

## NEW GENERAL REVENUE ESTIMATES REDUCED SLIGHTLY: \$32.6 MILLION OVER TWO YEARS

*ANNUAL GR GROWTH IS SLOWING*

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**F**lorida's General Revenue (GR) Estimating Conference met on August 16 and forecast that the state would collect \$13.1 million less than expected in FY2018-19 and \$19.5 million less in FY2019-20. This reduces the estimated GR that the Legislature will have for the next state budget by \$32.6 million, a change of less than one-tenth of 1 percent.

This reduction in the GR estimates comes on the heels of the final tally for actual collections in the year just ended on June 30. Last year's actual collections exceeded the previous estimate by \$205.2 million. However, more than half of this surplus is attributable to one-time events, rather than a strengthening of the underlying revenue forecast. These events had the effect of shifting some collections from FY2018-19 to FY2019-20. Most of this one-time revenue will be offset by reductions in the current year, which contributed to the reductions in the new estimates.

When last year's extra revenue is added to the new reduced estimates, the Legislature now has an estimated \$172.6 million more in GR than was previously estimated in February 2018. 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.

### Change in Estimated General Revenue Collections Available for 2019-20 State Budget

Decrease in 2018-19 Estimated Revenues	-\$13.1 million
Decrease in 2019-20 Estimated Revenues	-\$19.5 million
Total Reduced Revenue Estimates	\$32.6 million
Actual FY2017-18 Revenues over Estimate	\$205.2 million
<b>Total Additional Revenue</b>	<b>\$172.6 million</b>

For the new forecast, some of the individual GR sources had their estimates decreased, while some were increased, essentially offsetting each other. The estimate for sales taxes, the state's largest revenue source, was reduced by \$78.1 million over the two years. Hurricane Irma reduced collections initially, but the subsequent recovery added \$117.8 million.

The other big estimate reductions were for earning on investments, which was cut by \$182.4 million over the two years and intangibles taxes, which were cut by \$48.8 million. Estimated refunds were increased (which reduces net GR) by \$74.2 million. The reductions were partially offset by increases in corporate income taxes (\$162.9 million) and insurance premium taxes (\$146.3 million).

### Change in General Revenue Estimates by Source

\$ millions

Revenue Source	FY2017-18*	FY2018-19	FY2019-20	Total
<b>Increased Estimates</b>				
Corporate Income Tax	\$92.6	\$86.0	\$76.9	\$255.5
Insurance Premium Tax	\$30.0	\$75.4	\$70.9	\$176.3
Corporate Filing Fees	\$11.0	\$13.2	\$20.9	\$45.1
Indian Gaming Revenues	\$51.6	\$(27.4)	\$18.3	\$42.5
Highway Safety Licenses & Fees	\$5.6	\$6.4	\$14.7	\$26.7
Tobacco Taxes	\$7.1	\$2.8	\$1.6	\$11.5
Article V (Court) Fees	\$(4.4)	\$13.8	\$1.7	\$11.1
Other Sources*	\$57.6	\$11.4	\$1.9	\$70.9
<b>Decreased Estimates</b>				
Earnings on Investments	\$(33.4)	\$(86.8)	\$(95.6)	\$(215.8)
Sales Tax	\$1.9	\$(21.3)	\$(56.8)	\$(76.2)
Intangibles Tax	\$(11.0)	\$(21.4)	\$(27.4)	\$(59.8)
Beverage Tax & License	\$6.1	\$(18.4)	\$(14.2)	\$(26.5)
Documentary Stamp Tax	\$(0.7)	\$(1.6)	\$(3.4)	\$(5.7)
Less Refunds (increased estimate)	\$8.8	\$45.2	\$29.0	\$83.0
<b>Total</b>	<b>\$205.2</b>	<b>\$(13.1)</b>	<b>\$(19.5)</b>	<b>\$172.6</b>

\* Actual 2017-18 collections compared to previous estimate.

\*\*Parimutuels Tax, Severance Tax, GR Service Charges, Other Taxes and Fees, and Nonoperating Revenue.

## GENERAL REVENUE GROWTH HAS SLOWED

The state is now expecting to collect \$32.244 billion in GR during the current year and \$33.335 billion in FY2019-20. This represents annual growth of 3.3 percent and 3.4 percent, respectively. Longer-term, annual growth of 3.4 percent to 3.7 percent is now expected through FY2023-24. This growth compares to growth of 4.5 percent in FY2016-17 and 5.5 percent in FY2017-18. Before that, since GR collections started to rebound from the recession, annual growth averaged 4.5 percent.

### Change in General Revenue Estimates (\$ millions)

FY	Feb 2018 Estimate*	Aug 2018 Estimate	Change in Estimate	Annual Change Based on Aug 2018 Estimate	
2017-18**	\$31,013.0	\$31,218.2	\$205.2	\$1,623.7	5.5%
2018-19	\$32,256.9	\$32,243.8	\$(13.1)	\$1,025.6	3.3%
2019-20	\$33,354.2	\$33,334.7	\$(19.5)	\$1,090.9	3.4%
2020-21	\$34,568.1	\$34,544.2	\$(23.9)	\$1,209.5	3.6%
2021-22	\$35,806.5	\$35,827.4	\$20.9	\$1,283.2	3.7%
2022-23	\$37,031.6	\$37,086.9	\$55.3	\$1,259.5	3.5%

\* adjusted for changes made by the 2018 Legislature

\*\* August estimate for FY2017-18 is actual collections

## OTHER ESTIMATING CONFERENCES IMPACTING THE NEED FOR GR

In addition to GR, there are estimating conferences for various trust fund revenues. Some of these fund programs also funded by GR, so the amount of these trust fund revenues can impact the need for GR funding. There are also conferences to estimate the number of participants in various state program (caseloads) that are funded with GR. Below is a summary of some of those conference results. The stated revenue estimate increases include the amount that FY2017-18 actual collections exceeded the estimate. For much more information on these and the results from many more conferences, see the previous *Budget Watch*.<sup>1</sup>

### Revenue Conferences

**Tobacco Taxes** – In addition to GR, tobacco taxes provide money for the Health Care Trust Fund (HCTF), which helps fund the state’s Medicaid program. The estimated HCTF tobacco taxes available for the next budget were reduced by \$38.2 million.

**Tobacco Settlement** – Revenue from tobacco companies to settle Florida’s lawsuit is used to help pay Medicaid expenses and \$70 million is used for tobacco education and prevention. The estimate of settlement revenue available for the next budget was reduced by \$93.1 million.

**Lottery/Slots** – The Lottery and slot machine taxes provide approximately \$2.0 billion annually for the Educational Enhancement Trust Fund (EEFT). The estimate of lottery and slot revenue available for the next budget was increased by \$83.1 million.

**Gross Receipts Tax** – These taxes fund Public Education Capital Outlay (PECO). The estimate of revenue available for the next budget was reduced by \$50.4 million.

**Unclaimed Property/State School Trust Fund (SSTF)** – A portion of the funds is transferred to the SSTF to help fund the Florida Education Finance program (FEFP) and class size reduction. The estimate of unclaimed property revenue available for the next budget was increased by \$68.2 million.

**Ad Valorem (Property Taxes)** - The estimate of 2019 total school taxable value of \$214.5 trillion represents growth of 5.6 percent over 2018. This 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). 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.<sup>2</sup>

### Caseload Conferences

**Public School Enrollment** – Due in part to the expansion of school choice, after averaging growth of more than 29,000 student over the previous five years, enrollment is now expected to increase by only 16,943 students (0.6 percent) in FY2019-20. At current per-student funding, these additional public school students will cost \$125.5 million next year.

<sup>1</sup> TaxWatch *Budget Watch*. Actual GR Collections In 2017-18 Exceeded Estimates by \$205 Million - However, Many New Revenue Estimates were Reduced, August 2018. Available at <http://www.floridatxwatch.org/library/periodicals/budgetwatch>.

<sup>2</sup> Although a local tax, each year in the state budget the Legislature sets amount of property taxes that school districts must levy. The Legislature decides on the mix of state and local dollars to fund our public schools.

**Medicaid Caseloads** – Medicaid enrollment is dropping “like we have never really seen.”<sup>3</sup> The estimates of recipients 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.

**Temporary Assistance to Needy Families (TANF)** – TANF is funded through a federal block grant and state “maintenance of effort” payments. There are currently approximately 43,500 people enrolled in the program and this is expected to decrease by 1,600 by FY2019-20. Estimated expenditures are a combined \$14.2 million below what was appropriated in the current and prior budget years and expenditures are estimated to drop from \$138.1 million to \$133.6 million next year.

**Voluntary Pre-Kindergarten (VPK)** – The enrollment estimates were reduced by approximately 240 FTEs in each year from FY2017-18 to FY2020-21. Still, there is expected to be 3,250 more students (2.1 percent) next year. At current per-student funding, these additional students would cost approximately \$8 million.

**Criminal Justice** – It is predicted that FY2019-20 will mark the sixth straight year that the year-end population in Florida prisons 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.

## CONCLUSION

The Legislature is now expected to have \$34.687 billion in GR for the next budget, which is \$1.630 billion (4.9 percent) more than current spending. Moreover, available recurring GR revenues are only \$1.257 billion over current recurring expenditures (see table next page). The new estimates didn’t contain any big surprises for legislators but considering that the Legislature will likely keep unappropriated GR for cash reserves of at least \$1 billion, this will leave very little for increased spending in the next budget.

Estimating Conferences for some trust fund revenues that reduce the need for GR funding generally resulted in downward revisions, although some—such as the Lottery—increased estimates. While it appears revenues available to the 2019 Legislature will increase only moderately from 2018, the new caseload estimates will help mitigate the need for GR. Public School and Voluntary Pre-K enrollment will increase only slightly. The number of Medicaid and TANF recipients is dropping, as is the prison population.

All these new 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. When it is released in the Fall, the 2019 budget outlook will become clearer, but it looks like lawmakers will have little extra money for new initiatives and tax cuts, without some reductions in the base budget.

<sup>3</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.

## General Revenue Budget Outlook

*\$ millions*

GR Available for 2018-19	Recurring	Non-recurring	Total
Reserve (carried forward)		\$1,444.7	\$1,444.7
Estimated Revenues	\$31,785.5	\$458.3	\$32,243.8
Trust Fund Sweeps (net of vetoes)		\$399.9	\$399.9
BP Settlement Payment	\$26.7	\$-	\$-
FEMA Reimbursements		\$69.6	\$69.6
Unused Appropriations/Other Adjustments	\$(1.5)	\$99.7	\$98.2
<b>Total funds Available for 2018-19</b>	<b>\$31,810.7</b>	<b>\$2,472.2</b>	<b>\$34,282.9</b>
GR Appropriations by 2018 Legislature			\$-
2017-18 Appropriations	\$31,774.1	\$1,074.5	\$32,848.6
Transfer to Budget Stabilization Fund		\$66.5	\$66.5
Reappropriations		\$131.9	\$131.9
Budget Amendments - Campaign Finance Match		\$4.8	\$4.8
Budget Amendments - Bridge Loans		\$5.0	\$5.0
<b>Total Effective Appropriations</b>	<b>\$31,774.1</b>	<b>\$1,282.7</b>	<b>\$33,056.8</b>
Ending Balance	\$36.6	\$1,189.5	\$1,226.1
GR Available for Next Budget 2019-20			
Reserve (carried forward)		\$1,226.1	\$1,226.1
Estimated Revenues	\$33,005.0	\$329.7	\$33,334.7
BP Settlement Payment	\$26.7		\$26.7
Unused Appropriations/Reversions		\$99.9	\$99.9
Federal Funds Interest Earnings Rebate	\$(0.6)		\$(0.6)
<b>General Revenue Available for Next Budget</b>	<b>\$33,031.1</b>	<b>\$1,655.7</b>	<b>\$34,686.8</b>
Previous Estimate - May 2018 GR Outlook*	\$33,068.8	\$1,437.1	\$34,505.9
<b>Difference from May 2018 GR Outlook*</b>	<b>\$(37.7)</b>	<b>\$218.6</b>	<b>\$180.9</b>

\* In May 2018, the GR Financial Outlook Statement was revised to reflect 2018 law changes affecting revenues. The base February 2018 revenue estimates were not changed.

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