



# Revenue Estimating Conference Meeting—Dec. 12, 2024

**FY 2025 Estimate:** The Revenue Estimating Conference (REC) met and revised its estimate for FY 2025 net General Fund Receipts (including transfers). They agreed to decrease the estimate by \$85.3 million compared to their October estimates. With this revision, the FY 2025 general revenue amounts are estimated to be \$602.2 million (-6.2%) below the FY 2024 amount.

**FY 2026 Estimate:** The REC also revised its FY 2026 estimate. The change resulted in an increase of \$67.0 million compared to the estimate made in October and represents a decrease of \$427.9 million (-4.7%) compared to the revised FY 2025 estimate.

The primary factors contributing to the negative growth rate include implemented and upcoming tax law changes that will reduce income tax rates to a flat tax rate of 3.8% starting in January 2025. This will impact FY 2025 and FY 2026 income tax projections and actual amounts collected. Iowa would likely see revenue growth if not for the tax law changes.

## Revenue Estimating Conference December 12, 2024: Net General Fund Receipts (including Transfers)

(Dollars in Millions)

Actual	Oct. Estimates	December Estimates for FY 2025			
Actual FY 2024 Net General Fund Receipts	FY 2025 - October REC Estimate	Dec. REC Estimate for FY 2025	Est. FY 2025 vs. FY 2024	% Change Est. FY 2025 vs. FY 2024	Change from Oct. REC Estimate for FY 2024
\$ 9,755.8	\$ 9,238.9	\$ 9,153.6	\$ (602.20)	-6.2%	\$ (85.30)
	Oct. Estimates	December Estimates for FY 2026			
	FY 2026 - October REC Estimate	Dec. REC Estimate for FY 2025	Est. FY 2026 Vs. Est. FY 2025	% Change Est. FY 2026 vs. FY 2025	Change from Oct. REC Estimate for FY 2025
	\$ 8,658.7	\$ 8,725.7	\$ (427.90)	-4.7%	\$ 67.00

## What Does This Mean?

Although the REC estimates do not show growth, the state's balance sheet is still in very good condition. At the end of FY 2024, the state general fund surplus totaled over \$1.9 billion; the taxpayer relief fund totaled more than \$3.75 billion and reserve funds totaled approximately \$960 million. Increases in the taxpayer relief fund and general fund carryforward are due to actual revenues

exceeding revenue projections and expenditure levels in the last few years. Despite these large balance amounts, it's important to remember that fund balances are considered one-time and are generally not used for ongoing expenditure items. How the legislature will use the dollars in the taxpayer relief fund remains unclear.

The legislature appropriated \$8.92 billion from the state's general fund in FY 2025, or roughly 80% of the expenditure limitation. Expenditure levels are limited to 99% of available revenues, including the current-year revenues plus carryforward revenues from the previous fiscal year. The Governor and Legislature will establish the budget for FY 2026.

The Governor is anticipated to provide her budget to the Legislature during the first week of the legislative session. Included in that budget will be the governor's recommendation for FY 2026 SSA, which is generally the starting point for the legislature as they work to determine the level of funding for school aid during the legislative session. Other legislative priorities impacting school districts may be included in the recommendations at that time.

## More on the REC

The Revenue Estimating Conference is a three-member panel that meets three times a year to agree upon the revenue estimates for the current and following fiscal year. The December estimates will be used by:

- The Governor when submitting budget recommendations to the legislature in January.
- The Legislature when appropriating funds for the state budget during the legislative session.

The next REC meeting will likely be held in March. If the FY 2026 March REC estimates are lower than the December estimates, the Legislature will be required to use the March estimates. However, if the REC FY 2026 revenue estimates are increased, the legislature will be bound to the December estimates.

Additional information on the REC is available on the [Department of Management's website](#), and additional information on the REC estimates is available on the [General Assembly's website](#).