

EXECUTIVE SUMMARY

Revenue Estimating Conference for the General Revenue Fund December 18, 2018

The near-term National and Florida Economic Forecasts were weaker in several key areas compared to August; however, revenue collections have run above monthly estimates by a combined \$365.2 million since the last conference. Focusing on the year-to-date gains to the forecast, anticipated revenues were revised upward by \$461.5 million in FY 2018-19 and by \$380.5 million in FY 2019-20, for a two-year total of \$842.0 million, a change of 1.4 percent in FY 2018-19 and 1.1 percent in FY 2019-20. While this is the largest combined increase since April 2006, during the peak of the housing boom, the Conference recognizes that there is an elevated level of risk due to the mature stage of the current economic expansion.

The revised FY 2018-19 estimate exceeds the prior year's collections by \$1.48 billion (or 4.8 percent). The revised forecast for FY 2019-20 has projected growth of \$1.01 billion (or 3.1 percent) over the revised FY 2018-19 estimate. The expected growth rate for FY 2020-21 was increased from 3.6 percent to 3.7 percent, and for FY 2021-22, it was reduced from 3.7 percent to 3.5 percent.

With the exception of Sales Tax and Corporate Income Tax, the changes to the individual revenue sources were minor, with positives and negatives across the sources largely offsetting each other (netting to +\$39.5 million in FY 2018-19 and -\$46.7 million in FY 2019-20). However, changes to the two largest General Revenue sources make the results significant:

- **Sales Tax...** Sales Tax collections supporting the General Revenue Fund have exceeded the monthly estimates by \$173.5 million since the last conference. The new forecast adds \$273.8 million in FY 2018-19 and \$216.7 million in FY 2019-20.
- **Corporate Income...** Corporate Income Tax collections have exceeded the monthly estimates by \$126.1 million since the last conference, prompting a forecast increase in receipts of \$155.9 million in FY 2018-19. The new level of net collections (receipts minus refunds) forecast for the current year, if they materialize, would trigger the tax rate reduction and refund provisions in HB 7093 as passed by the 2018 Legislature. The resulting tax savings would be \$49.9 million in FY 2019-20 and \$12.6 million in FY 2020-21.

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 -\$7.7 million in FY 2018-19 and an increase of \$25.0 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>.