

Executive Summary

The Revenue Estimating Conference met on July 22, 2008 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. In the fiscal year just finished in June, the actual collections for Gross Receipts (electricity, gas and communications) and the State Sales Communications Service Tax were both below the levels estimated at the February conference (down 1.1% and 0.5% respectively). Compared to the February conference forecast, the new Gross Receipts Tax forecast shows an increase for the current and the next four fiscal years, and a slight decrease for the rest of the forecast period. These changes feed directly into the dollars available for PECO appropriations. For the State Sales Tax on Communications Services, the new forecast is virtually the same as February, with a small increase in the current fiscal year and a slight downturn in each of the future years. The highlights are detailed below.

	Gross Receipts Tax All Sources	Gross Receipts Tax on Electricity	Gross Receipts Tax on Gas	Communications Services Tax-Gross Receipts Component	Communications Services Tax-State Tax Component	Additional State Tax on Direct-to-Home Satellite	Local Communications Service Tax
FY 07-08	1125.96	639.21	30.90	455.86	1090.02	56.63	888.47
FY 08-09	1165.97	663.21	32.24	470.52	1151.15	58.81	914.32
FY 09-10	1220.47	702.51	33.05	484.91	1190.44	61.46	932.96
FY 10-11	1265.83	732.02	33.22	500.59	1238.79	64.10	961.87
FY 11-12	1278.59	729.50	32.95	516.14	1290.12	67.11	991.96
FY 12-13	1283.89	719.45	32.33	532.11	1342.33	70.54	1020.51
FY 13-14	1291.90	711.70	32.06	548.14	1391.09	74.42	1048.78
FY 14-15	1316.82	719.78	32.31	564.72	1439.73	77.84	1075.94
FY 15-16	1361.59	747.31	33.18	581.10	1488.74	81.03	1104.61
FY 16-17	1401.09	769.48	33.96	597.65	1535.90	84.27	1134.82
FY 17-18	1439.18	790.63	34.22	614.33	1583.95	88.06	1166.64

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for the past four months (as of the end of June 2008) were \$11.5 million below the estimate. This error was about 1.8% of the level forecast in February, and the shortage was mainly due to weakening demand and the lagged price change in Florida's market for electricity.

In the new forecast, the price of electricity in 2008 and 2009 will increase significantly, responding to the price surge in the energy market. This results in a stronger forecast for the current fiscal year, Fiscal Year 2009-10 and Fiscal Year 2010-11, adding \$42.9 million, \$55.8 million and \$58.4 million, respectively, to the February estimates.

From Fiscal Year 2011-12 through Fiscal Year 2013-14, collections will exhibit negative growth rates as the price of electricity falls. After that, the growth rate becomes positive, but the dollar amount will be lower than the February forecast.

Gross Receipts Tax on Gas Fuels... While natural gas prices are increasing, the response in tax revenues from the Gross Receipts Tax on Gas Fuels will be muted because the state Gross Receipts Tax law exempts a significant part of the market transactions from the tax. For Fiscal Year 2007-08, actual collections were \$30.9 million, \$0.7 million more than the prior estimate (\$30.2 million). Starting Fiscal Year 2008-09 and

continuing for the rest of the forecast period, collections are expected to be only slightly higher than the February estimate.

Communications Services Tax... Compared to the February estimate, Fiscal Year 2007-08 collections from the Communications Services Tax (CST) were lower than expected. For the past four months, the Gross Receipts Tax component of the CST was \$1.5 million lower (0.3%), and the State Sales Tax component was \$6.9 million lower (0.6%). Starting in Fiscal Year 2008-09, anticipated collections for the Gross Receipts component match the February estimates. The State Sales Tax CST forecast will also be close to the February estimate, with only a \$4.5 million increase in Fiscal Year 2008-09, and a small decrease in each of the following years. The weakness is largely attributable to lower demand for cellular phone services and Cable TV and the continuing decrease in the residential landline telephony sector.

Additional State Tax on Direct-to-Home Satellite Service and Local Communications Service Tax...The new forecasts for the additional state tax on Direct-to-Home Satellite Service (DHSS) and the local Communications Service Tax are also included in the conference final package. The additional state tax on DHSS is the portion of the tax that is distributed to local governments through the Local Government Half-Cent Clearing Trust Fund. Fiscal Year 2007-08 collections met the estimate and the new forecast anticipates that future collections will be close to the February estimates, with about half a million to one million reduction for each of the forecast years. Fiscal Year 2007-08 collections for the local CST were \$5.4 million below the February estimate, and the forecast period will see weaker growth as a result.

Gross Receipts Tax
Forecast Comparison
July 22, 2008

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	779.49	7.8%			
FY02-03	786.03	0.8%			
FY03-04	826.59	5.2%			
FY04-05	882.15	6.7%			
FY05-06	975.79	10.6%			
FY06-07	1067.60	9.4%			
FY07-08	1138.18	6.6%	1125.96	5.5%	-12.22
FY08-09	1122.16	-1.4%	1165.97	3.6%	43.81
FY09-10	1163.75	3.7%	1220.47	4.7%	56.72
FY10-11	1206.44	3.7%	1265.83	3.7%	59.39
FY11-12	1236.41	2.5%	1278.59	1.0%	42.18
FY12-13	1270.41	2.7%	1283.89	0.4%	13.48
FY13-14	1306.21	2.8%	1291.90	0.6%	-14.32
FY14-15	1343.23	2.8%	1316.82	1.9%	-26.41
FY15-16	1380.73	2.8%	1361.59	3.4%	-19.14
FY16-17	1418.02	0.03	1401.09	2.9%	-16.93
FY17-18	1447.88	0.02	1439.18	2.7%	-8.70

Gross Receipts Tax
Forecast Comparison
July 22, 2008

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%			
FY04-05	453.25	6.6%			
FY05-06	524.33	15.7%			
FY06-07	597.50	14.0%			
FY07-08	650.69	8.9%	639.21	7.0%	-11.48
FY08-09	620.35	-4.7%	663.21	3.8%	42.87
FY09-10	646.73	4.3%	702.51	5.9%	55.78
FY10-11	673.59	4.2%	732.02	4.2%	58.44
FY11-12	688.31	2.2%	729.50	-0.3%	41.19
FY12-13	706.99	2.7%	719.45	-1.4%	12.46
FY13-14	727.07	2.8%	711.70	-1.1%	-15.37
FY14-15	747.25	2.8%	719.78	1.1%	-27.47
FY15-16	768.01	2.8%	747.31	3.8%	-20.70
FY16-17	788.48	2.7%	769.48	3.0%	-18.99
FY17-18	801.41	1.6%	790.63	2.7%	-10.77

Gross Receipts Tax
Forecast Comparison
July 22, 2008

Collections on Gas Fuels

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%			
FY04-05	23.21	25.3%			
FY05-06	28.55	23.0%			
FY06-07	29.10	1.9%			
FY07-08	30.19	3.7%	30.90	6.2%	0.71
FY08-09	31.29	3.7%	32.24	4.3%	0.95
FY09-10	32.11	2.6%	33.05	2.5%	0.94
FY10-11	32.26	0.5%	33.22	0.5%	0.96
FY11-12	31.97	-0.9%	32.95	-0.8%	0.99
FY12-13	31.31	-2.1%	32.33	-1.9%	1.02
FY13-14	31.01	-1.0%	32.06	-0.9%	1.05
FY14-15	31.25	0.8%	32.31	0.8%	1.06
FY15-16	31.62	1.2%	33.18	2.7%	1.56
FY16-17	31.89	0.01	33.96	2.3%	2.07
FY17-18	32.15	0.01	34.22	0.8%	2.07

Gross Receipts Tax
Forecast Comparison
July 22, 2008

Transfer from Communications Services Tax

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	391.67	11.0%			
FY02-03	383.04	-2.2%			
FY03-04	383.07	0.0%			
FY04-05	405.69	5.9%			
FY05-06	422.91	4.2%			
FY06-07	441.00	4.3%			
FY07-08	457.31	3.7%	455.86	3.4%	-1.45
FY08-09	470.52	2.9%	470.52	3.2%	0.00
FY09-10	484.91	3.1%	484.91	3.1%	0.00
FY10-11	500.59	3.2%	500.59	3.2%	0.00
FY11-12	516.14	3.1%	516.14	3.1%	0.00
FY12-13	532.11	3.1%	532.11	3.1%	0.00
FY13-14	548.14	3.0%	548.14	3.0%	0.00
FY14-15	564.72	3.0%	564.72	3.0%	0.00
FY15-16	581.10	2.9%	581.10	2.9%	0.00
FY16-17	597.65	2.8%	597.65	2.8%	0.00
FY17-18	614.33	2.8%	614.33	2.8%	0.00

State Sales Tax
Forecast Comparison
July 22, 2008

Transfer from Communications Services Tax

YEAR -----	Old Forecast		New Forecast		Diff. -----
	\$ Mil -----	%chg -----	\$ Mil -----	%chg -----	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	526.50	#N/A			
FY02-03	817.10	55.2%			
FY03-04	863.50	5.7%			
FY04-05	944.10	9.3%			
FY05-06	1007.20	6.7%			
FY06-07	1043.70	3.6%			
FY07-08	1096.94	5.1%	1090.02	4.4%	-6.92
FY08-09	1146.61	4.5%	1151.15	5.6%	4.54
FY09-10	1197.46	4.4%	1190.44	3.4%	-7.02
FY10-11	1247.40	4.2%	1238.79	4.1%	-8.61
FY11-12	1296.14	3.9%	1290.12	4.1%	-6.02
FY12-13	1346.27	3.9%	1342.33	4.0%	-3.94
FY13-14	1393.69	3.5%	1391.09	3.6%	-2.60
FY14-15	1442.61	3.5%	1439.73	3.5%	-2.88
FY15-16	1491.46	3.4%	1488.74	3.4%	-2.72
FY16-17	1540.47	3.3%	1535.90	3.2%	-4.57
FY17-18	1587.23	3.0%	1583.95	3.1%	-3.28

State Sales Tax
Forecast Comparison
July 22, 2008

Percent of Gross Receipts CST Base

YEAR -----	Old Forecast		New Forecast		Diff. -----
	% -----	%chg -----	% -----	%chg -----	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	0.47	#N/A			
FY02-03	0.74	58.7%			
FY03-04	0.79	5.7%			
FY04-05	81.1%	3.2%			
FY05-06	83.0%	2.3%			
FY06-07	82.5%	-0.6%			
FY07-08	83.6%	1.4%	83.3%	1.0%	-0.3%
FY08-09	84.9%	1.6%	85.3%	2.3%	0.3%
FY09-10	86.1%	1.3%	85.6%	0.3%	-0.5%
FY10-11	86.8%	0.9%	86.2%	0.8%	-0.6%
FY11-12	87.5%	0.8%	87.1%	1.0%	-0.4%
FY12-13	88.2%	0.7%	87.9%	0.9%	-0.3%
FY13-14	88.6%	0.5%	88.5%	0.6%	-0.2%
FY14-15	89.0%	0.5%	88.9%	0.5%	-0.2%
FY15-16	89.5%	0.5%	89.3%	0.5%	-0.2%
FY16-17	89.8%	0.4%	89.6%	0.3%	-0.3%
FY17-18	90.0%	0.2%	89.9%	0.3%	-0.2%

Additional State Tax on Direct-to-Home Satellite
Forecast Comparison
July 22, 2008

YEAR -----	Old Forecast		New Forecast		Diff. -----
	\$ Mil -----	%chg -----	\$ Mil -----	%chg -----	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	14.06	#N/A			
FY02-03	21.12	50.2%			
FY03-04	35.25	66.9%			
FY04-05	40.18	14.0%			
FY05-06	52.19	29.9%			
FY06-07	53.70	2.9%			
FY07-08	56.38	5.0%	56.63	5.5%	0.25
FY08-09	59.14	4.9%	58.81	3.8%	-0.32
FY09-10	61.86	4.6%	61.46	4.5%	-0.40
FY10-11	64.83	4.8%	64.10	4.3%	-0.73
FY11-12	68.21	5.2%	67.11	4.7%	-1.10
FY12-13	71.72	5.1%	70.54	5.1%	-1.18
FY13-14	75.26	4.9%	74.42	5.5%	-0.84
FY14-15	78.87	4.8%	77.84	4.6%	-1.03
FY15-16	82.27	4.3%	81.03	4.1%	-1.24
FY16-17	85.70	4.2%	84.27	4.0%	-1.43
FY17-18	89.36	4.3%	88.06	4.5%	-1.30

Local Communications Service Tax
Forecast Comparison
July 22, 2008

YEAR -----	Old Forecast		New Forecast		Diff. -----
	\$ Mil -----	%chg -----	\$ Mil -----	%chg -----	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	426.65	#N/A			
FY02-03	739.34	73.3%			
FY03-04	711.73	-3.7%			
FY04-05	802.44	12.7%			
FY05-06	843.31	5.1%			
FY06-07	875.42	3.8%			
FY07-08	893.88	2.1%	888.47	1.5%	-5.42
FY08-09	916.16	2.5%	914.32	2.9%	-1.84
FY09-10	943.02	2.9%	932.96	2.0%	-10.06
FY10-11	972.31	3.1%	961.87	3.1%	-10.44
FY11-12	1000.80	2.9%	991.96	3.1%	-8.84
FY12-13	1027.03	2.6%	1020.51	2.9%	-6.52
FY13-14	1053.18	2.5%	1048.78	2.8%	-4.40
FY14-15	1080.23	2.6%	1075.94	2.6%	-4.29
FY15-16	1105.85	2.4%	1104.61	2.7%	-1.24
FY16-17	1131.59	2.3%	1134.82	2.7%	3.23
FY17-18	1161.61	2.7%	1166.64	2.8%	5.03