

FINAL GENERAL REVENUE ESTIMATES, DIFFERENT PRIORITIES SET STAGE FOR TOUGH BUDGET PROCESS

The General Revenue (GR) Estimating Conference met recently to determine how much money will be available to the 2017 Legislature for the new state budget. This was the last meeting before the budget is finalized, so lawmakers finally know exactly how much they can spend (absent any measures they may pass that affect revenue, such as tax cuts). The news was not bad, but anyone hoping for a large infusion of funds into the process was disappointed. There will be \$77.8 million more available than previously estimated last December.

The Conference increased its revenue forecast by \$106.8 million in the current year (FY 2016-17) and by only \$8.4 million for the next budget year (FY 2017-18). This \$115.2 million in additional revenue collections over the two years is partially offset by additional emergency hurricane spending that occurred since the last estimate.

Change in Estimated General Revenue Available for FY2017-18 State Budget (\$ millions)

2016-17 Estimated Revenues	\$106.8
2017-18 Estimated Revenues	8.4
<i>Total Revenue</i>	<i>115.2</i>
Minus Hurricane Response Budget Amendment	37.7
Add Other Adjustments	0.3
Total Change in Available GR	\$77.8

The state is now expected to collect \$29.559 billion this year and \$30.718 billion next year. These amounts represent growth over the prior year of \$1.234 billion (4.4 percent) and \$1.257 billion (3.9 percent), respectively. For the rest of the years in the forecast horizon (through FY 2021-22), growth ranging from 3.3 percent to 4.3 percent is expected.

The underlying state and national economic estimates were largely unchanged. The estimate of revenue coming in from the various GR sources was actually increased by only \$5.0 million over the two year-period; up \$32.8 million in the current year but down \$27.8 million in FY 2017-18. However, lower than expected corporate income tax refunds caused estimated refunds to be scaled back considerably: \$110.2 million over the two years. Refunds were the largest single change in the new forecast. Fewer refunds increase the GR bottom line, so it is now estimated that net GR collections will be \$115.2 million more than the previous estimate.

In terms of specific revenue sources, results were mixed. Nine sources had their estimates increased and seven were decreased. Sales tax estimates were lowered by \$59.2 million over the two years and the insurance premium taxes were reduced by \$39.7 million. In addition to fewer refunds, corporate income tax estimates were increased by \$88.5 million.

Changes in General Revenue Estimates

(\$ millions)

FY	DEC. 2016 EST.	MAR. 2017 EST.	CHANGE	ANNUAL CHANGE IN MARCH EST.	
2015-16	28,325.4	28,325.4**	0.0		
2016-17	29,452.1	29,558.9	106.8	1,233.5	4.4%
2017-18	30,709.5	30,717.9	8.4	1,159.0	3.9%
2018-19	31,978.9	32,047.9	60.9	1,330.0	4.3%
2019-20	33,253.0	33,401.4	148.4	1,353.5	4.2%

**actual

Change in General Revenue Estimates by Source

(\$ millions)

REVENUE SOURCE	FY 2016-17	FY 2017-18	TOTAL
<i>Increased Estimates</i>			
Corporate Income Tax	69.0	19.5	88.5
Documentary Stamp Tax	5.1	7.5	12.6
Beverage Tax and Licenses	3.9	5.7	9.6
Corporate Filing Fees	7.2	0.3	7.5
Earnings on Investments	(9.6)	11.2	1.6
Highway Safety Licenses/Fees	2.1	(1.7)	0.4
Refunds*	74.0	36.2	110.2
<i>Decreased Estimates</i>			
Sales Tax	(22.9)	(36.3)	(59.2)
Insurance Premium Tax	(27.4)	(12.3)	(39.7)
Indian Gaming Revenues	(7.4)	(10.0)	(17.4)
Court Fees	(5.9)	(6.6)	(12.5)
Tobacco Taxes	(2.7)	(1.4)	(4.1)
Other Sources**	21.4	(3.7)	17.7
Total	106.8	8.4	115.2

* Estimate for refunds was reduced by this amount. Fewer refunds increase revenue.

**Intangibles Tax, Parimutuels Tax, Severance Tax, Service Charges, County Medicaid Share, Other Taxes and Fees, and Other Nonoperating Revenue.

OTHER REVENUE ESTIMATING CONFERENCES

In addition to GR, there are estimating conferences for various trust fund revenues. Some of these can impact the need for GR funding. Below is a summary of some of those conference results. (note-new estimates for the Lottery—an important source of education funding—have not yet been made).

Ad Valorem (Property Taxes) - The estimate of total state taxable value used for school property taxes was increased slightly (0.7 percent). This impacts the mix of state and local funds for PreK-12 education funding. The increase in value translates into the value of one mill of school property taxes going up by approximately \$10 million. At current millage rates, this would add about \$55 million to the local contribution to school funding.

Unclaimed Property - The state periodically deposits unclaimed property into the State School Trust Fund (SSTF), where it is used for education. This money comes mostly from dormant accounts in financial institutions, insurance and utility companies, securities, and trust holdings, but there is tangible property as well. There is, however, no statute of limitations, and citizens have the right to claim their property any time at no cost. Due to higher than expected refunds to citizens, the estimate of revenue transferred to the SSTF was reduced by \$53.2 million. There is now expected to be \$161.2 million in the fund available for the budget, well below current appropriations of \$215.3 million.

Documentary Stamp Taxes – Key housing market metrics are still well below peak levels, but slowly improving. This led to a slight increase in documentary stamp tax estimates. Collections in FY 2017-18 are now estimated at \$2.501 billion, an increase from the previous estimate of just less than 1.0 percent. These taxes are distributed to a myriad of different funds. In addition to the \$12.6 million added to the GR estimate (over two years), \$13.1 million was added to the estimated revenues going into the Land Acquisition Trust Fund (LATF). After statutory spending commitments, there will be an additional \$10.3 million in uncommitted LATF revenues, which the Legislature often uses for environmental related spending that has been historically funded with GR.

Transportation Revenues –The State Transportation Trust Fund (STTF) funds Florida’s transportation work program. Due largely to lower than expected gas tax collections, the estimate of revenue deposited into the STTF was reduced by \$67.7 million over the 5-year work program period. GR is rarely used for transportation funding, but there is an effort in the Legislature this session to redirect \$125 million annually in GR to the STTF.

General Revenue Budget Outlook

(\$ millions)

	RECURRING	NON-RECURRING	TOTAL
<i>GR Available for 2016-17</i>			
Reserve (carried forward)	-	1,891.8	1,891.8
Estimated Revenues	29,607.8	(48.9)	29,558.9
BP Settlement Payment	106.7	293.3	400.0
Trust Fund Sweeps	-	260.9	260.9
Other Adjustments	(0.2)	1.5	1.3
Total funds Available for 2016-17	29,714.3	2,398.6	32,112.9
<i>GR Appropriations by 2016 Legislature</i>			
2016-17 Appropriations	29,467.6	922.7	30,390.3
Transfer to Budget Stabilization Fund	-	30.7	30.7
Budget Amendments - Zika Virus Response	-	61.2	61.2
Budget Amendments - Bridge Loans	-	5.0	5.0
Budget Amendments - Hurricane Response	-	71.2	71.2
Total Effective Appropriations	29,467.6	1,090.8	30,558.4
Ending Balance	246.7	1,307.8	1,554.5
<i>GR Available for Next Budget 2017-18</i>			
Reserve (carried forward)	-	1,554.5	1,554.5
Estimated Revenues	30,835.6	(117.7)	30,717.9
BP Settlement Payment	106.7	(106.7)	0
Unused Appropriations	-	96.3	96.3
Other Adjustments	(0.7)	2.0	1.3
General Revenue Available for Next Budget	30,941.6	1,428.4	32,370.0
Previous Estimate	30,830.6	1,461.6	32,292.2
Difference	111.0	(33.2)	77.8

CONCLUSION

The Legislature was told last Fall that after funding a continuation budget, there would only be \$7.5 million left over for new initiatives.¹ In addition, budget shortfalls of more than \$1 billion were looming in the next two years. It was estimated it will take some combination of revenue increases or spending decreases worth \$483 million in each year, starting with the upcoming budget, to erase the shortfall in FY2019-20. This means there is no money for new initiatives without additional budget cuts or revenue hikes.

While the last two GR conferences have added some money, response to the Zika virus and two hurricanes has already required emergency spending of \$137.4 million. In total, there will be \$95.5 million more GR than was estimated last Fall, and only \$22.6 million of that is recurring revenue.

This is not going to be an easy budget process. In addition to limited available revenue, there are major differences between the priorities of the House, the Senate, and the Governor. Tax cuts, funding for universities, the Everglades, Enterprise Florida and VISIT Florida, and the mix of state and local funds for education are just some of the major budget details to be worked out.

¹ Florida Legislature, *Long-Range Financial Outlook, September 2016*. For more information, see *Florida TaxWatch Budget Watch – Projected Shortfall Requires Action, September 2016*.

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 Publications

David Mann Chairman of the Board of Trustees, Florida TaxWatch
Dominic M. Calabro, President and CEO, Publisher & Editor

Florida TaxWatch Research Institute, Inc.
www.floridataxwatch.org

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