

Legislative Services Agency Fiscal Services Division

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

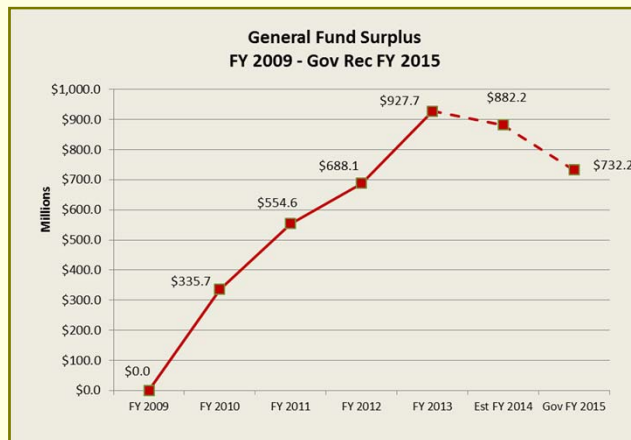
January 29, 2014

Holly Lyons, Director
Dave Reynolds, Senior Analyst
Jeff Robinson, Senior Analyst

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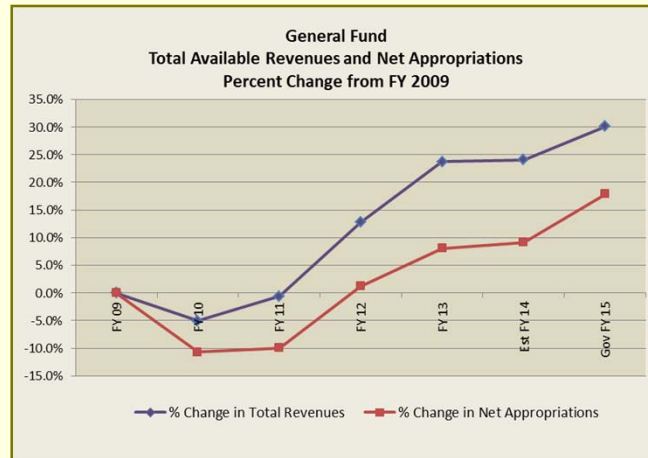
Budget Surplus



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Budget Surplus



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Governor's Recommendation

FY 2015 General Fund Budget

**State of Iowa
Projected Condition of the General Fund Budget
(Dollars in Millions)**

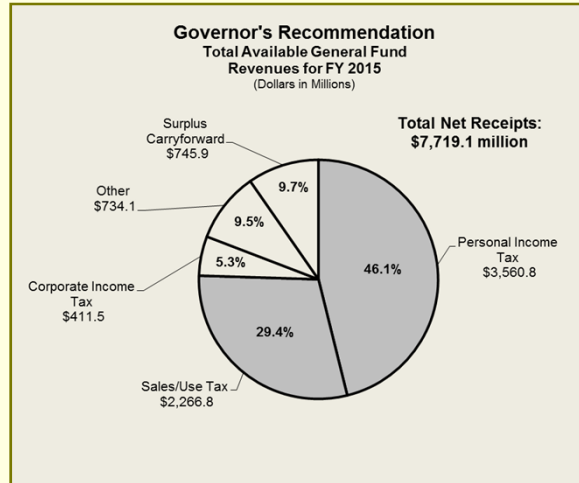
	Actual FY 2013	Estimated FY 2014	Gov Rec FY 2015
Funds Available:			
Receipts	\$ 7,888.4	\$ 7,759.4	\$ 8,161.4
Refunds	- 830.5	- 900.0	- 934.0
School Infras. Refunds	- 419.2	- 425.5	- 451.9
Net Accruals	13.1	37.9	22.0
Transfers	116.9	210.4	185.7
Subtotal Net Receipts	6,768.7	6,682.2	6,983.2
Revenue Adjustments		- 1.3	- 10.0
Surplus Carryforward (Reserve Fund Excess)	572.1	679.1	745.9
Total Funds Available	\$ 7,340.8	\$ 7,360.0	\$ 7,719.1
Expenditure Limitation			\$ 7,649.2
Estimated Appropriations and Expenditures:			
Appropriations	\$ 6,227.5	\$ 6,492.2	\$ 7,000.9
Supplemental/Deappropriations	204.2		
Total Appropriations	\$ 6,431.7	\$ 6,492.2	\$ 7,000.9
Reversions	- 18.6	- 14.4	- 5.0
Net Appropriations	\$ 6,413.1	\$ 6,477.8	\$ 6,995.9
Ending Balance - Surplus	\$ 927.7	\$ 882.2	\$ 723.2

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FY 2015 Total Available Revenue



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General Fund Revenue Adjustments

General Fund Revenue Adjustments
(Dollars in Millions)

	Gov Rec FY 2014	Gov Rec FY 2015
Military Pension Exemption	\$ - 1.3	\$ - 10.0
Total Revenue Adjustments	\$ - 1.3	\$ - 10.0

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Department of Revenue

Estimated Income Tax Credit Liabilities

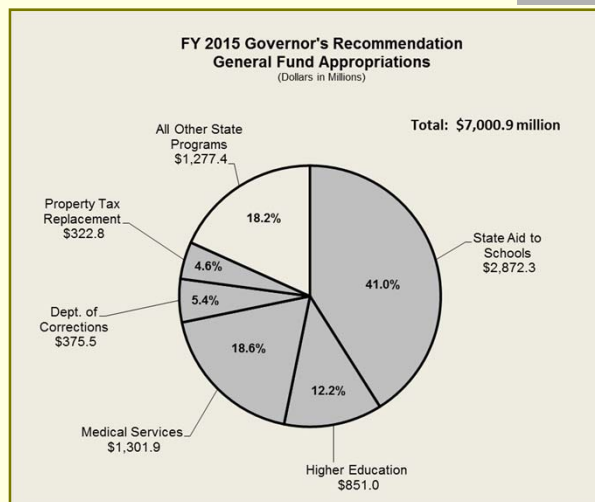
Estimated Contingent Liabilities for State Tax Credits (Dollars in Millions)

	Est FY 2013	Est FY 2014	Est FY 2015
Capped Programs	-91.2	-114.6	-134.3
Uncapped Programs	-168.0	-215.9	-226.2
Total Revenue Adjustments	\$ - 259.2	\$ - 330.5	\$ - 360.5

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/1213RECREport.pdf>

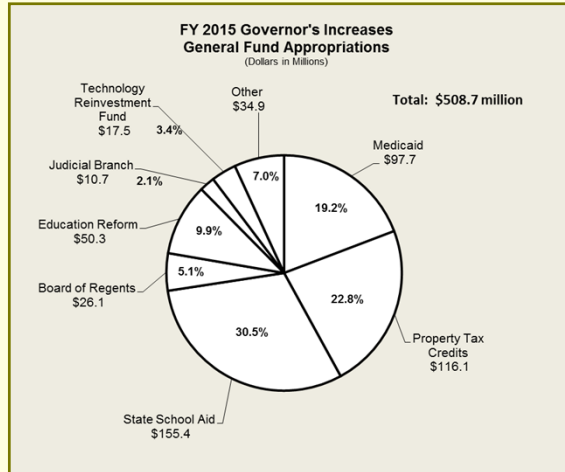
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FY 2015 Appropriations



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FY 2015 Appropriation Increases



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Taxpayer Trust Fund

Taxpayer Trust Fund
(Dollars in Millions)

	Actual FY 2013	Estimated FY 2014	Gov Rec FY 2015
Funds Available			
Balance Brought Forward	\$ 0.0	\$ 60.0	\$ 0.0
Economic Emergency Transfer	60.0	60.0	60.0
Reversion From Taxpayer Trust Fund Tax Credit Fund	0.0	0.0	31.9
Total Funds Available	\$ 60.0	\$ 120.0	\$ 91.9
Expenditures			
Transfer to Taxpayer Trust Fund Tax Credit Fund	\$ 0.0	\$ 120.0	\$ 91.9
Balance Carried Forward	\$ 60.0	\$ 0.0	\$ 0.0

Taxpayer Trust Fund Tax Credit Fund
(Dollars in Millions)

	Actual FY 2013	Estimated FY 2014	Gov Rec FY 2015
Funds Available			
Balance Brought Forward	\$ 0.0	\$ 0.0	\$ 0.0
Transfer from Taxpayer Trust Fund (Transfer made in TY 2013)	0.0	120.0	91.9
Total Funds Available	\$ 0.0	\$ 120.0	\$ 91.9
Expenditures			
Transfer to General Fund (Reimb. for payment of tax credits)	\$ 0.0	\$ 88.1	\$ 67.5
Reversion to the Taxpayer Trust Fund		31.9	24.4
Total Expenditures	\$ 0.0	\$ 120.0	\$ 91.9
Balance Carried Forward	\$ 0.0	\$ 0.0	\$ 0.0

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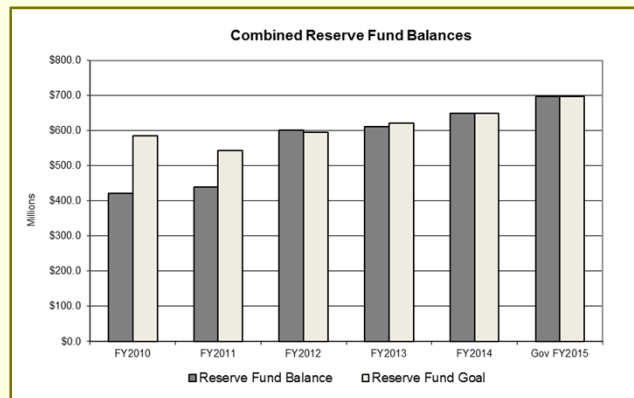
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Governor's Recommendation

Reserve Funds

Reserve Funds (Dollars in Millions)			
	Actual FY 2013	Estimated FY 2014	Gov Rec FY 2015
Cash Reserve Fund	\$ 466.8	\$ 487.2	\$ 523.0
Economic Emergency Fund	144.3	162.4	174.3
Total Reserve Funds	\$ 611.1	\$ 649.6	\$ 697.3

Reserve Funds



Current Economic Outlook

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State of Iowa Tax Revenue by Type

FY 2013 Cash Year State Tax Revenue, in Millions of \$

Tax Type	FY 2013 Revenue	Deposited To				% of Total
		General Fund	Road Use Tax Fund	Other Funds	School Infrastructure	
Banking	38	X				0.5%
Beer & Wine	22	X		X		0.3%
Cigarette & Tobacco	227	X		X		3.0%
Corporate Income	426	X				5.7%
Fuel	444		X			5.9%
Gambling	294	X		X		3.9%
Individual Income	3,451	X		X		45.9%
Inheritance	85	X				1.1%
Insurance	105	X				1.4%
Other Taxes	10	X		X		0.1%
Real Estate Transfer	19	X		X		0.3%
Sales/Use	2,404	X	X		X	31.9%
Total Net State Taxes	7,525					100.0%

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

Iowa State and Local Taxes Collected Per Job

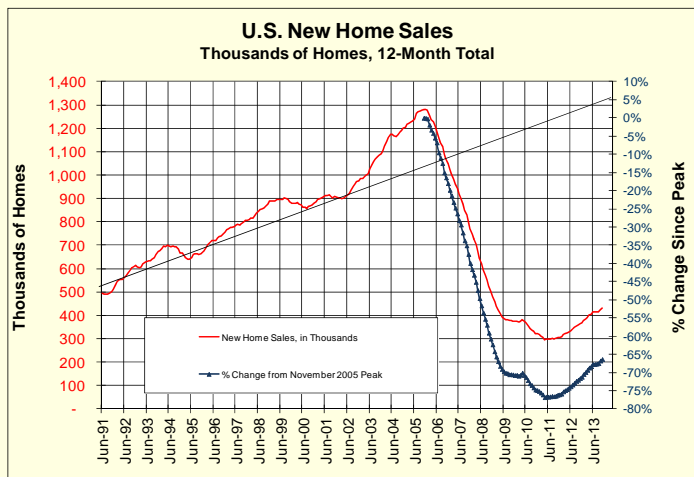
12-Month Period Ending June 2013
Based on an average of 1,516,500 Nonfarm Jobs

	Taxes Paid in Millions	Taxes Per Iowa Job
General Fund	\$6,377	\$4,205
Road Use Tax Fund	\$767	506
Non-GF Gambling	\$251	165
Other Funds	\$130	86
Total State Taxes	\$7,525	4,962
Local Option Taxes	\$874	577
Property Tax	\$4,910	3,238
Local Taxes	\$5,784	3,814
State and Local Total	\$13,309	\$8,776

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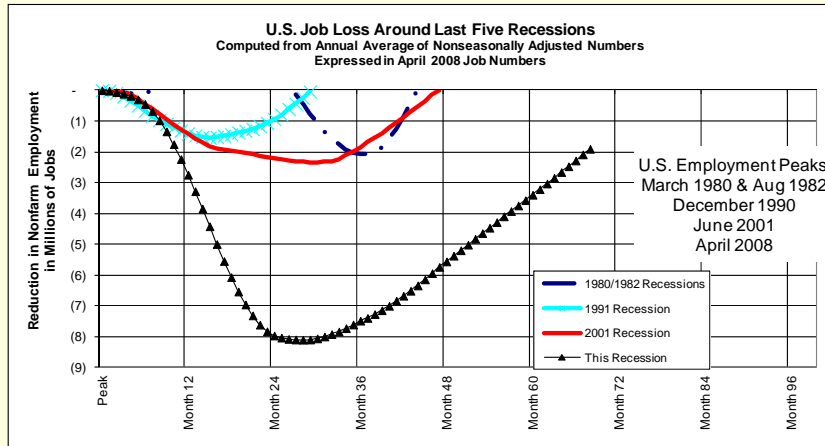
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U.S. new home sales are 65% below their 2005 peak, and the direction turned back down after the tax incentives ended. The recent trend is positive but there is still a long way to go.



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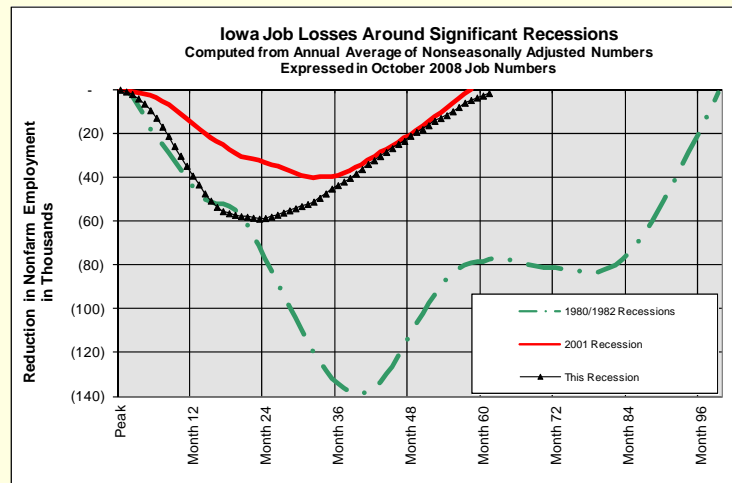
U.S. employment growth has also been growing for about three years, but the climb back to the pre-recession peak is much more problematic.



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Current employment numbers show that Iowa employment has been growing for just over three years and we should reach a new record Iowa employment level in the next six months.



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General Fund Tax Revenue Growth – The most recent six months have not been as kind as the six months before that.

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

	<u>Jan-June</u>	<u>July-Dec</u>
Individual Income Tax, Net of Refunds	\$319.9	\$5.6
Sales/Use Tax, Net of Refunds	\$2.3	\$28.7
Corporate Income Tax, Net of Refunds	-\$43.9	-\$30.8
Remaining GF Taxes, Net	\$16.5	-\$3.2
Total General Fund Tax Revenue, Net	\$294.8	\$0.3

General Fund Tax Revenue Growth – This is the same information in percent of change format.

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

	<u>Jan-June</u>	<u>July-Dec</u>
Individual Income Tax, Net of Refunds	21.4%	0.3%
Sales/Use Tax, Net of Refunds	0.2%	2.8%
Corporate Income Tax, Net of Refunds	-16.1%	-15.6%
Remaining GF Taxes, Net	7.3%	-2.6%
Total General Fund Tax Revenue, Net	9.7%	0.0%

Widely-available state economic indicators of employment and income have been pretty soft over the past six months.

Iowa Indicators of Employment and Income

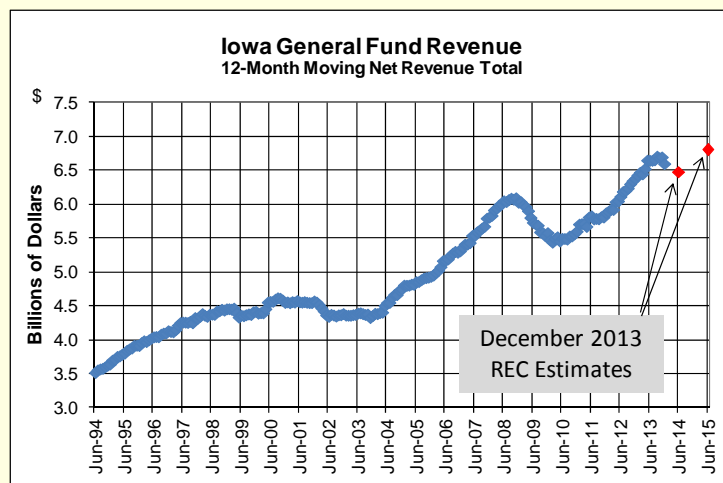
Change over the most recent six months
All numbers are seasonally adjusted at annual rates (SAAR)

	Then	Now	Unit Change	% Change
Nonfarm employment	1,523,800	1,529,900	6,100	0.4%
Household survey employment	1,576,700	1,593,200	16,500	1.0%
Unemployed	76,400	72,500	(3,900)	-5.1%
Labor Force	1,653,100	1,665,700	12,600	0.8%
Unemployment rate	4.6%	4.4%	-0.2%	
Personal income (thousands of \$)	139,072	140,653	1,581	1.1%
Wage & Salary income (thousands of \$)	63,595	64,097	502	0.8%
Farm income (thousands of \$)	10,143	9,470	(673)	-6.6%

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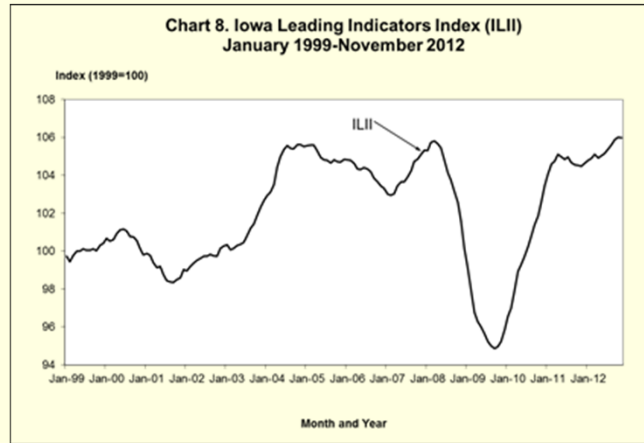
A long term look at net revenue
12-month moving total of net General Fund Revenue
(Note: Excludes transfers)



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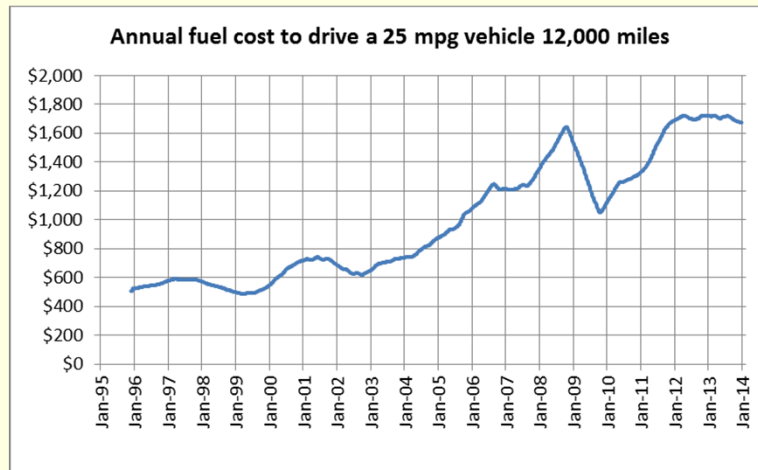
Department of Revenue Index of Leading Iowa Indicators – Increasing for the past two years



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The brightest spot continues to be energy prices. Spending less on energy means more money available for other things.



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Fiscal Services Division Website

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

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