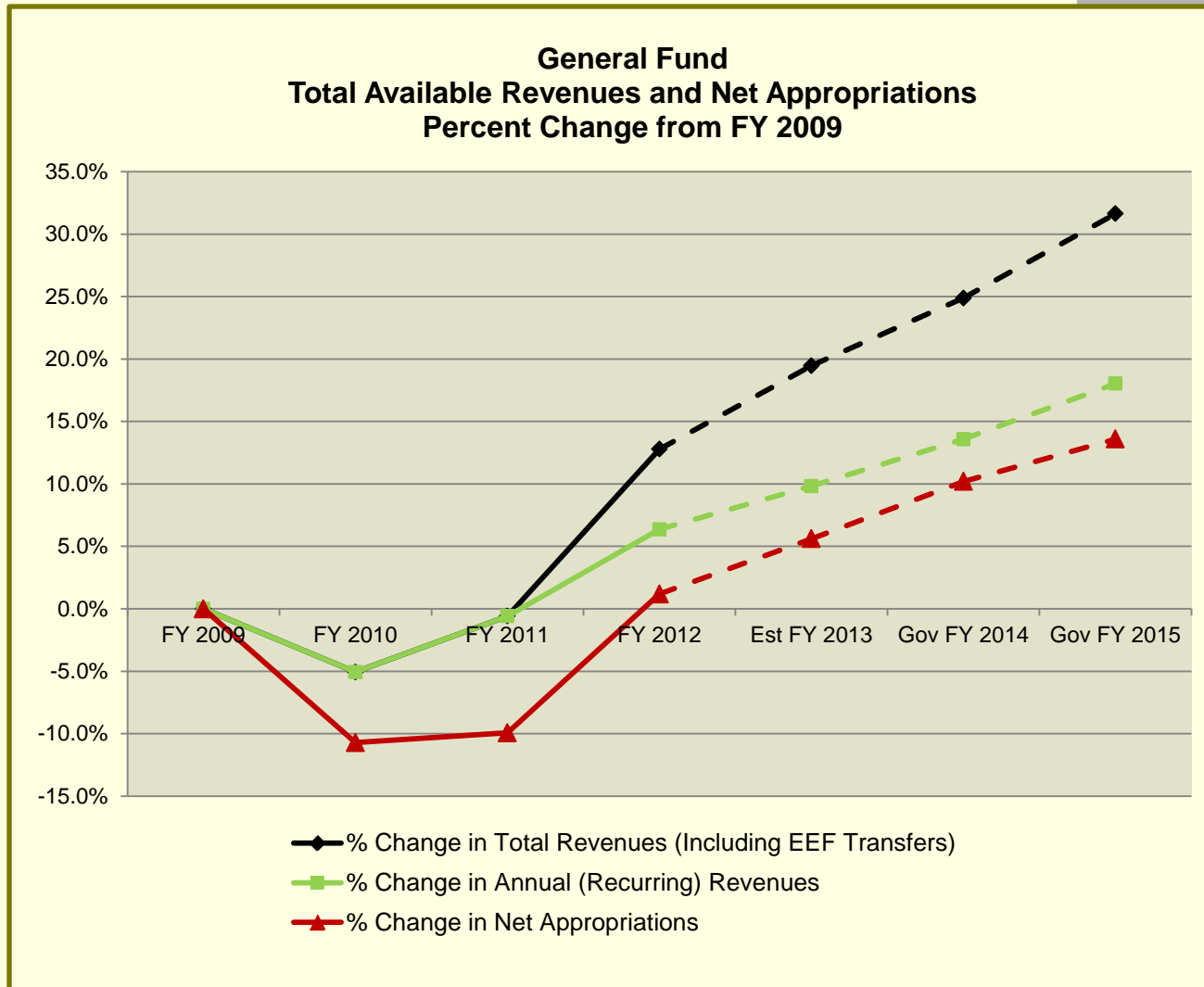
January 23, 2013

Holly Lyons, Director
(515) 281-7845

Budget Surplus



Budget Surplus



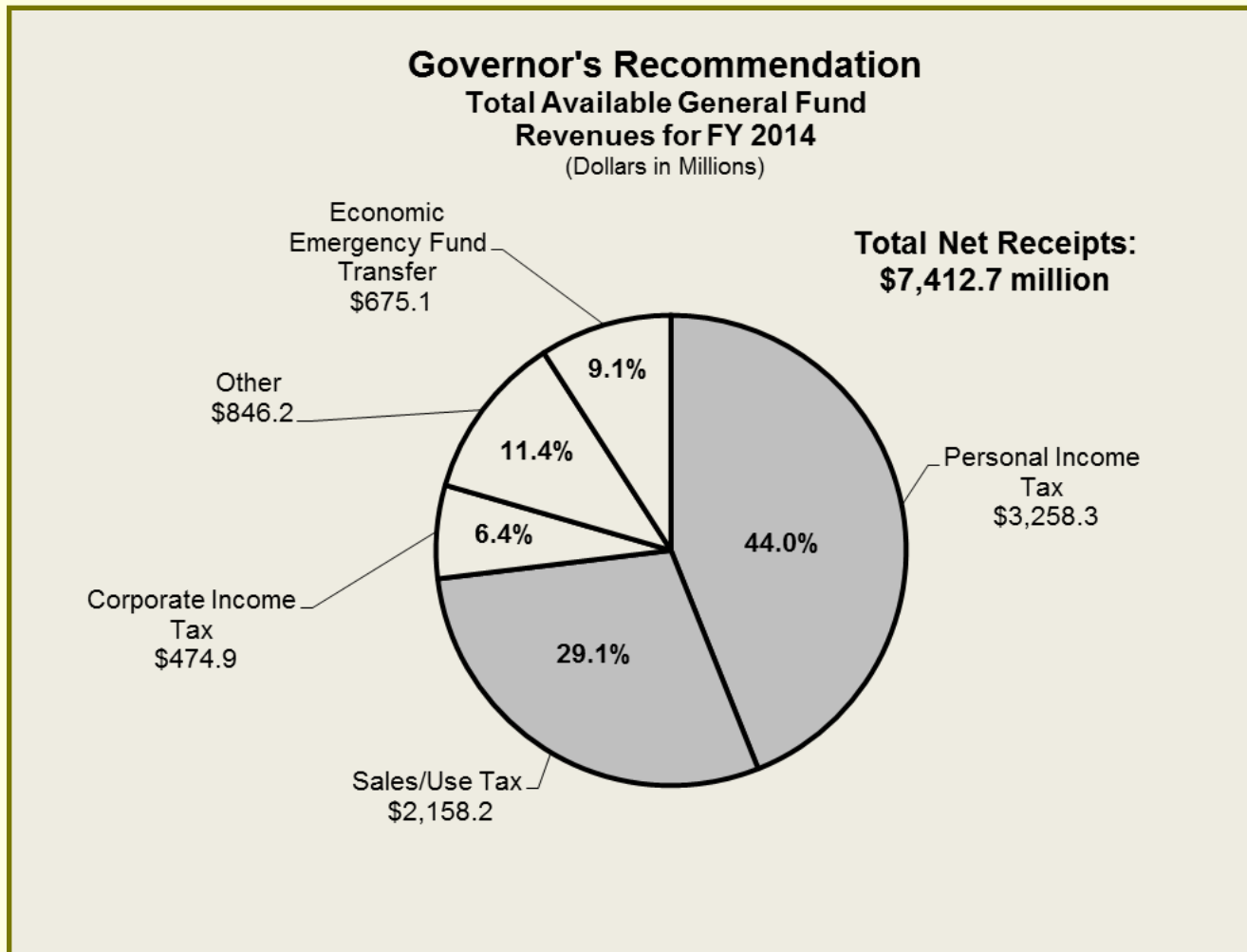
Governor's Recommendation

FY 2014 General Fund Budget

State of Iowa				
Projected Condition of the General Fund Budget				
(Dollars in Millions)				
	<u>Actual</u>	<u>Est</u>	<u>Gov Rec</u>	<u>Gov Rec</u>
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Funds Available:				
Net Receipts	\$ 6,311.1	\$ 6,517.1	\$ 6,739.8	\$ 7,009.4
Revenue Adjustments			- 2.2	- 5.5
Economic Emergency Fund Transfer	<u>381.4</u>	<u>572.1</u>	<u>675.1</u>	<u>813.0</u>
Total Funds Available	<u>\$ 6,692.5</u>	<u>\$ 7,089.2</u>	<u>\$ 7,412.7</u>	<u>\$ 7,816.9</u>
<i>Expenditure Limitation</i>			<u>\$ 7,345.3</u>	<u>\$ 7,746.8</u>
Estimated Appropriations and Expenditures:				
Enacted Appropriations	\$ 5,999.7	\$ 6,227.1	\$ 6,543.5	\$ 6,745.6
Adjustments to Standing Appropriations	10.2	3.5		
Supplemental/Deappropriations	<u>2.6</u>	<u>42.3</u>		
Total Appropriations	<u>\$ 6,012.5</u>	<u>\$ 6,272.9</u>	<u>\$ 6,543.5</u>	<u>\$ 6,745.6</u>
Reversions	<u>- 8.1</u>	<u>- 5.7</u>	<u>- 5.0</u>	<u>- 5.0</u>
Net Appropriations	<u>\$ 6,004.4</u>	<u>\$ 6,267.2</u>	<u>\$ 6,538.5</u>	<u>\$ 6,740.6</u>
Ending Balance - Surplus	<u>\$ 688.1</u>	<u>\$ 822.0</u>	<u>\$ 874.2</u>	<u>\$ 1,076.3</u>

Governor's Recommendation

FY 2014 Total Available Revenue



Department of Revenue

Estimated Income Tax Credit Liabilities

Estimated Contingent Liabilities for State Tax Credits

(Dollars in Millions)

	Est FY 2013	Est FY 2014	Est FY 2015
Capped Programs	-170.7	-199.9	-227.0
Uncapped Programs	-183.5	-181.7	-181.2
Other	-1.3	-1.4	-0.3
Total Revenue Adjustments	<u>\$ - 355.5</u>	<u>\$ - 383.0</u>	<u>\$ - 408.5</u>

NOTE: See page 12 of the LSA analysis for a list of individual tax credit programs. Additional detail can be found in the Department of Revenues report on Tax Credits Contingent Liabilities found online at: <http://www.iowa.gov/tax/taxlaw/1212RECREport.pdf>

Governor's Recommendation

FY 2014 General Fund Revenue Adjustments

General Fund Revenue Adjustments

(Dollars in Millions)

	Gov Rec FY 2014	Gov Rec FY 2015
Endow Iowa Tax Credit	-0.2	-0.4
School Tuition Organization Tax Credit	-1.0	-1.2
IEDA Tax Credit Cap to \$185M	-1.0	-3.9
Total Revenue Adjustments	<u>\$ - 2.2</u>	<u>\$ - 5.5</u>

Governor's Recommendation

FY 2013 Supplemental Appropriations

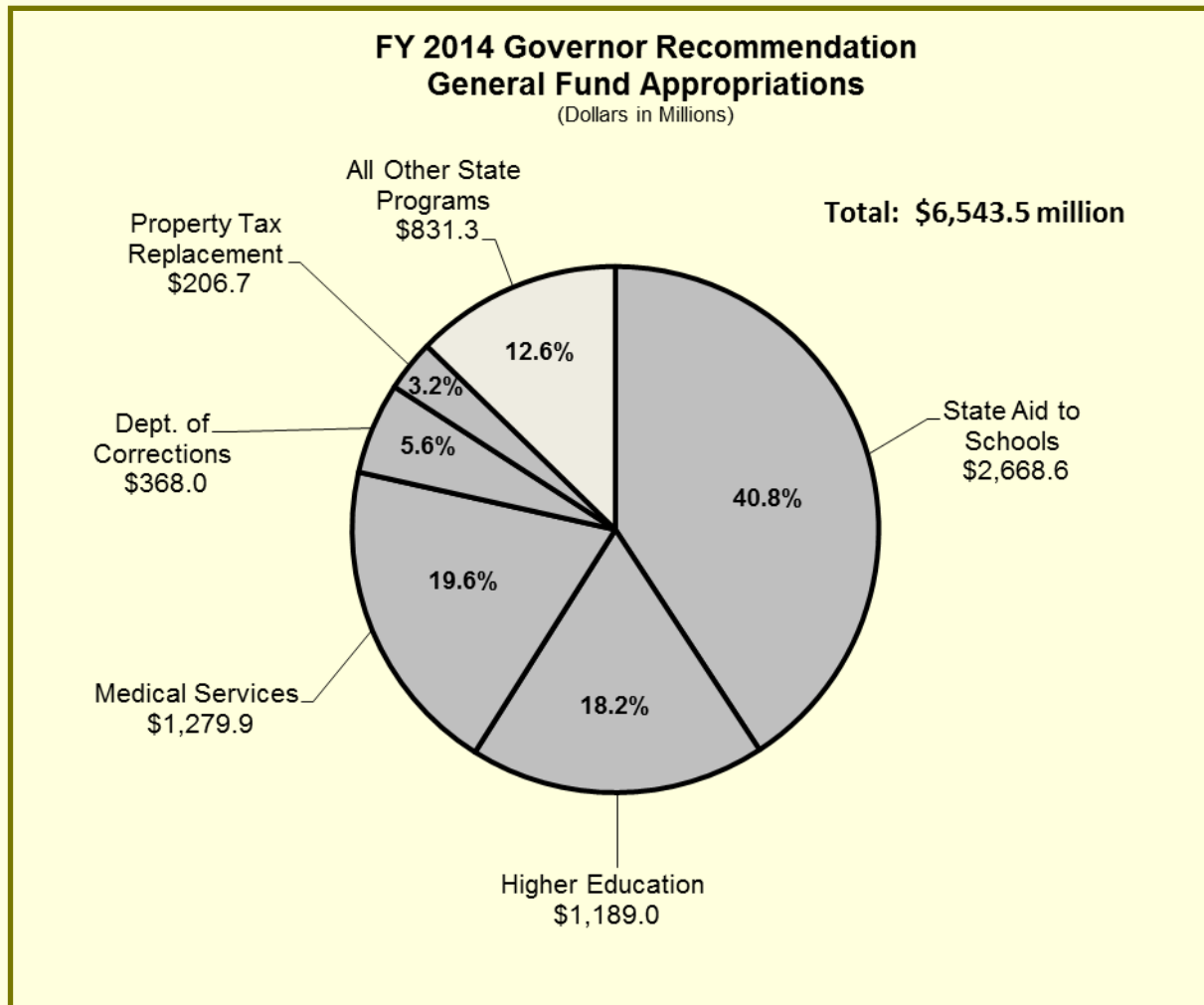
General Fund Supplemental Appropriations

(Dollars in Millions)

	Gov Rec FY 2013
Medicaid Program	\$ 27.0
Mental Health Redesign (Medicaid)	8.0
IowaCare Program (Medicaid)	7.3
Total	<u>\$ 42.3</u>

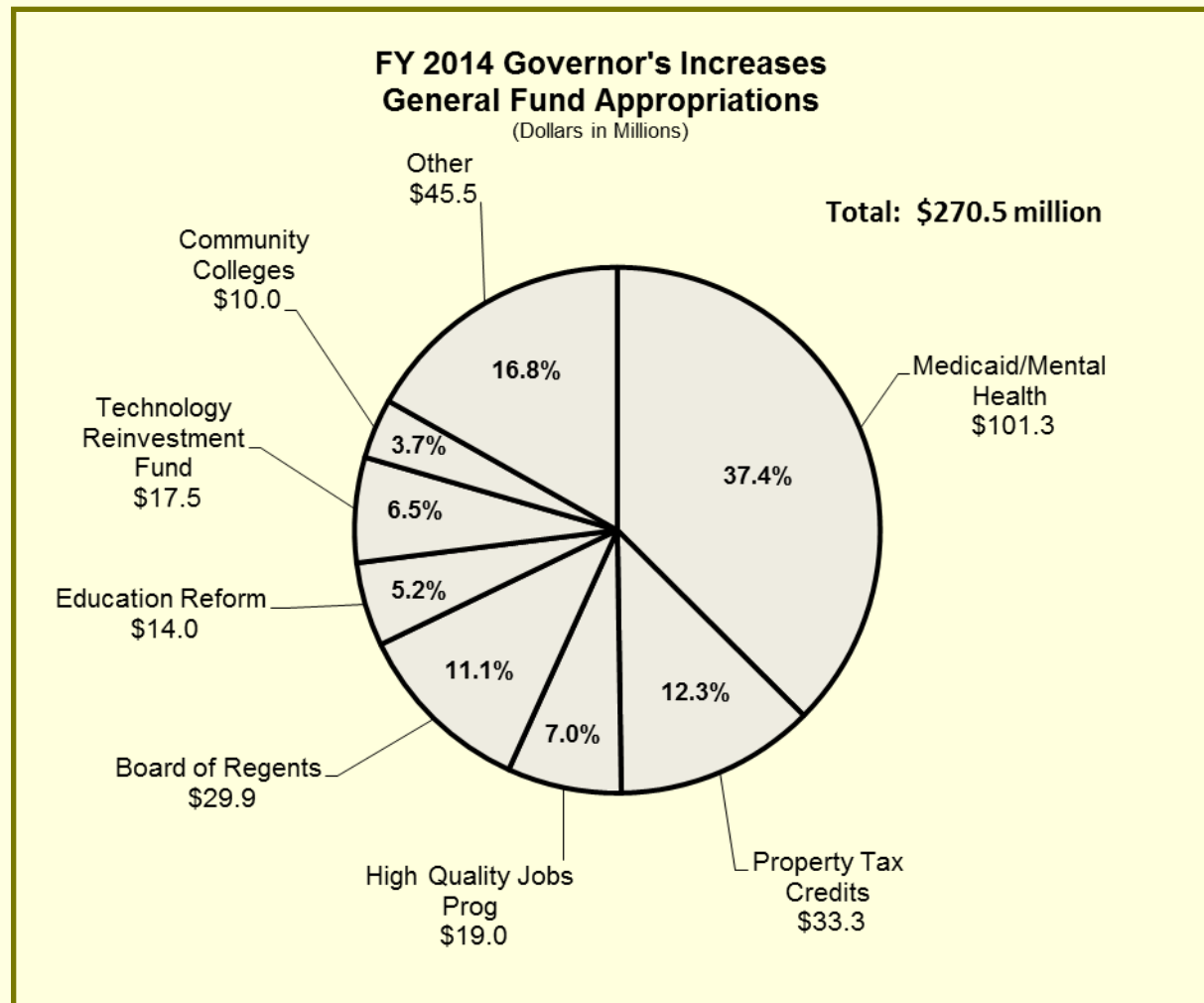
Governor's Recommendation

FY 2014 Appropriations



Governor's Recommendation

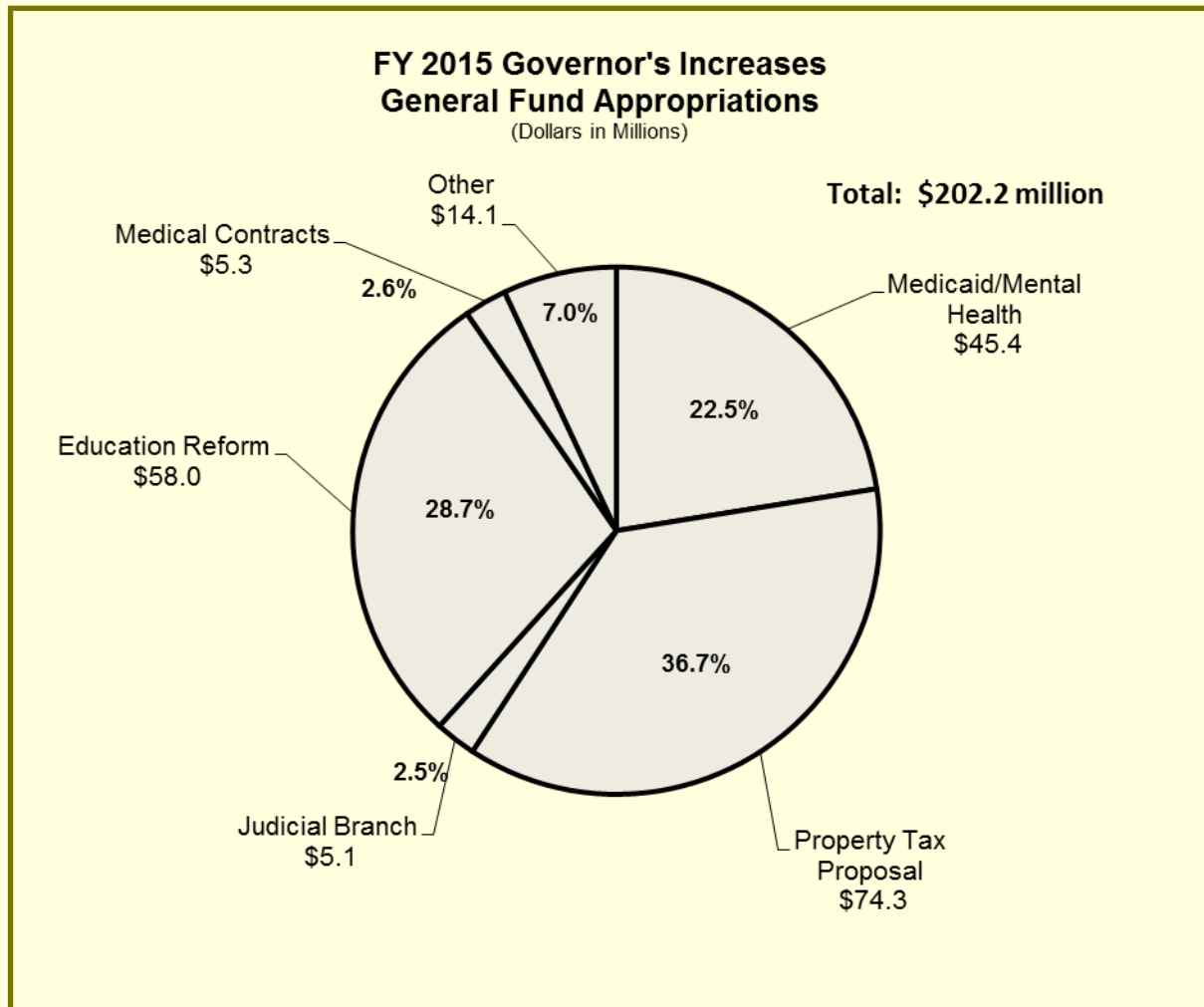
FY 2014 Appropriation Increases



See p. 16 of
LSA's analysis
for more info.

Governor's Recommendation

FY 2015 Appropriation Increases



Governor's Recommendation

Taxpayer Trust Fund

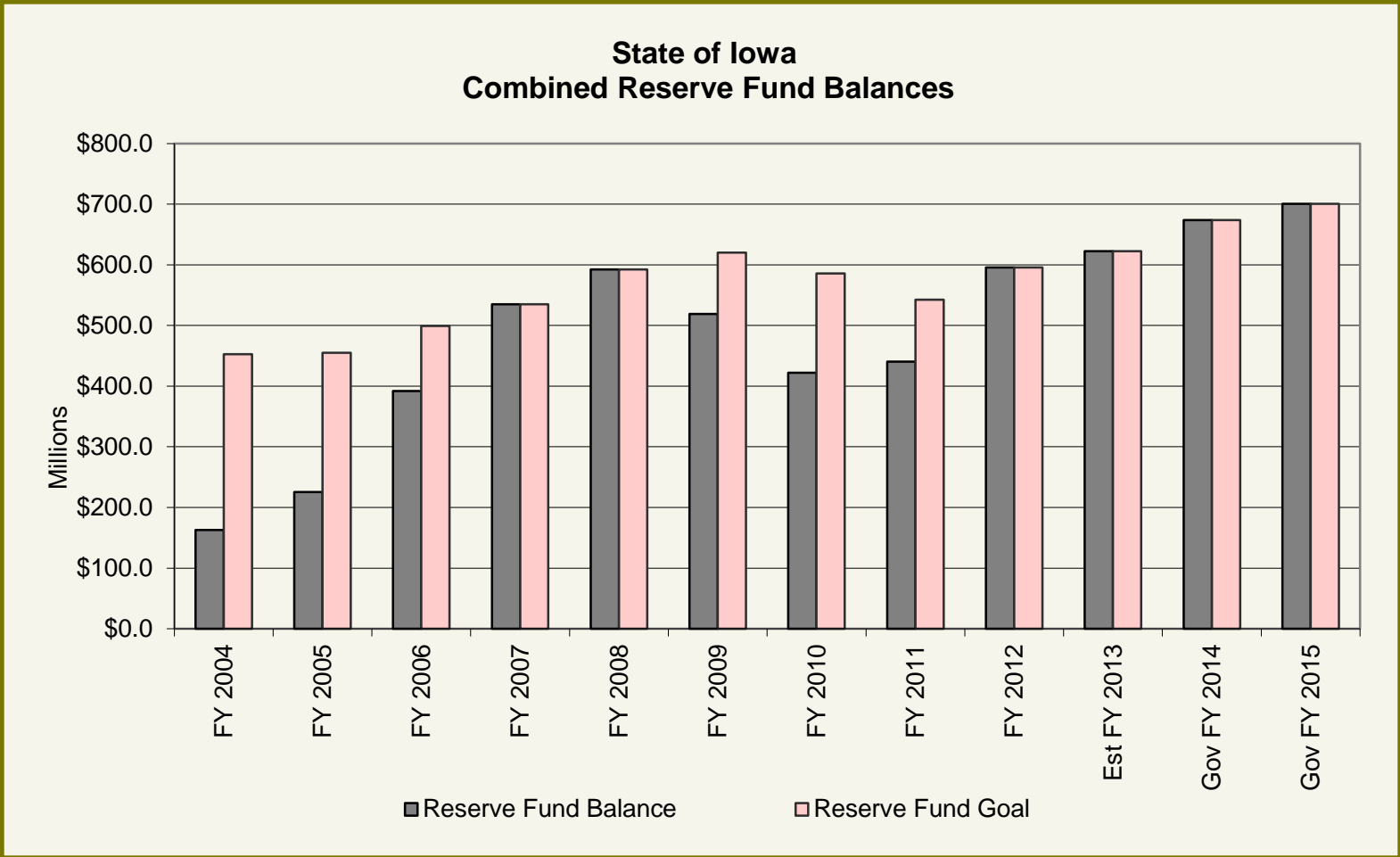
	Actual FY 2012	Estimated FY 2013	Gov Rec FY 2014	Gov Rec FY 2015
Funds Available				
Balance Brought Forward	\$ 0.0	\$ 0.0	\$ 60.0	\$ 120.0
Economic Emergency Transfer	0.0	60.0	60.0	0.0
Total Funds Available	<u>\$ 0.0</u>	<u>\$ 60.0</u>	<u>\$ 120.0</u>	<u>\$ 120.0</u>
Total Expenditures	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
Balance Carried Forward	<u>\$ 0.0</u>	<u>\$ 60.0</u>	<u>\$ 120.0</u>	<u>\$ 120.0</u>

Governor's Recommendation

Reserve Funds

	Reserve Funds			
	(Dollars in Millions)			
	<u>Actual FY 2012</u>	<u>Estimated FY 2013</u>	<u>Gov Rec FY 2014</u>	<u>Gov Rec FY 2015</u>
Cash Reserve Fund	\$ 450.3	\$ 466.8	\$ 505.3	\$ 525.3
Economic Emergency Fund	151.0	155.6	168.4	175.1
Total Reserve Funds	<u>\$ 601.3</u>	<u>\$ 622.4</u>	<u>\$ 673.7</u>	<u>\$ 700.4</u>

Reserve Funds



Current Economic Outlook

State of Iowa Tax Revenue by Type

FY 2012 Cash Year State Tax Revenue, in Millions of \$

Tax Type	FY 2012 Revenue	Deposited To:			% of Total
		General Fund	Road Use Tax Fund	Other Funds	
Banking	30	X			0.4%
Beer & Wine	22	X		X	0.3%
Cigarette & Tobacco	225	X		X	3.2%
Corporate Income	385	X			5.5%
Fuel	439		X		6.3%
Gambling	296	X		X	4.3%
Individual Income	2,999	X		X	43.2%
Inheritance	77	X			1.1%
Insurance	101	X			1.5%
Other Taxes	11	X		X	0.2%
Real Estate Transfer	16	X		X	0.2%
Sales/Use	2,348	X	X		33.8%
Total Net State Taxes	6,949				100.0%

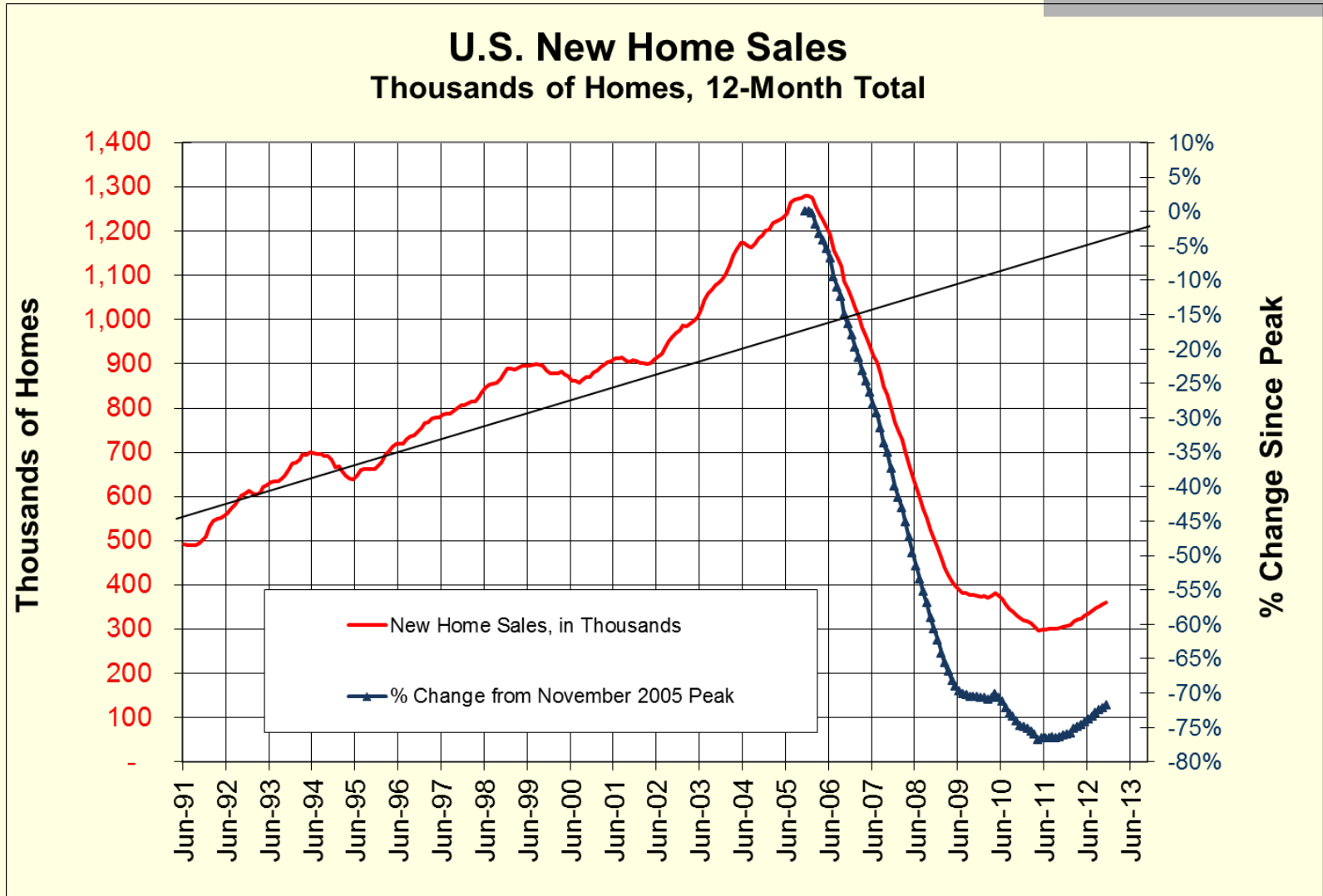
State & Local Sources of Tax Revenue and Tax Revenue Per Job

Iowa State and Local Taxes Collected Per Job

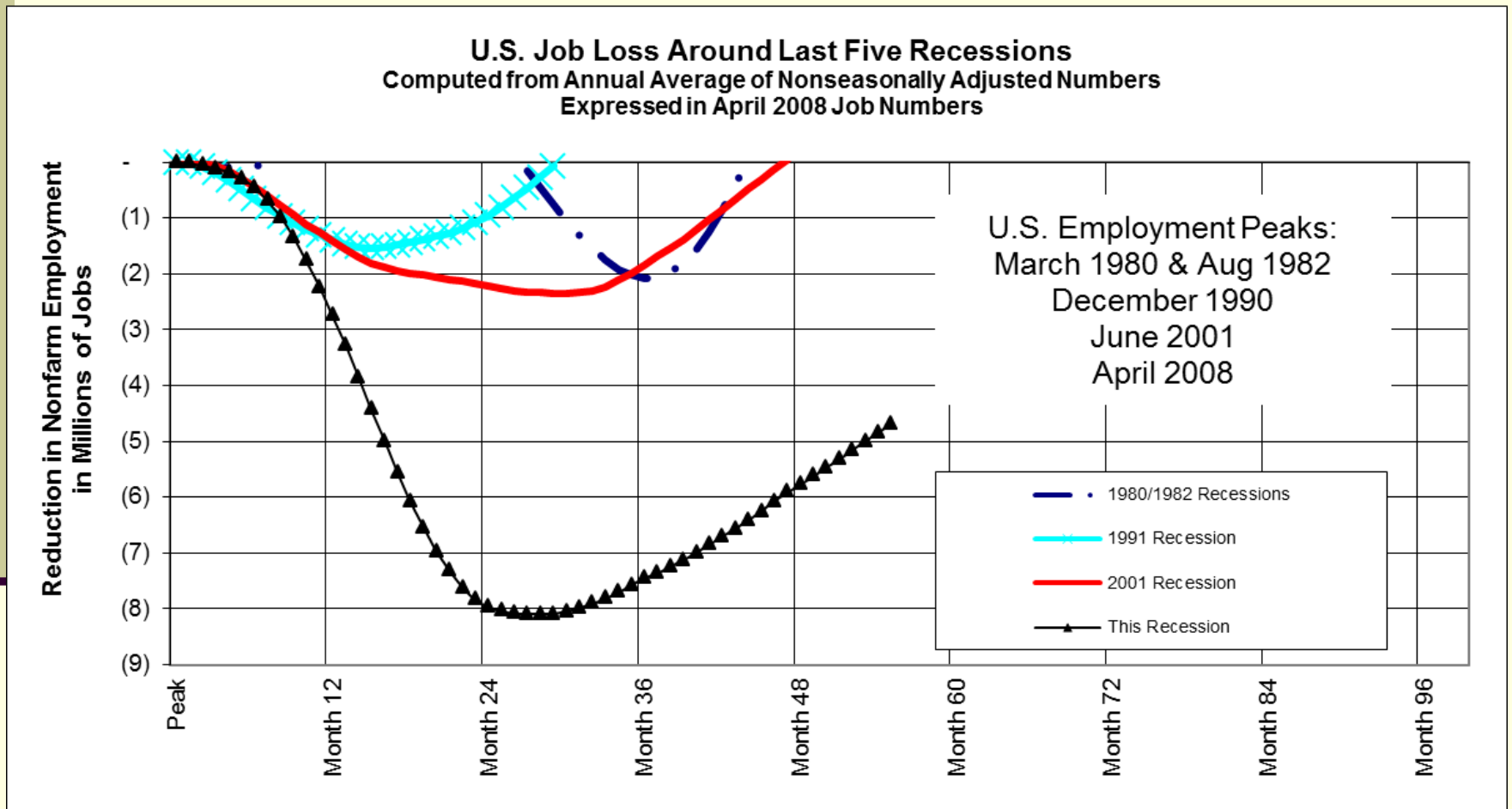
12-Month Period Ending June 2012
Based on an average of 1,485,600 Nonfarm Jobs

	Taxes Paid in Millions	Taxes Per Iowa Job
General Fund	\$5,844	\$3,934
Road Use Tax Fund	\$746	502
Non-GF Gambling	\$227	153
Other Funds	\$132	89
Total State Taxes	<u>\$6,950</u>	<u>4,678</u>
Local Option Taxes	\$856	576
Property Tax	<u>\$4,799</u>	<u>3,230</u>
Local Taxes	\$5,655	3,806
State and Local Total	<u><u>\$12,604</u></u>	<u><u>\$8,484</u></u>

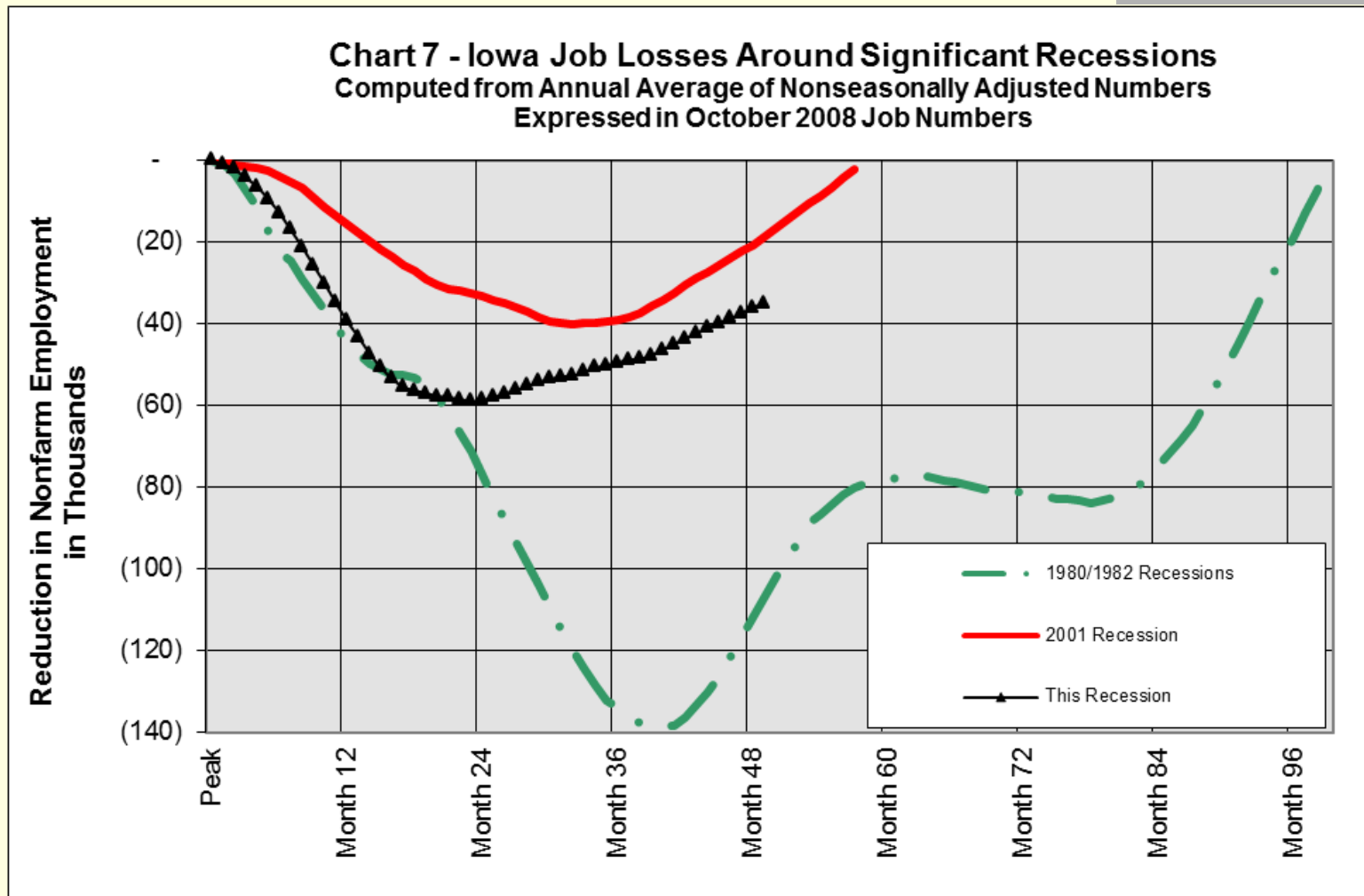
U.S. new home sales are 70% below their 2005 peak, and the direction turned down after the tax incentives ended. The recent trend is positive.



U.S. employment growth has also been growing for about two years, but the climb back to the pre-recession peak is much more problematic.



Current employment numbers show that Iowa employment has been growing for just over two years and to reach the pre-recession peak in two more years will take job growth acceleration.



Current revenue situation and some economic indicators: The two main drivers of General Fund revenue, withholding deposits and sales/use tax, are contributing to a very positive revenue situation and combined with significant corporate revenue increase, tax receipts are up considerably over the past six months.

Increase Shown Over the Past Six Months Compared to the Same Months Last Year

Personal Income Tax Withholding	6.8%
Sales/Use Tax, Net of Refunds	3.9%
Corporate Income Tax, Net of Refunds	74.8%
Total General Fund Tax Revenue, Net	9.7%

However, widely–available state economic indicators of employment and income are mildly positive at best, indicating that the economy is pretty weak.

Iowa Indicators of Employment and Income

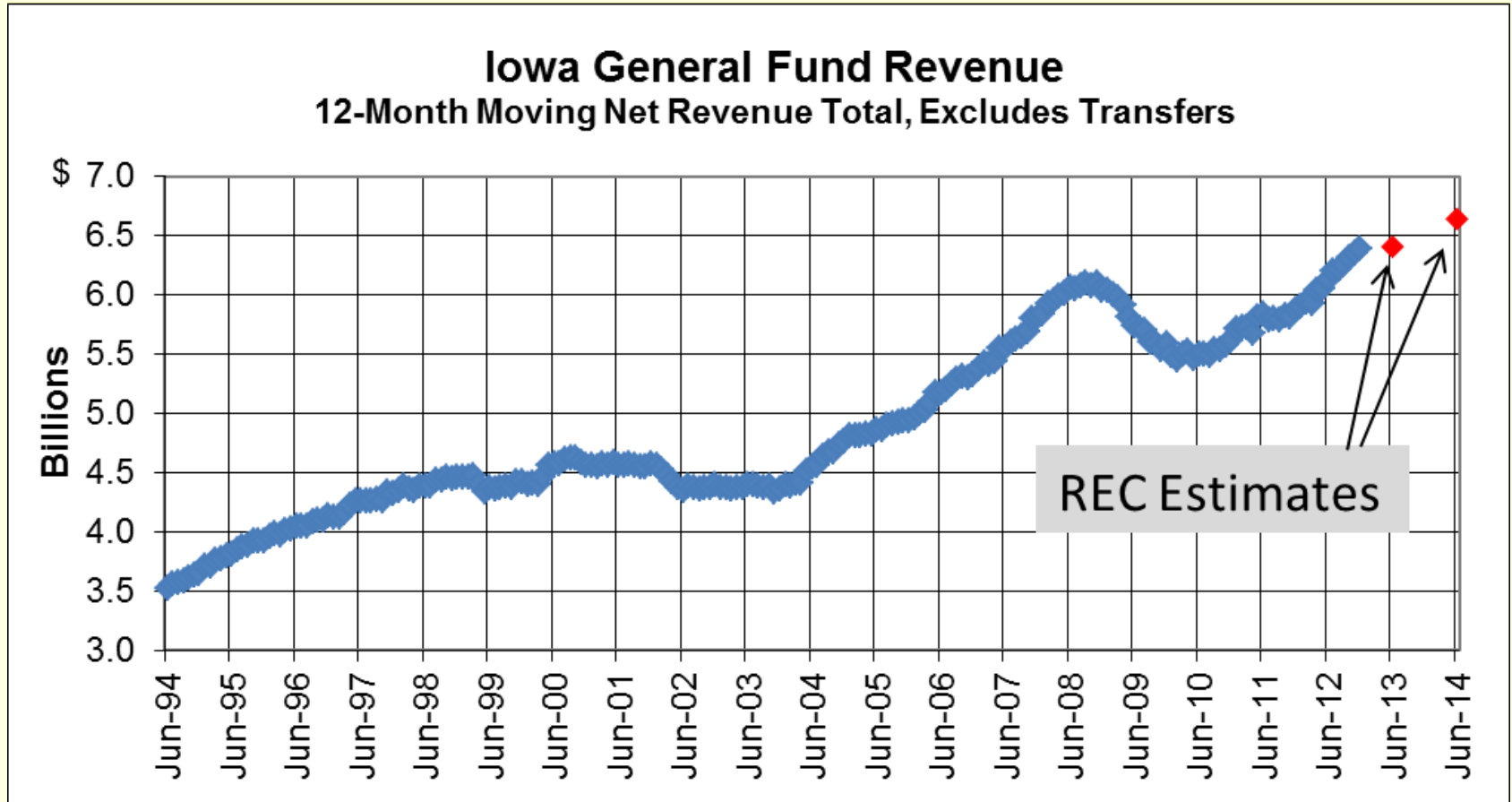
Change over the most recent six months

	<u>Then</u>	<u>Now</u>	<u>Unit Change</u>	<u>% Change</u>
Nonfarm employment	1,493,800	1,494,300	500	0.0%
Household survey employment	1,578,000	1,560,600	(17,400)	-1.1%
Unemployed	85,000	80,400	(4,600)	-5.4%
Labor Force	1,663,000	1,641,000	(22,000)	-1.3%
Unemployment rate	5.1%	4.9%	-0.2%	
Personal income (thousands of \$)	128,179	130,396	2,217	1.7%
Wage & Salary income (thousands of \$)	61,413	62,186	773	1.3%
Farm income (thousands of \$)	8,481	8,763	282	3.3%

A long term look at net revenue

12-month moving total of net General Fund Revenue

(Note: Excludes transfers)



Fiscal Services Division Website

All official documents of the Fiscal Services Division are published electronically at:

<http://www.legis.iowa.gov/LSAReports/infoLegislation.aspx>