

Executive Summary

The Revenue Estimating Conference met on October 30, 2008 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. The revenue collections for Gross Receipts (electricity, gas and communications) and the State Sales Communications Service Tax have both been running below the levels estimated at the July conference (down 3.5% and 1.2% respectively). Compared to the July conference result, the new Gross Receipts Tax forecast shows a decrease for the current and the next three fiscal years, and an increase for the rest of the forecast period. These changes feed directly into the dollars available for PECO appropriations. The new forecast for the State Sales Tax on Communications Services is lower than the previous estimate for each year of the forecast, including the current year. 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 08-09	1133.28	634.55	28.21	470.52	1079.29	58.16	911.29
FY 09-10	1165.02	674.08	28.17	462.77	1140.90	59.79	892.37
FY 10-11	1217.84	707.81	29.70	480.33	1196.39	62.41	925.78
FY 11-12	1259.14	721.90	31.36	505.88	1272.57	67.00	973.46
FY 12-13	1285.99	733.01	31.67	521.31	1323.07	70.36	1001.53
FY 13-14	1336.76	765.22	34.05	537.50	1374.19	74.14	1030.65
FY 14-15	1359.29	771.29	34.30	553.70	1425.04	77.62	1060.17
FY 15-16	1380.35	775.73	34.77	569.85	1475.98	81.25	1089.42
FY 16-17	1407.06	785.07	34.99	587.01	1529.56	84.51	1121.21
FY 17-18	1444.55	806.09	34.71	603.76	1582.30	88.08	1151.76

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. The combined collection for electricity and gas over the past four months was \$20.8 million below the estimate. This error was about 8.1% of the level forecast in July, and the shortage was mainly due to weakening demand and the lagged price changes 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. However, the *demand* for electricity is projected to weaken further. The decline in demand produces an overall lower forecast for the current fiscal year, FY 2009-10, FY 2010-11, and FY 11-12, subtracting \$28.7 million, \$28.4 million, \$24.2 million, and \$7.6 million, respectively, from the July estimates. From Fiscal Year 2012-13 forward, collections are projected to be higher than the July forecast as the economy improves.

Gross Receipts Tax on Gas Fuels... Natural gas prices are now expected to fall moderately. The collections in recent months have been weak. From FY 2008-09 to FY 2012-13, Tax collections for Gas Fuels are projected to be lower than the July estimate, with the greatest dollar reduction (\$4.9 million) occurring in FY 2009-10, and the least (\$0.7 million) in FY 2012-13. For the rest of the forecast period, collections are expected to be higher than the July estimate as the economy improves and gas prices rise.

Communications Services Tax (CST)... For the past four months, the Gross Receipts Tax component of the CST was \$6.4 million (+4.2%) overestimate, but the State Sales Tax component was \$3.4 million

underestimate (-1.2%). Part of this discrepancy is explained by an additional \$23.5 million that was brought in through audits on collections from prior years that was distributed among the Gross Receipts CST, the State Sales CST, and the Local CST. There were also adjustments made to the monthly collections in the current fiscal year. In FY 2008-09, expected collections for the Gross Receipts component match the July estimate, but the State Sales Tax CST forecast will be \$71.9 million lower. This is attributable to the expectation of an additional redistribution in the current fiscal year: \$35 million will be shifted from the State Sales CST to the Gross Receipts CST and the Local CST. In each fiscal year of the period 2009-10 to 2017-18, collections for both Gross Receipts CST and the State Sales CST are projected to be lower than the estimates made in July. The weakness is largely related to lower demand for cellular phone services and Cable TV, as well as 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 2008-09 collections are expected to be close to, but lower than the July estimate for both the DHSS and the Local CST. Future years will also see weaker growth than the July estimate, with the largest losses arising in the Local CST.

Gross Receipts Tax
Forecast Comparison
October 30, 2008

Total Collections

YEAR	Old Forecast		New Forecast		
	<u>\$ Mil</u>	<u>%chg</u>	<u>\$ Mil</u>	<u>%chg</u>	<u>Diff.</u>
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	1125.96	5.5%	1125.96	5.5%	0.00
FY08-09	1165.97	3.6%	1133.28	0.6%	-32.69
FY09-10	1220.47	4.7%	1165.02	2.8%	-55.44
FY10-11	1265.83	3.7%	1217.84	4.5%	-48.00
FY11-12	1278.59	1.0%	1259.14	3.4%	-19.45
FY12-13	1283.89	0.4%	1285.99	2.1%	2.10
FY13-14	1291.90	0.6%	1336.76	3.9%	44.86
FY14-15	1316.82	1.9%	1359.29	1.7%	42.47
FY15-16	1361.59	3.4%	1380.35	1.5%	18.77
FY16-17	1401.09	2.9%	1407.06	1.9%	5.97
FY17-18	1439.18	2.7%	1444.55	2.7%	5.37

Gross Receipts Tax
Forecast Comparison
October 30, 2008

Collections on Electricity

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ Mil	%chg	Diff.
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	639.21	7.0%	639.21	7.0%	0.00
FY08-09	663.21	3.8%	634.55	-0.7%	-28.66
FY09-10	702.51	5.9%	674.08	6.2%	-28.43
FY10-11	732.02	4.2%	707.81	5.0%	-24.21
FY11-12	729.50	-0.3%	721.90	2.0%	-7.60
FY12-13	719.45	-1.4%	733.01	1.5%	13.56
FY13-14	711.70	-1.1%	765.22	4.4%	53.52
FY14-15	719.78	1.1%	771.29	0.8%	51.51
FY15-16	747.31	3.8%	775.73	0.6%	28.42
FY16-17	769.48	3.0%	785.07	1.2%	15.58
FY17-18	790.63	2.7%	806.09	2.7%	15.45

Gross Receipts Tax
Forecast Comparison
October 30, 2008

Collections on Gas Fuels

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ Mil	%chg	Diff.
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	30.90	6.2%	30.90	6.2%	0.00
FY08-09	32.24	4.3%	28.21	-8.7%	-4.03
FY09-10	33.05	2.5%	28.17	-0.1%	-4.88
FY10-11	33.22	0.5%	29.70	5.4%	-3.52
FY11-12	32.95	-0.8%	31.36	5.6%	-1.59
FY12-13	32.33	-1.9%	31.67	1.0%	-0.66
FY13-14	32.06	-0.9%	34.05	7.5%	1.99
FY14-15	32.31	0.8%	34.30	0.7%	1.99
FY15-16	33.18	2.7%	34.77	1.4%	1.59
FY16-17	33.96	2.3%	34.99	0.6%	1.04
FY17-18	34.22	0.8%	34.71	-0.8%	0.49

Gross Receipts Tax
Forecast Comparison
October 30, 2008

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ Mil	%chg	Diff.
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	455.86	3.4%	455.86	3.4%	0.00
FY08-09	470.52	3.2%	470.52	3.2%	0.00
FY09-10	484.91	3.1%	462.77	-1.6%	-22.14
FY10-11	500.59	3.2%	480.33	3.8%	-20.26
FY11-12	516.14	3.1%	505.88	5.3%	-10.26
FY12-13	532.11	3.1%	521.31	3.1%	-10.80
FY13-14	548.14	3.0%	537.50	3.1%	-10.64
FY14-15	564.72	3.0%	553.70	3.0%	-11.03
FY15-16	581.10	2.9%	569.85	2.9%	-11.25
FY16-17	597.65	2.8%	587.01	3.0%	-10.65
FY17-18	614.33	2.8%	603.76	2.9%	-10.57

State Sales Tax
Forecast Comparison
October 30, 2008

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ Mil	%chg	Diff.
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	1090.02	4.4%	1090.02	4.4%	0.00
FY08-09	1151.15	5.6%	1079.29	-1.0%	-71.86
FY09-10	1190.44	3.4%	1140.90	5.7%	-49.54
FY10-11	1238.79	4.1%	1196.39	4.9%	-42.40
FY11-12	1290.12	4.1%	1272.57	6.4%	-17.55
FY12-13	1342.33	4.0%	1323.07	4.0%	-19.26
FY13-14	1391.09	3.6%	1374.19	3.9%	-16.90
FY14-15	1439.73	3.5%	1425.04	3.7%	-14.69
FY15-16	1488.74	3.4%	1475.98	3.6%	-12.76
FY16-17	1535.90	3.2%	1529.56	3.6%	-6.34
FY17-18	1583.95	3.1%	1582.30	3.4%	-1.65

State Sales Tax
Forecast Comparison
October 30, 2008

Percent of Gross Receipts CST Base

YEAR	Old Forecast		New Forecast		
	%	%chg	%	%chg	Diff.
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	0.81	3.2%			
FY05-06	0.83	2.3%			
FY06-07	0.82	-0.6%			
FY07-08	82.0%	-0.6%	82.0%	-0.6%	0.00
FY08-09	84.1%	2.5%	82.5%	0.6%	-0.02
FY09-10	84.4%	0.4%	83.8%	1.6%	-0.01
FY10-11	85.1%	0.9%	84.8%	1.1%	0.00
FY11-12	86.0%	1.1%	85.7%	1.1%	0.00
FY12-13	86.9%	1.0%	86.5%	1.0%	0.00
FY13-14	87.4%	0.6%	87.2%	0.8%	0.00
FY14-15	87.9%	0.5%	87.8%	0.7%	0.00
FY15-16	88.3%	0.5%	88.4%	0.7%	0.00
FY16-17	88.6%	0.3%	89.0%	0.7%	0.00
FY17-18	88.9%	0.3%	89.6%	0.6%	0.01

Additional State Tax on Direct-to-Home Satellite
Forecast Comparison
October 30, 2008

YEAR -----	Old Forecast		New Forecast		
	\$ Mil -----	%chg -----	\$ Mil -----	%chg -----	Diff. -----
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	56.63	5.5%	56.63	5.5%	0.00
FY08-09	58.81	3.8%	58.16	2.7%	-0.65
FY09-10	61.46	4.5%	59.79	2.8%	-1.67
FY10-11	64.10	4.3%	62.41	4.4%	-1.69
FY11-12	67.11	4.7%	67.00	7.4%	-0.11
FY12-13	70.54	5.1%	70.36	5.0%	-0.18
FY13-14	74.42	5.5%	74.14	5.4%	-0.27
FY14-15	77.84	4.6%	77.62	4.7%	-0.22
FY15-16	81.03	4.1%	81.25	4.7%	0.22
FY16-17	84.27	4.0%	84.51	4.0%	0.23
FY17-18	88.06	4.5%	88.08	4.2%	0.02

Local Communications Service Tax
Forecast Comparison
October 30, 2008

YEAR -----	Old Forecast		New Forecast		
	\$ Mil -----	%chg -----	\$ Mil -----	%chg -----	Diff. -----
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	888.47	1.5%	888.47	1.5%	0.00
FY08-09	914.32	2.9%	911.29	2.6%	-3.03
FY09-10	932.96	2.0%	892.37	-2.1%	-40.59
FY10-11	961.87	3.1%	925.78	3.7%	-36.09
FY11-12	991.96	3.1%	973.46	5.1%	-18.50
FY12-13	1020.51	2.9%	1001.53	2.9%	-18.98
FY13-14	1048.78	2.8%	1030.65	2.9%	-18.13
FY14-15	1075.94	2.6%	1060.17	2.9%	-15.77
FY15-16	1104.61	2.7%	1089.42	2.8%	-15.19
FY16-17	1134.82	2.7%	1121.21	2.9%	-13.61
FY17-18	1166.64	2.8%	1151.76	2.7%	-14.88