

**Revenue Estimating Conference  
Minutes  
October 7, 2009**

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Members present: Richard Oshlo, Holly Lyons, David Underwood.

Mr. Oshlo called the Revenue Estimating Conference to order at 1:00 p.m.

**Appoint New Chair**

Motion made by Ms. Lyons and seconded by Mr. Underwood to appoint Richard Oshlo as the new Chair for the Revenue Estimating Conference. Motion carried.

**Approval of Minutes of March 20, 2009 Meeting**

Ms. Lyons noted a typo that needed correcting. She then made a motion, seconded by Mr. Underwood to approve the minutes of the March 20, 2009 meeting with the noted correction. Motion carried.

**Review Fiscal Year 2010 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Gambling Revenues Transferred to Other Funds**

Mr. Oshlo referred to the spreadsheet handout showing the FY 2010 estimates submitted by the Legislative Service Agency (LSA) and the Governor's Appointee with a \$62 million difference. He added that these are difficult economic times for the State. Based on recent events in the economy this quarter, the REC will review the current numbers and make needed revisions.

Ms. Lyons shared that the LSA estimate is lower than the March REC estimate explaining what looked like a possible mild Iowa recession turned into a significant and severe recession, not just for Iowa, but for all states. The national economy has shown some signs of recovery, but the Iowa economy has not. Since last year there has been a loss of approximately 50,000 non-farm jobs in Iowa. Unemployment is slowing but likely to remain high into FY 2010 which is consistent with national projections. In a recession, employment is one of the last areas to improve. Net revenues have been negative for the last 10 of 12 months. Consumer confidence remains uncertain. Retail experts expect holiday sales to be 1% below last year. The impact on personal income and sales tax, are two significant areas of tax receipts. When people don't have jobs, receive wage increases, or have reduced work hours, state personal income tax declines. People without jobs don't spend money, so sales tax revenues also decline. The last recession was shallow and long. This one seems to be deep and longer. Ms. Lyons also shared that the National Conference of State Legislatures says that state governments will face severe budgetary problems for at least 12-24 months after the U.S. recession ends.

David Underwood felt everyone was surprised by the depth of job loss in Iowa. He looked at the information from March and noted that none of the national forecasts came close to the 50,000 level for job loss in Iowa. It appears that Iowa has not yet reached the total job loss. The impact to Iowa's revenue with those job losses is estimated to be somewhere around \$80 million to \$100 million range affecting the general funds. Mr. Underwood stated that the modest inflation definitely is impacting sales & use tax growth. It is difficult to determine the reduction in industrial output and the impact that will have on the sales tax. Corporate profits continue to be an issue. Local CPAs he talked with are advising their clients to revise their estimates for the September/December/January time frame which indicates that corporate profits are going to be down and receipts will be off.

Mr. Oshlo agreed that corporate income tax and refunds are a big concern for everyone.

Mr. Oshlo made a motion to take the Governor's appointee numbers and amend them by splitting the difference of the two estimates, and adding back the LSA numbers to refunds which would increase the refund number to \$891.3M in the Governor's Appointee Estimate. Ms. Lyons seconded the motion. Motion carried.

This motion changes the FY 2010 estimate for Net Receipts Plus Transfers to \$5,438.0M.

Mr. Underwood made motion, seconded by Mr. Oshlo, to accept the FY 2010 estimate of \$214.6M for Gambling Revenues. Motion carried.

**Review Fiscal Year 2011 General Fund Estimates, Lottery and Other Transfers, Accruals, Refunds, and Revenues Transferred to Other Funds.**

Mr. Oshlo explained that the Governor's Appointee Estimate was reached by starting with the FY 2010 base and making adjustments. The difference between the LSA and Governor's Appointee FY 2011 Estimates is about \$2.9M which is marginal at this time since this is a preliminary estimate. The REC will have an opportunity to review these numbers in December when more information is available. The Governor will use the December estimates for his budget.

Ms. Lyons agreed that as a preliminary estimate for FY 2011, adjustments can be made in December when there is more data to look at.

In order to reduce the base by \$32M, Mr. Underwood made a motion, seconded by Mr. Oshlo to add \$32M to refunds on the Governor's Appointee Estimate which would be used for the FY 2011 base. Motion carried.

This motion changes the FY 2011 estimate for Net Receipts Plus Transfers to \$5,416.3M.

Mr. Underwood made motion, seconded by Ms. Lyons, to accept the FY 2011 estimate of \$214.6M for Gambling Revenues. Motion carried.

With no further business, meeting was adjourned.

Respectfully submitted



Marcia E. Murrow  
Secretary  
Department of Management