



Revenue Estimating Conference — October 16, 2026

FY 2026 Actuals: Final FY 2026 General Fund tax revenues were higher than the REC projected, coming in at about \$205.0 million higher than the March REC estimate (adjusted for tax law changes and based on the end-of-session Legislative Services Agency balance sheet). Total net General Fund receipts for FY 2026 were \$8.308 billion. This was a \$634.7 million (-7.1%) reduction from FY 2025.

At the end of FY 2026, the state general fund surplus was about \$1.6 billion, the taxpayer relief fund was about \$3.2 billion, and reserve funds were statutorily full. Actual figures will be available at a later date.

Despite these large balance amounts, it's important to remember that fund balances have historically been considered one-time and were generally not used for ongoing expenditure items. However, estimated FY 2026 appropriations exceeded FY 2026 revenue by roughly \$1.2 billion, which will reduce the general fund surplus and taxpayer relief fund.

FY 2027 Estimate: The Revenue Estimating Conference (REC) met and increased its estimate for FY 2027 net General Fund Receipts (including transfers) by \$133.1 million compared to the adjusted March REC estimate (adjusted for legislative law changes that occurred after the March REC meeting). The new FY 2027 estimate is \$230.1 million (2.8%) above the FY 2026 actual amount.

FY 2028 Estimate: The REC also set the FY 2028 estimate at \$292.8 million (3.4%) above the new FY 2027 estimate; and the FY 2028 estimate was increased from the initial March REC estimate by \$113.2 million.

Revenue Estimating Conference October 16, 2026: Net General Fund Receipts (including Transfers)

(Dollars in Millions)

Actual	March 2026 FY 2027 - March REC Estimate	October Estimates for FY 2027			
		October REC Estimate for FY 2027	Est. FY 2027 vs. FY 2026	% Change Est. FY 2027 vs. FY 2026	Change from March REC Estimate for FY 2027
\$ 8,307.5	\$ 8,404.5	\$ 8,537.6	\$ 230.10	2.8%	\$ 133.10
	March 2026 FY 2028 - March REC Estimate	October Estimates for FY 2028			
		October REC Estimate for FY 2028	Est. FY 2027 Vs. Est. FY 2028	% Change Est. FY 2028 vs. FY 2027	Change March REC Estimate for FY 2028
	\$ 8,717.2	\$ 8,830.4	\$ 292.80	3.4%	\$ 113.20

What does this mean?

Despite persistent inflation, slowing employment, and stagnant personal income growth in Iowa, sales and use tax revenue and corporate taxes remain strong at the state level. In FY 2026, sales and use tax revenue increased by 6.2% compared to FY 2025. The REC projects continued growth of 3.5% in FY 2027 and 3.1% in FY 2028. A portion of this revenue supports school districts through the SAVE fund. If sales tax revenue growth exceeds the Iowa Department of Revenue's initial projection of 2.9%, or a district's own projections, the additional revenue could help offset some of the anticipated funding reductions from the 2026 property tax relief legislation.

FY 2026 was the first full year of the new 3.8% flat income tax rate. Normal or near-normal economic growth was projected to increase state revenue once the full implementation of the income tax law occurred. The state is expected to see growth from this base in future years, including FY 2027, absent an economic downturn or other negative economic factors.

However, stronger-than-anticipated state revenues still may not translate into positive legislative decisions to increase supplemental state aid (SSA). A disconnect remains between projected revenue growth and overall state fiscal capacity, as the state will likely continue to appropriate more than estimated revenue.

The October REC estimates are a barometer three months into the new fiscal year. Remember, the Governor and legislature will use the December REC estimates to establish the state budget, including SSA, for FY 2028. The next meeting will likely occur by mid-December and will provide more insight into the overall state budget.

More on the REC

The Revenue Estimating Conference is a three-member panel that is required to meet at least three times a year to agree upon the revenue estimates for the current fiscal year and the following fiscal year. These estimates are used by:

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

The next REC meeting will be held in December, and the estimates they establish for FY 2028 will be used to set the state budget for FY 2028. Additional information on the REC is available on the [Department of Management's website](#).