

EXECUTIVE SUMMARY

Revenue Estimating Conference for the General Revenue Fund

February 9, 2018

From the last Conference through December 2017, year-to-date collections for FY 2017-18 have fallen below the estimate by \$132.2 million or just below one percent. This result is primarily due to the economic and revenue disruptions caused by Hurricane Irma. Based on the slightly weaker near-term National and Florida economic forecasts, the new forecast for overall General Revenue would have essentially matched the old forecast; however, an anticipated change to the Indian Gaming revenue sharing payment methodology and the incorporation of additional sales tax collections associated with hurricane-related rebuilding resulted in a combined positive adjustment that explains 75.7 percent of the change in the estimate over the first two years. Overall, anticipated revenues were revised upward by \$181.3 million in FY 2017-18 and by \$280.5 million in FY 2018-19, for a two-year total of \$461.8 million.

The revised FY 2017-18 estimate exceeds the prior year's collections by \$1.51 billion (or 5.1 percent). The revised forecast for FY 2018-19 has projected growth of \$1.37 billion (or 4.4 percent) over the revised FY 2017-18 estimate. The growth rate for FY 2019-20 was decreased from 4.0 percent to 3.3 percent as the rebuilding boost from Irma reaches completion. For FY 2020-21, it was decreased from 3.7 percent to 3.6 percent.

Most of the changes to the individual revenue sources were minor, with positives and negatives across the sources essentially offsetting each other in the later years of the forecast. However, several major issues that are largely nonrecurring in nature have altered the near-term forecast. The most significant adjustment and an important assumption are discussed below:

- **Sales Tax...** Hurricane Irma suppressed collections during the initial emergency in September, while boosting collections in the recovery months as rebuilding began in earnest. The annual estimates were increased by a total of \$188.6 million in FY 2017-18 (of which \$125.1 or 66.3 percent was recovery-related) and \$170.8 million in FY 2018-19 (of which \$117.8 million or 69.0 percent was recovery-related). All of the recovery-related dollars are nonrecurring.
- **Corporate Income Tax and Refunds...** Following a declaration from the Internal Revenue Service, the Florida Department of Revenue extended the due dates for Corporate Income Tax filers impacted by Hurricane Irma. Eligible taxpayers with returns having original or extended due dates between September 4, 2017, and January 31, 2018, have until February 15, 2018, to file returns. Through December, Corporate Income Tax receipts were down \$112.6 million. The Conference assumed that this entire amount (plus any loss associated with January) will be recouped by the end of February.

Several of the revisions to the forecast (for example, Tobacco Taxes, Article V Fees & Transfers, and Highway Safety Licenses & Fees) are the results of earlier conferences. Most importantly, the Revenue Estimating Conference for Indian Gaming made significant changes that increased the forecast each year. Some of the increase was due to higher net win growth, and the remainder was related to an assumed structural change in the revenue sharing payment methodology. In regard to payment structure, the forecast assumes that the Tribe will change its revenue sharing payment methodology beginning in FY 2018-19 to make the payment for each month equal to one-twelfth of the projected annual total for the year. This has the practical effect of eliminating from the forecast the large annual true-ups traditionally made in August after the end of each year while proportionally increasing each of the twelve monthly payments during the year, effectively making this a payment speed-up. 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/conferences.htm>.