

Executive Summary

The table below shows the estimate of the Gross Receipts Tax collections and the estimated amount available for appropriation to the Public Education Capital Outlay (PECO) program. These amounts reflect the March 3, 2005 estimating conference results with legislative action from the 2005 session.

	PECO Appropriations	Gross Receipt Tax Collections
FY 2004-05	761.9	872.7
FY 2005-06	844.4	883.4
FY 2006-07	603.9	901.3
FY 2007-08	334.3	916.3
FY 2008-09	360.7	934.9
FY 2009-10	420.0	957.9
FY 2010-11	525.1	988.0
FY 2011-12	645.2	1016.0
FY 2012-13	541.7	1037.3
FY 2013-14	810.5	1069.8

Gross Receipts Tax estimating conference- A revenue estimating conference was convened on March 3 to forecast collections from the Gross Receipts Tax on utilities, including the Gross Receipts Tax portion of the Communications Services Tax. The conference raised the estimate in the current and next three years, but then decreased the estimate in the subsequent years.

Most of the increase was due to higher estimates of tax collections from the sale of electricity, on the basis of higher fuel cost adjustments in electric rates and increased usage of electricity. The new forecast anticipates that natural gas and residual oil prices (fuels used to generate electricity) will move higher than previously thought and stay high for a longer period. These higher fuel costs are passed through to the consumer in electric rates, and thus generate higher tax collections. In addition to higher fuel costs, surcharges for hurricane damage recovery will further increase electric rates over the next two years.

The Gross Receipts Tax component of the Communications Services Tax was increased by \$2.15 million this fiscal year. However, beginning next year and running throughout the forecast horizon, significant reductions were taken in the forecast of the Gross Receipts Tax part of the Communications Service Tax. While the basic forecast was revised upward slightly in the near term, total collections decline due to the passage of the federal Internet Tax Nondiscrimination Act (ITNA), which prohibits state and local government taxation of "Internet access".

"Internet access" as amended by the ITNA now includes telecommunications services "purchased, used, or sold by a provider of Internet access to provide Internet access". Additionally, the Internet Tax Freedom Act allows communications companies to exclude from taxation charges for Internet access bundled for a single price with taxable services. Under Florida's Communications Services Tax, when charges for Internet access are not separately stated on a customer's bill, the entire charge is taxed, regardless of whether the charge includes Internet access or telecommunications used to provide Internet access. The Conference expects that competitive pressures will result in changes in how telecommunications providers bill for services, in order to reduce their Communications Services Tax liability. The estimates of the impact of the Federal legislation are

based upon the best information currently available to the conference, but it should be noted that as of this date, tax collections have not been affected by this law change, and the ITNA estimates may be subject to substantial revision when the actual effect of the law change becomes evident in the Communications Services Tax collections. Additionally, it should also be noted that although the ITNA itself is scheduled to expire in 2007, the policy of exempting internet access from taxation is presumed to continue throughout the forecast horizon.

PECO estimating conference- The Revenue Estimating Conference reconvened on March 7 and increased the forecast of the maximum amount available for the PECO program in the upcoming fiscal year by \$283.1 million, to \$960.9 million in total. Of this total amount, \$732.8 million is from the sale of bonds, up from \$499 million in the old forecast, and \$228.1 million will be available as cash. Approximately half of the increase in the bond sale is due to the higher Gross Receipts Tax forecast. Furthermore, a very favorable interest rate environment has allowed a series of refinancings to take place since the last estimating conference. The lower debt service achieved through these refinancings is generating an additional \$86.7 million of bonding capacity as well.

2005 session action- In the 2005 legislative session, bills S1244, S1366, and S2070 were passed into Florida law. The three bills will generate fiscal impacts on gross receipt tax. The Impact Conference of Revenue Estimating Conference estimated these fiscal impacts which are now included in our new forecast. Specifically, S1244 will generate a cash flow increase of \$0.6 million and \$1.1 million for FY05-06 and FY06-07, respectively and a recurring annual increase of \$2.8 million for the future years; S2070 will show an annual decrease in cash flow of \$0.1 million for both FY05-06 and FY06-07 and a recurring annual reduction of \$0.1 million for the future years as well. Finally, for the fiscal impact of S1366, it is assumed that some degree of securitization will replace the hurricane related recovery surcharge in both FY05-06 and FY06-07 (the hurricane surcharge was an assumption built into the March 3 estimate). Therefore, the impact reflects a cash flow reduction of \$4.1 million and \$4.2 million for these two fiscal years respectively. Securitization will then generate a recurring annual increase of \$4.2 million for the remainder of the forecast period.

With regard to the PECO program, the Legislature did not appropriate the maximum amount available from the March estimating conference. As a result, the unused appropriation capacity will move forward into the 2006-07 fiscal year. There were no vetoes to the PECO trust fund appropriations, resulting in an effective appropriation of \$844.4 million.

FLORIDA DEPARTMENT OF EDUCATION



STATE BOARD OF EDUCATION

F. PHILIP HANDY, *Chairman*
T. WILLARD FAIR, *Vice Chairman*
Members
DONNA G. CALLAWAY
JULIA L. JOHNSON
ROBERTO MARTINEZ
PHOEBE RAULERSON
LINDA K. TAYLOR

John L. Winn
Commissioner of Education



MEMORANDUM

DATE: March 17, 2005

TO: Public Education Capital Outlay Revenue Estimating Conferees

FROM: Jeanine Blomberg

SUBJECT: Report of the March 7, 2005, Consensus Estimating Conference on Public Education Capital Outlay (PECO) Revenue

A Public Education Capital Outlay Revenue Estimating Conference was held on March 7, 2005, in Room 2103 Capitol. In attendance were: Don Langston and William Fontaine, Executive Office of the Governor; Jim LaCrosse, Yiwen Yu and Amy Baker, Office of Economic and Demographic Research; Alan Johansen, Senate; Jose Diez-Arguelles, and Eliza Hawkins, House of Representatives; Ron Fahs, Wilbur Hood, Charlene Waltz, Link Jarrett, and Jennifer Seifert, Department of Education; and David Lycan, Mixon & Associates.

Using the most recent actual available data and forecast information from the most recent estimating conferences, the conference reached a consensus for the maximum Public Education Capital Outlay appropriations as follows:

MAXIMUM POSSIBLE PECO APPROPRIATION (in millions of dollars)

Fiscal Year	11/02/04	3/07/05	Increase/ (Decrease)	Percentage Change
2004-05	761.9	761.9	0.0	0.0%
2005-06	677.8	960.9	283.1	41.8%
2006-07	458.3	520.0	61.7	13.5%
2007-08	392.7	317.3	(75.4)	-19.2%
2008-09	395.0	290.6	(104.4)	-26.4%
2009-10	466.7	373.0	(93.7)	-20.1%
2010-11	531.4	520.6	(10.8)	-2.0%
2011-12	605.4	643.3	37.9	6.3%
2012-13	510.8	541.2	30.4	6.0%
2013-14	797.9	810.3	12.4	

Jeanine Blomberg
Deputy Commissioner, Finance and Operations

Gross Receipts Tax estimating conference- A revenue estimating conference was convened on March 3, 2005, to forecast collections from the Gross Receipts Tax on utilities, including the Gross Receipts Tax portion of the Communications Services Tax. The conference raised the estimate in the current and next three years, but then decreased the estimate in the subsequent years.

Public Education Capital Outlay (PECO) estimating conference- The PECO Revenue Estimating Conference convened on March 7, 2005, and increased the forecast of the maximum amount available for the PECO program in the upcoming fiscal year by \$283.1 million, to \$960.9 million in total. Of this total amount, \$732.8 million is from the sale of bonds, up from \$499 million in the November 2, 2004, forecast, and \$228.1 million will be available as cash. Approximately half of the increase in the bond sale is due to the higher Gross Receipts Tax forecast. Furthermore, a very favorable interest rate environment has allowed a series of refinancings to take place since the last estimating conference. The lower debt service achieved through these refinancings is generating an additional \$86.7 million of bonding capacity as well.

Additional information from the Gross Receipts and PECO Estimating Conferences is available on the Office of Economic and Demographic Research Internet site at:

<http://www.state.fl.us/edr/conferences/peco/peco.htm>

Gross Receipts Utilities Tax
Forecast Comparison
March 3, 2005 forecast adjusted for law changes

Total Collections

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	217.85	6.6%			
FY88-89	227.62	4.5%			
FY89-90	290.02	27.4%			
FY90-91	333.57	15.0%			
FY91-92	391.38	17.3%			
FY92-93	447.83	14.4%			
FY93-94	459.38	2.6%			
FY94-95	506.84	10.3%			
FY95-96	543.13	7.2%			
FY96-97	572.11	5.3%			
FY97-98	593.39	3.7%			
FY98-99	639.27	7.7%			
FY99-00	669.18	4.7%			
FY00-01	722.91	8.0%			
FY01-02	746.49	3.3%			
<i>CST law change</i>	33.00				
Total 01-02	779.49				
FY02-03	786.03	5.3%			
FY03-04	826.59	5.2%	826.59	5.2%	0.00
FY04-05	856.58	3.6%	872.72	5.6%	16.14
FY05-06	879.40	2.7%	883.36	1.7%	8.06
FY06-07	895.13	1.8%	901.29	2.0%	10.36
FY07-08	914.30	2.1%	916.28	0.7%	-2.22
FY08-09	936.23	2.4%	934.88	2.0%	-5.55
FY09-10	960.45	2.6%	957.89	2.5%	-6.76
FY10-11	985.52	2.6%	988.00	3.2%	-1.72
FY11-12	1010.95	2.6%	1016.00	2.8%	0.85
FY12-13	1035.87	2.5%	1037.28	2.1%	-2.79
FY13-14	1062.43	2.6%	1069.76	3.1%	3.13

Gross Receipts Utilities Tax
Forecast Comparison
March 3, 2005 forecast adjusted for law changes

Collections on Electricity

YEAR	Old Forecast		New Forecast**		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	130.56	5.1%			
FY88-89	136.57	4.6%			
FY89-90	169.14	23.8%			
FY90-91	190.58	12.7%			
FY91-92	230.52	21.0%			
FY92-93	258.67	12.2%			
FY93-94	259.29	0.2%			
FY94-95	274.09	5.7%			
FY95-96	296.01	8.0%			
FY96-97	294.31	-0.6%			
FY97-98	308.67	4.9%			
FY98-99	324.50	5.1%			
FY99-00	309.42	-4.6%			
FY00-01	353.54	14.3%			
FY01-02	374.08	5.8%			
FY02-03	388.60	3.9%			
FY03-04	425.00	9.4%	425.00	9.4%	0.00
FY04-05	448.03	5.4%	462.66	8.9%	14.63
FY05-06	469.98	4.9%	489.46	5.8%	23.58
FY06-07	478.64	1.8%	504.10	3.0%	29.66
FY07-08	489.42	2.3%	518.05	2.8%	24.43
FY08-09	501.32	2.4%	530.24	2.4%	24.72
FY09-10	514.64	2.7%	546.02	3.0%	27.18
FY10-11	528.26	2.6%	568.24	4.1%	35.78
FY11-12	541.80	2.6%	587.98	3.5%	41.98
FY12-13	555.31	2.5%	601.41	2.3%	41.90
FY13-14	569.75	2.6%	625.29	4.0%	51.34

**The new forecast includes the estimated impact of Bill S1366

Gross Receipts Utilities Tax
Forecast Comparison
March 3, 2005 forecast adjusted for law changes

Collections on Telecommunications

YEAR	Old Forecast		New Forecast			Diff.
	\$ Mil	%chg	\$ Mil	%chg		
FY87-88	80.78	8.4%				
FY88-89	85.35	5.7%				
FY89-90	110.50	29.5%				
FY90-91	130.68	18.3%				
FY91-92	148.89	13.9%				
FY92-93	176.41	18.5%				
FY93-94	189.17	7.2%				
FY94-95	221.72	17.2%				
FY95-96	233.44	5.3%				
FY96-97	265.83	13.9%				
FY97-98	272.31	2.4%				
FY98-99	304.60	11.9%				
FY99-00	349.05	14.6%				
FY00-01	352.72	1.1%				
FY01-02	358.67	1.7%				
<i>CST law change</i>	33.00					
Total 01-02	391.67					
FY02-03	383.04	6.8%				
FY03-04	383.07	0.0%	383.07	0.00	383.07	0.0%
FY04-05	387.43	1.1%	389.58	0.00	389.58	1.7%
FY05-06	388.98	0.4%	395.43	-24.00	371.33	-4.7%
FY06-07	396.76	2.0%	403.33	-30.10	373.13	0.5%
FY07-08	406.67	2.5%	411.40	-36.20	375.10	0.5%
FY08-09	416.84	2.5%	419.63	-37.29	382.24	1.9%
FY09-10	427.27	2.5%	428.02	-38.40	389.52	1.9%
FY10-11	437.95	2.5%	436.58	-39.56	396.92	1.9%
FY11-12	448.89	2.5%	445.31	-40.74	404.47	1.9%
FY12-13	460.12	2.5%	454.22	-41.97	412.15	1.9%
FY13-14	471.62	2.5%	463.30	-43.22	419.98	1.9%

**The new forecast includes the estimated impact of Bill S2070

Gross Receipts Utilities Tax
Forecast Comparison
March 3, 2005 forecast adjusted for law changes

Collections on Other

YEAR	Old Forecast		New Forecast**		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	6.51	15.8%			
FY88-89	5.69	-12.6%			
FY89-90	10.38	82.4%			
FY90-91	12.31	18.6%			
FY91-92	11.97	-2.8%			
FY92-93	12.74	6.4%			
FY93-94	10.92	-14.3%			
FY94-95	11.03	1.0%			
FY95-96	13.68	24.0%			
FY96-97	11.97	-12.5%			
FY97-98	12.41	3.7%			
FY98-99	10.17	-18.0%			
FY99-00	10.71	5.3%			
FY00-01	16.65	55.5%			
FY01-02	13.74	-17.5%			
FY02-03	14.39	4.7%			
FY03-04	18.52	28.7%	18.52	28.7%	0.00
FY04-05	21.12	14.0%	20.48	10.6%	-0.64
FY05-06	20.44	-3.2%	22.58	10.2%	2.14
FY06-07	19.73	-3.5%	24.05	6.5%	4.32
FY07-08	18.21	-7.7%	23.12	-3.8%	4.91
FY08-09	18.07	-0.8%	22.39	-3.1%	4.32
FY09-10	18.54	2.6%	22.34	-0.2%	3.80
FY10-11	19.31	4.2%	22.84	2.2%	3.53
FY11-12	20.26	4.9%	23.55	3.1%	3.29
FY12-13	20.44	0.9%	23.72	0.7%	3.28
FY13-14	21.06	3.0%	24.48	3.2%	3.42

** This new forecast includes the estimated impact of Bill S1244