

EXECUTIVE SUMMARY

Revenue Estimating Conference for the General Revenue Fund

August 16, 2018

Final collections for FY 2017-18 came in \$205.2 million above the estimate for the year, a gain of 0.7 percent and well within the plus or minus one percent range the Conference usually attributes to statistical noise. Of this amount, approximately \$120.7 million, or nearly 59 percent, is associated with one-time events. The relatively large nonrecurring portion of the FY 2017-18 surplus, combined with the slightly weaker near-term National and Florida economic forecasts, results in a new forecast for General Revenue that is virtually unchanged overall. The anticipated revenues were revised downward by -\$13.1 million in FY 2018-19 and by -\$19.5 million in FY 2019-20, for a two-year total of -\$32.6 million, a change of less than one-tenth of one percent.

The revised FY 2018-19 estimate exceeds the prior year's collections by \$1.03 billion (or 3.3 percent). The revised forecast for FY 2019-20 has projected growth of \$1.09 billion (or 3.4 percent) over the revised FY 2018-19 estimate. The expected growth rate for FY 2020-21 was unchanged at 3.6 percent, and for FY 2021-22, it was increased from 3.6 percent to 3.7 percent.

Most of the changes to the individual revenue sources were minor, with positives and negatives across the sources essentially offsetting each other. However, several issues have altered the forecast for individual revenue sources. The most significant adjustments are discussed below:

- **Corporate Income...** The Conference increased the estimate by \$86.0 million in FY 2018-19 and by \$76.9 million in FY 2019-20 to reflect the heightened collection activity at the end of the 2017-18 fiscal year. The projected increase for the current year will not trigger any of the tax rate and refund provisions in HB 7093 as passed by the 2018 Legislature.
- **Insurance Premium Tax...** Receipts from this source for the 2017 tax year came in higher than expected across all lines of insurance. In response, the Conference revised the premium volume growth rates upwards. This led to an increase in the estimate of \$75.4 million in the current year and of \$70.9 million in FY 2019-20.
- **Earnings on Investments...** The estimate for expected earnings was decreased by -\$86.8 million in FY 2018-19 and by -\$95.6 million in FY 2019-20. This change reflects the lower effective earnings rate seen over the past year.
- **Sales Tax...** Hurricane Irma suppressed collections during the initial emergency in September 2017, but boosted collections in the recovery months as rebuilding began in earnest. An infusion (\$117.8 million) of hurricane-related activity has been retained in the forecast for FY 2018-19. In total, the sales tax forecast was revised downward by -\$21.3 million in FY 2018-19 and by -\$56.8 million in FY 2019-20.

Several of the revisions to the forecast (Indian Gaming Revenues, Tobacco Taxes, Article V Fees & Transfers, and Highway Safety Licenses & Fees) are the results of earlier conferences. Combining the results from these conferences produces a decrease of -\$4.4 million in FY 2018-19 and an increase of \$36.3 million in FY 2019-20. Additional information regarding the estimates for sources adopted at prior conferences can be found on the Legislative Office of Economic and Demographic Research's website: <http://edr.state.fl.us/Content/conferences/index.cfm>