

## ACTUAL GR COLLECTIONS IN 2017-18 EXCEEDED ESTIMATES BY \$205 MILLION *HOWEVER, MANY NEW REVENUE ESTIMATES WERE REDUCED.*

---

**T**he total collections of General Revenue (GR) collected in the fiscal year which ended on June 30 have now been tallied. These numbers, along with the current cycle of the state's Estimating Conferences, can begin to define the fiscal outlook for the next state budget that will be developed by the 2019 Legislature.

The actual collections in last year (FY2017-18), the estimates for the current year (FY2018-19), and the estimates for the next budget year (FY2019-20) all impact the amount of revenue that the 2019 Legislature will have at its disposal. Any change from the estimates on which appropriations were made in last year and the current year will add or subtract from reserves—which will be carried forward into the next budget year.

This Budget Watch examines these revenue estimates, as well as some estimates that impact the need for spending, in advance of the important General Revenue Estimating Conference. That Conference, scheduled for August 16, will be examined in the next Budget Watch. Those estimates will be used for the state's Long-Range Financial Outlook which will attempt to quantify the size of the budget shortfall or surplus facing the Legislature.

### **ACTUAL FY2017-18 GR RECEIPTS EXCEEDED EXPECTATIONS**

Actual net GR collections for the fiscal year that just ended exceeded the last estimate (February 2018, adjusted for legislative changes) by \$205.2 million (0.66 percent). This will be added to the unobligated FY2018-19 GR (cash reserve) balance of \$1.026 billion<sup>1</sup> to be carried forward to the next budget year (FY2019-20); however, this additional money is more a result of unique events, rather than a strengthening of the underlying revenue forecast. More than half of this surplus is attributable to one-time events: a \$54.4 million surplus in Non-Operating Revenue due to one-time repayments in prior months; a \$51.7 million surplus in Indian Gaming due to a change in the payment structure; and a combined \$14.6 million in Insurance Premium and Parimutuel taxes due to incorrect deposits. Most of this one-time revenue will be offset by reductions in the current year. While actual collection for most sources exceeded the estimate, Earnings on Investments came in \$33.4 million (19.7 percent) under estimate. Intangibles Taxes, Documentary Stamp Taxes and Court Fees were also slightly below the estimate. Collections of the state's largest revenue source—the Sales Tax—were virtually on-target.

FY2017-18 GR collections totaled \$31.218 billion—a \$1.624 billion (5.5 percent) increase over the prior year (see table on next page). The tax sources with the largest yearly percentage increases were Indian Gaming, Parimutuels, Documentary Stamp, and Insurance Premium taxes. Collections of Court Fees, Beverage Taxes, Intangible Taxes, Tobacco Taxes and Counties' Medicaid Share decreased in FY2017-18. In terms of dollars, the Sales Tax provided most of the new revenue: \$1.151 billion (growth of 5.0 percent).

---

<sup>1</sup> The state also has \$1.416 billion in GR reserves in the constitutionally-created Budget Stabilization Fund. These revenues may only be used in the event of a budget deficit or emergency, as defined by law.

**General Revenue Collections**  
\$ Millions

	<b>FY2016-17</b>	<b>FY2017-18</b>	<b>\$ Change</b>	<b>% Change</b>
Sales Tax	\$22,987.4	\$24,138.7	\$1,151.3	5.0%
Beverage Tax & Licenses	\$314.7	\$289.2	\$(25.5)	-8.1%
Corporate Income Tax	\$2,366.4	\$2,413.0	\$46.6	2.0%
Documentary Stamp Tax	\$762.2	\$867.2	\$105.0	13.8%
Tobacco Taxes	\$183.0	\$182.6	\$(0.4)	-0.2%
Insurance Premium Tax	\$708.4	\$799.6	\$91.2	12.9%
Pari-mutuels Tax	\$22.8	\$28.9	\$6.1	26.8%
Intangibles Tax	\$372.9	\$371.2	\$(1.7)	-0.5%
Indian Gaming Revenues	\$116.0	\$328.5	\$212.5	183.2%
Earnings on Investments	\$131.0	\$136.1	\$5.1	3.9%
Highway Safety Lic. & Fees	\$489.8	\$538.6	\$48.8	10.0%
Counties' Medicaid Share	\$301.5	\$295.3	\$(6.2)	-2.1%
Severance Tax	\$11.5	\$12.1	\$0.6	5.2%
Service Charges	\$464.9	\$472.0	\$7.1	1.5%
Corporate Filing Fees	\$352.9	\$367.0	\$14.1	4.0%
Article V Fees	\$126.6	\$104.0	\$(22.6)	-17.9%
Other Taxes & Fees	\$39.1	\$38.8	\$(0.3)	-0.8%
Other Nonop. Revenue	\$171.6	\$200.0	\$28.4	16.6%
<b>Total Revenue</b>	<b>\$29,922.7</b>	<b>\$31,582.7</b>	<b>\$1,660.0</b>	<b>5.5%</b>
<b>Less: Refunds</b>	<b>\$328.2</b>	<b>\$364.6</b>	<b>\$36.4</b>	<b>11.1%</b>
<b>Net General Revenue</b>	<b>\$29,594.5</b>	<b>\$31,218.2</b>	<b>\$1,623.7</b>	<b>5.5%</b>

## RESULTS FROM ESTIMATING CONFERENCES

Florida's Consensus Estimating Conference produces a number of economic, demographic, resource-demand, and revenue forecasts that are used in the state planning and budgeting process. Revenue estimates are critical in ensuring that Florida meets its constitutional balanced budget requirement. There are usually three cycles of conferences, as well as impact conferences that are held when estimates are needed to determine the impact of law changes. The cycles culminate with the General Revenue Estimating Conference. The summer cycle covered in this Budget Watch produces estimates to be used in the Long-Range Financial Outlook. The Fall/Winter cycle is used for the Governor's Budget Recommendations. Conferences are also held during the legislative session to produce the final estimates used to make appropriations.

The following examines the results from most of the summer conferences. Estimates from conferences on Indian Gaming and Slots revenue and Medicaid expenditures were not finalized prior to release of this report. They will be covered, along with the GR Conference, in the next Budget Watch.

## Economic and Demographic Conferences

**National Economic** – The Conference met to adopt the baseline forecast which is prepared by a consultant (IHS Markit). The economy remains solid and the outlook did not change much in the near term since the last forecast (January 2018). The state's economists warn that due to trade tensions and new developments not included by IHS Markit, the forecast contains considerable downside risk. The economists state: "Absent additional drags caused by a full-scale global trade war, the economy continues to show gains in employment, real disposable income and home values." This is due to the new federal budget that increases the federal spending cap by \$296 billion and provides \$84 billion in disaster relief to

California, Florida, Texas, Puerto Rico and the U.S. Virgin Islands. The new forecast predicts greater growth in GDP and business investment than the previous one, as well as a lower unemployment rate (4.1 percent in 2018); however, lower growth in non-farm jobs, wages, and consumer spending are now expected. Inflation is expected to remain low: 1.9 percent and 1.6 percent in this year and the next, increasing to 2.5 percent and 2.8 percent in the next two years.

**Florida Economic** – The new forecast is a bit of a mixed bag, with slower-than-anticipated growth in personal income (5.0 percent) and average annual wages (2.2 percent). The estimate of job growth was reduced in 2018 from 2.5 percent to 1.8 percent but increased in 2019 from 2.3 percent to 2.5 percent. It is anticipated the economy will create 373,000 additional jobs over the next two years, with the strongest growth in construction, professional and business services, education and health services, and financial services. Weaker growth is forecast for the wholesale and retail trade and information sectors. The unemployment rate estimates were increased slightly, but are still expected to improve, dropping from 3.92 percent in 2018 to 3.70 percent in 2020. The outlook for housing improved, with total housing starts growing by 12.6 percent in 2018 and 12.2 percent in 2019 and median home prices increasing by 6.5 percent and 4.0 percent. Tourism estimates were tempered slightly, with total visitors now expected to increase from 119,592 to 130,219 in 2020, despite a significant drop in overseas visitors in 2018.

**Population** – The estimates of Florida population growth were reduced in every year of the forecast. The new estimate of Florida population for 2018 is 20,241,358 people, a reduction in the previous estimate of 28,561. The downward revisions reach 104,203 in 2024. The estimates of natural growth (births minus deaths) and net migration were both reduced, due in part to a smaller than anticipated impact from Hurricanes Irma and Maria. Even with the smaller growth estimates, Florida population is still growing briskly. Between 2017 and 2024, population growth is expected to average 312,003 net new residents per year (855 per day), representing average annual growth of 1.46%. The forecasters note that this growth is analogous to adding a city slightly larger than Orlando every year.

## Caseload and Expenditure Conferences

**Public School Enrollment** – PreK-12 enrollment is expected to grow relatively slowly in the next budget year. After averaging growth of more than 29,000 students over the previous five years, enrollment is now expected to increase by only 16,943 students (0.6 percent) in FY2019-20. Part of the slowdown in growth is due to laws passed in 2018 to expand school choice. The Hope Scholarship Program provides scholarships for students who are bullied or otherwise mistreated to transfer to private schools. The 2018 Legislature also expanded the Tax Credit Scholarships program by allowing businesses to contribute sales taxes paid on commercial rents to private school scholarships for low-income students and the Gardiner Scholarships for disabled students. The estimators predict this will reduce the number of children in public schools by 3,262 in the current budget year and 6,400 next year. Even with these reductions, the additional public school students will cost \$125.5 million next year (based on current per-student funding). Of this amount, \$71.0 million would be state dollars, while \$54.5 million would come from local property taxes (based on the current state/local split). The five districts with the highest growth for FY2019-20 are St. Johns (5.4 percent), Jefferson (4.6 percent), Franklin (3.5 percent), Osceola (2.4%), and Santa Rosa (1.9 percent). Counties with the lowest growth are Hamilton (-4.4 percent), Gadsden (-3.0 percent), Taylor (-1.3 percent), Charlotte (-0.9 percent), and Suwannee (0.8 percent). The state's five largest counties<sup>2</sup> are all expected to experience low to moderate growth ranging from 0.9 percent to -0.5 percent.

**Medicaid Caseloads** – There were 3.932 million people in Florida's Medicaid program in FY2017-18,<sup>3</sup> 49,000 (1.2 percent) fewer than previously estimated. The estimates for FY2018-19 and FY2019-20 were reduced by 156,000 (3.9 percent) and 170,000 (4.2 percent). These new estimates predict there will be 66,704 (1.7 percent) fewer Medicaid recipients during this year than in the year that just ended. On an annual basis, Medicaid enrollment is dropping "like we have never really seen."<sup>4</sup> Ten straight years of growth saw enrollment nearly double from 2.1 million to 4.0 million. In the fiscal year just ended, enrollment dropped 2.1 percent and it is expected to drop another 1.7 percent this year, for a two-year drop of 153,000 recipients. This decline is due to several factors: an improved economy; the state hiring a firm to confirm salary information of Medicaid applicants; and closing inactivate accounts for patients in managed-care plans.

<sup>2</sup> Miami-Dade, Broward, Palm Beach, Hillsborough, and Orange.

<sup>3</sup> Average monthly caseloads

<sup>4</sup> The Agency for Health Care Administration's Deputy Secretary for Medicaid Finance and Analytics, speaking to the Social Services Estimating Conference on July 25, 2018.

**Temporary Assistance to Needy Families (TANF)** – TANF is a federal program that provides temporary cash payments to help families achieve self-sufficiency. It is funded through a federal block grant and state “maintenance of effort” payments. The number of participants and expenditures for this program continue to decrease and the latest estimating conference further reduced these numbers. There are currently approximately 43,500 people enrolled in the program and this is expected to decrease by 1,600 by FY2019-20. As a result, expenditures are estimated to drop from \$138.1 million to \$133.6 million. Estimated expenditures are a combined \$14.2 million below what was appropriated in the current and prior budget years. It is cautioned that these estimates may change due to the unknown impacts of the federal Family First Prevention Services Act, the expiration of the Title IV-E waiver, and the newly created state Guardianship Assistance Program.

**Voluntary Pre-Kindergarten (VPK)** – Florida offers free pre-kindergarten to all four-year-olds. The program currently serves more than 170,000 children (154,000 FTEs)—76.9 percent of eligible children—at a cost of just under \$400 million annually. The enrollment estimates were reduced by approximately 240 FTEs in each year from FY2017-18 to FY2020-21. Still, enrollment in the upcoming budget year is now expected to be 160,669 FTEs—an increase of 3,250 students (2.1 percent). At current per-student funding, these additional students would cost approximately \$8 million.

**Criminal Justice** – Florida’s prison population continues to decline, and the new estimates reduce the number of inmates further. It is predicted that FY2019-20 will mark the sixth straight year that the year-end population will decrease. In FY2013-14, the year-end population was 100,942 inmates. The next budget year will see an estimated 95,878 inmates (a decrease of 5.0 percent). This conference reduced the estimates made in December 2017 by 460 in FY2017-18, 840 in FY2018-19 and 1,036 in FY2019-20.

## Revenue Conferences

**Ad Valorem (Property Taxes)** – The estimate of 2019 total school taxable value<sup>5</sup> was increased very slightly (0.09 percent) to \$214.5 trillion. This represents growth of 5.6 percent over 2018 and Conference predicts similar growth in each of the next five years. This impacts the mix of state and local funds for PreK-12 education funding. The increase in value would add approximately \$538 million to the \$9.170 billion in school property taxes levied in the current year (at the current millage rate).<sup>6</sup> As it has done the last two years, the 2019 Legislature will have to decide if it wants to lessen that increased burden on local property taxpayers or use the entire increase in taxes from rising values. Two constitutional amendments that will go before the voters this November add significant uncertainty to this forecast—one could add over \$60 billion in taxable value while the other could reduce taxable value by a similar amount.<sup>7</sup>

**Lottery** – An important part of education funding in Florida, the Lottery provides approximately \$1.8 billion annually for the Educational Enhancement Trust Fund (EEFT). Actual collections for FY2017-18 came in at \$55.7 million over estimate and the estimates were increased in every year of the forecast, including a combined \$34.7 million in the current and upcoming budget years. This would add \$90.4 million to the EEFT to be available to the 2019 Legislature. The EEFT is now expected to have \$2.120 billion in revenue (including \$198.3 million in slot machine tax revenue)<sup>8</sup> available for the next budget. This is \$130.1 million (5.8 percent) less than FY 2018-19 appropriations. The is largely due to \$245.5 million in non-recurring EEFT appropriations in the current budget. Recurring revenue in the fund does exceed recurring expenditures by \$115 million.

5 This is the taxable value used for school property taxes. County taxable value, which is 95 percent of school taxable value due to some exemptions that do not apply to school taxes, is used for all other property tax levies.

6 4.091 mills in Required Local Effort and .748 mills in the discretionary millage

7 Amendment 1 would create a new \$25,000 homestead exemption for homes assessed at more than \$100,000. Amendment 2 would abrogate the repeal of the current 10 percent cap on non-homestead assessments.

8 New estimates for slot machine revenues are being developed but are not available yet.

**Public Education Capital Outlay (PECO)** – The PECO program provides funding for educational facilities construction and fixed capital outlay needs for school districts, charter schools, the Florida College System, the State University System, and other public education programs. It is funded with gross receipts taxes on utilities (see below). The estimate of the funds (cash) available for appropriation next year (FY2019-20) was reduced by \$48.3 million—to \$347.7 million. If the Legislature chose to bond this money (unlikely), the estimate of maximum bonding proceeds is estimated at \$2.875 billion.

**Gross Receipts Tax** – Actual collections in FY2017-18 came in \$9.3 million under the estimates made last January. Estimates were also reduced by \$14.7 million in FY2018-19 and by \$26.4 million in FY2019-20 for a three-year total of \$50.4 million. All these reductions affect the amount of money available for PECO (see above) next year.

**Unclaimed Property/State School Trust Fund (SSTF)** – Florida’s Chief Financial Officer currently holds more than \$1 billion in unclaimed property, mostly from dormant accounts in financial institutions, insurance and utility companies, securities and trust holdings. It can also include tangible property held in abandoned safe deposit boxes, which are sold by the state at auction. A portion of the funds is transferred to the SSTF to help fund the Florida Education Finance program (FEFP) and class size reduction, although there is no time limit on an owner claiming their property (or funds from auction). Actual receipts in the program of \$507.8 million in FY2017-18 was \$59.8 million above estimate, while actual refunds of \$317.9 million was only slightly above estimate. As a result, \$178.5 million was transferred to the SSTF, \$48.8 million more than estimated. The estimated transfers for the next two years were increased by \$16.0 million and \$3.4 million. This means there should be \$184.9 million in the SSTF for the next budget--\$68.2 million more than previously estimated and \$65.9 billion above current appropriations from the fund.

**Tobacco Taxes** – Tobacco taxes bring in just over \$1 billion annually. In addition to General Revenue, tobacco taxes provide money for the Health Care Trust Fund (HCTF), which helps fund the state’s Medicaid program. Actual collections in FY2017-19 came in \$18.9 million (1.8 percent) below the estimate, and just as they have in four of the last six years, total collections fell from the previous year (\$31.9 million, 2.6 percent). With the sale of cigarettes declining, so are revenues from the cigarette tax. Revenues from the “other tobacco products”<sup>9</sup> tax on loose tobacco, chewing tobacco and snuff is increasing, but this is only a small part of the total tobacco tax. Estimates for the current and upcoming budget year were also reduced. The total reduction in the estimate of tobacco taxes available for the next budget is \$47.4 million. Due to the distribution formula, the reduction to GR was limited to \$3.9 million while estimated revenue into the HCTF was reduced by \$38.2 million. The estimate of revenue going into other funds<sup>10</sup> was reduced by \$5.3 million.

**Tobacco Settlement** – Florida receives approximately \$370 million annually from tobacco companies to settle a lawsuit brought against them by the state in 1997. The money is deposited into the Tobacco Settlement Trust Fund (TSTF) for use as appropriated by the Legislature. The money is currently used to help pay Medicaid expenses and \$70 million is used for the Comprehensive Statewide Tobacco Education and Prevention Program.<sup>11</sup> The state recently filed a motion to recover approximately \$30 million annually that is not being paid because a tobacco company transferred some brands to another company and asserts that those brands are no longer part of the settlement. The Conference stated that it assumes the state will ultimately prevail, but due to the likelihood of appeal, it reduced the estimate of settlement revenue by a total of \$93.1 million for FY2017-18 through FY2019-20. If this holds true, the TSTF will have \$300.5 million available for the next budget, which is \$77.1 million less than current year appropriations from the fund.

**Highway Safety Licenses and Fees** – This conference covers many different taxes and fees, such as driver licenses, motor vehicle licenses and titles, red light camera fines, boat registrations, and other fines and fees. These sources produce \$2.5 billion in revenues annually. A portion of these funds go to GR (currently 21 percent) and the rest is distributed to a myriad of trust funds including the State Transportation Trust Fund, the Highway Safety Operating Trust Fund, and debt service for schools and colleges. Actual revenues in FY2017-18 came in slightly above the estimate and the Conference adopted minor increases in the estimates for this year and next year, including the portion that goes to GR. This will produce \$28.1 million more for the next budget than under the previous estimate.

9 Cigars are exempt from excise taxes in Florida.

10 In addition to the HCTF and GR, approximately 8percent of total collections are distributed to the Public Medical Assistance Trust Fund, the Alcoholic Beverage and Tobacco Trust Fund, the Biomedical Research Trust Fund, the Moffit Cancer Center, and county revenue sharing.

11 As required by Article X, Section 27 of the Florida Constitution.

**Communications Services Tax** – The actual collections of the state CST for FY2017-18 came in at \$648.8 million, \$12.3 million below estimate; however, the estimates for the rest of the years in the forecast were increased slightly, including \$3.2 million in FY2018-19 and \$1.3 million in FY2019-20. Future growth in this revenue source is estimated to be very low. Most of this revenue is distributed by the sales tax formula meaning most of it goes to GR. A gross receipts tax is also imposed on the services—producing about \$360 million annually and its estimates were reduced for every year in the forecast, including \$33.8 million less for the next budget. This conference also estimates the revenue from the CST that may be levied by local governments (at varying rates.) Cities and counties brought in \$721.0 million from this tax in FY2017-18 and collections are now estimated to fall to \$716.7 million by FY2019-20, and then begin to grow slowly.

**Article V (Court) Fees** – The Clerks of the Court in each county collect fees, service charges, and fines imposed by the state court systems. This revenue funds the operations of the Clerks and county and circuit courts. A portion of these fees, service charges, and fines are remitted monthly to the Florida Department of Revenue for deposit into the General Revenue Fund, State Court Revenue Trust Fund, Clerks of the Court Trust Fund, and various other state trust funds. These fees total more than \$600 million annually, just under two-thirds of which is retained by the Clerks. Of the remaining, just over half goes to General Revenue and the rest is distributed to various court and non-court related state trust funds. While total actual collections in FY2017-18 came in \$14.8 million (2.4 percent) over the estimate, GR collections of \$104.8 million were \$4.0 million (3.7 percent) under estimate. Coupled with reduced estimates for this year and next, this revenue source is now expected to provide \$10.7 million less in GR for the next budget than previously anticipated.

**Transportation Revenues** – The State Transportation Trust Fund (STTF) funds Florida’s \$10 billion annual transportation work program. These revenues, which come from fuel taxes, motor vehicle licenses and fees, and the rental car surcharge, do not impact General Revenue spending, since GR is very rarely used for transportation expenditures. Actual revenues in FY2017-18 were \$11.8 million (0.3 percent) over the estimate. The estimates for the next two years were also increased slightly; however, significant decreases in the estimates for the next three years lead to the estimate of revenue deposited into the STTF to decrease by \$124.8 million over the 5-year work program period. Total annual revenue going into the STTF—which now stands at \$3.758 billion—is forecast to increase at a steady, but modest, annual rate of just over 2.0 percent.

---

The monthly Budget Watch is written by **Kurt Wenner, VP of Research**

**Robert Weissert**, Executive VP & Counsel to the President & CEO

**Chris Barry**, Director of Communications & External Affairs

**David Mann** Chairman of the Board of Trustees, Florida TaxWatch

**Dominic M. Calabro**, President and CEO, Publisher & Editor

Florida TaxWatch Research Institute, Inc.

[www.floridatxwatch.org](http://www.floridatxwatch.org)

Copyright © Florida TaxWatch