

EXECUTIVE SUMMARY
Revenue Estimating Conference for the General Revenue Fund
December 14, 2010

Since the August General Revenue Estimating Conference, underlying collections have been running below estimate. While many sources were showing an increase over collections during the same months last year, actual collections were falling short of the official estimates by \$230 million. Further, the pace of recovery shown in the new economic forecasts for the nation and Florida has slowed. In response, the Revenue Estimating Conference has lowered its near-term forecast. For Fiscal Year 2010-11, expected revenues were decreased by \$585.7 million or 2.6% below the earlier forecast. For Fiscal Year 2011-12, expected revenues were decreased by \$612.2 million or 2.5% below the earlier forecast. These forecasts do not specifically identify any losses related to the Deepwater Horizon oil spill.

Today's revised Fiscal Year 2010-11 revenue estimate is slightly less than \$860 million or about 4.0% above final collections for Fiscal Year 2009-10. The Fiscal Year 2011-12 forecast remains positive with projected growth of 7.5% over the revised Fiscal Year 2010-11 estimate.

Overall, the adjustments to the forecast are indicative of an economy that is still in the early stages of an abnormally slow recovery. In this regard, the revisions modify the pace of the previous growth rates, taking into account the losses experienced since the last forecast --- and recognizing the adjustments to the economic forecasts for the next few years. Revenue estimates are primarily affected by the following:

- **Sales Tax...** In the near-term, Sales Tax collections were adjusted downwards in five of the six categories: Nondurables, Tourism & Recreation, Autos & Accessories, Other Durables and Building Investment. Because this revenue source is so large, even modest adjustments cumulate to large numbers. Sales Tax estimates were lowered by \$315.2 million or 1.9% in FY 2010-11, and \$487.2 million or 2.7% in FY 2011-12.
- **Corporate Income Tax...** Anticipated receipts from the Corporate Income Tax were decreased in response to the year-to-date losses to the estimate.
- **Medical & Hospital Fees...** Medical and Hospital Fees are reimbursements from county governments for certain services provided to county residents through Florida's Medicaid program. Collections were decreased to reflect the fact that this source has been regularly below the estimate.

Several of the revisions to General Revenue (notably Tobacco Taxes, Article V Fees & Transfers, Indian Gaming Revenues, and Highway Safety Licenses & Fees) are based on results of earlier conferences. Additional information regarding these sources can be found on the Legislative Office of Economic and Demographic Research's website:
<http://edr.state.fl.us/Content/conferences/index.cfm>.

Overall, the Conference remains cautiously optimistic. Underlying the forecast is the assumption that recovery has been underway since the late spring of 2010, but with growth rates that were more anemic than originally anticipated. Revenue collections are not anticipated to exceed the Fiscal Year 2005-06 banner year until Fiscal Year 2013-14.