

FINANCIAL OUTLOOK STATEMENT
 FY 1986-87 AND 1987-88
 GENERAL REVENUE AND WORKING CAPITAL FUNDS
 (MILLIONS OF DOLLARS)

DATE 03/11/87
 TIME 15:39

	GENERAL REVENUE FUND	WORKING CAPITAL FUND	TOTAL ALL FUNDS	RECURRING FUNDS	NON RECURRING FUNDS
	-----	-----	-----	-----	-----
FUNDS AVAILABLE 1986-87					
BALANCE FORWARD FROM 1985-86	185.9	131.1	317.0	.0	317.0
ESTIMATED REVENUES (A)	7525.0	.0	7525.0	7537.3	12.3-
MIDYEAR REVERSIONS (B)	26.6	.0	26.6	.0	26.6
FIXED CAPITAL OUTLAY REVERSIONS	3.0	.0	3.0	.0	3.0
WORKING CAPITAL FUND INTEREST	.0	6.8	6.8	.0	6.8
TRANSFER TO WORKING CAPITAL FUND	185.9-	185.9	.0	.0	.0
TRANSFER FROM WORKING CAPITAL FUND	225.9	225.9-	.0	.0	.0
CANCELLATION OF WARRANTS	1.3	.0	1.3	.0	1.3
TRUST FUND TRANSFERS (HB 13B1)	3.0	.0	3.0	.0	3.0
	-----	-----	-----	-----	-----
TOTAL 86-87 FUNDS AVAILABLE	\$ 7784.8	\$ 97.9	\$ 7882.7	\$ 7537.3	\$ 345.4
EFFECTIVE APPROPRIATIONS 1986-87					
OPERATIONS	3894.0	.0	3894.0	3764.3	129.7
AID TO LOCAL GOVERNMENT	3751.1	.0	3751.1	3727.2	23.9
FIXED CAPITAL OUTLAY	107.6	.0	107.6	.0	107.6
BEACH RESTORATION MATCH GUARANTEE	.0	6.0	6.0	.0	6.0
BASE STUDENT ALLOCATION GUARANTEE	.0	10.0	10.0	.0	10.0
SUPPLEMENTAL APPROPRIATION (HB 1A 1987)	32.1	.0	32.1	25.1	7.0
	-----	-----	-----	-----	-----
TOTAL 86-87 EFF. APPROPRIATIONS	\$ 7784.8	\$ 16.0	\$ 7800.8	\$ 7516.6	\$ 284.2
	=====	=====	=====	=====	=====
RESERVES AVAILABLE (C)	\$.0	\$ 81.9	\$ 81.9	\$ 20.7	\$ 61.2
	-----	-----	-----	-----	-----
OBLIGATIONS AND ENCUMBRANCES					
NONE	.0	.0	.0	.0	.0
	-----	-----	-----	-----	-----
UNENCUMBERED RESERVES	\$.0	\$ 81.9	\$ 81.9	\$ 20.7	\$ 61.2
	=====	=====	=====	=====	=====
FUNDS AVAILABLE 1987-88					
BALANCE FORWARD FROM 86-87	.0	81.9	81.9	.0	81.9
ESTIMATED REVENUES (A)	7984.8	.0	7984.8	8000.2	15.4-
MIDYEAR REVERSIONS	10.0	.0	10.0	.0	10.0
FIXED CAPITAL OUTLAY REVERSIONS	3.0	.0	3.0	.0	3.0
UNUSED APPROPRIATIONS	48.5	10.0	58.5	.0	58.5
BROWARD COUNTY TAX ROLL DECISION (D)	14.1	.0	14.1	.0	14.1
WORKING CAPITAL FUND INTEREST	.0	5.7	5.7	.0	5.7
CANCELLATION OF WARRANTS	1.3	.0	1.3	.0	1.3
	-----	-----	-----	-----	-----
TOTAL 87-88 FUNDS AVAILABLE	\$ 8061.7	\$ 97.6	\$ 8159.3	\$ 8000.2	\$ 159.1
APPROPRIATION BASE 1986-87					
OPERATIONS	3764.3	.0	3764.3	3764.3	.0
AID TO LOCAL GOVERNMENT	3727.2	.0	3727.2	3727.2	.0
OTHER (E)	5.8	.0	5.8	.0	5.8
SUPPLEMENTAL APPROPRIATION (HB 1A 1987)	25.1	.0	25.1	25.1	.0
	-----	-----	-----	-----	-----
APPROPRIATION BASE FROM 86-87	\$ 7522.4	\$.0	\$ 7522.4	\$ 7516.6	\$ 5.8
	=====	=====	=====	=====	=====
RESERVES AVAILABLE	\$ 539.3	\$ 97.6	\$ 636.9	\$ 483.6	\$ 153.3
	-----	-----	-----	-----	-----
SALES TAX EXEMPTION SUNSET (F)					
CHAPTER 86-166 LAWS OF FLORIDA	2057.9	.0	2057.9	2057.9	.0
	-----	-----	-----	-----	-----
POTENTIAL RESERVE FUNDS	\$ 2597.2	\$ 97.6	\$ 2694.8	\$ 2541.5	\$ 153.3
	=====	=====	=====	=====	=====

***** FOOTNOTES *****

- (A) THESE ESTIMATES CONTAIN REVENUES THAT ARE SUBJECT TO LITIGATION. THE AMOUNTS ARE AS FOLLOWS-

FY 86-87 \$7.2 MILLION NONRECURRING FROM 1984-85 CONSTITUTIONAL GAS TAX COLLECTIONS SERVICE CHARGES.
\$7.5 MILLION NONRECURRING FROM 1986-87 CONSTITUTIONAL GAS TAX COLLECTIONS SERVICE CHARGES.
\$7.8 MILLION RECURRING FROM 1986-87 CONSTITUTIONAL GAS TAX COLLECTIONS SERVICE CHARGES.
FY 87-88 \$8.1 MILLION RECURRING FROM 1987-88 CONSTITUTIONAL GAS TAX COLLECTIONS SERVICE CHARGES.

ALSO UNDER LITIGATION SEVERAL ISSUES WHICH PUT AT RISK SUBSTANTIAL AMOUNTS OF GENERAL REVENUE MONIES. THE FIRST OF THESE ISSUES INVOLVES THE BEVERAGE TAX. A U.S. SUPREME COURT DECISION FOUND THAT A HAWAII LAW (VERY SIMILAR TO THE PRE-1985 FLORIDA LAW) UNFAIRLY DISCRIMINATED AGAINST OUT-OF-STATE LIQUOR PRODUCERS. UNDER THE PRE-1985 LAW, AT RISK IN THE FLORIDA SUITS IS \$234.9 MILLION IN REFUNDS. UNDER THE CURRENT LAW, AN ADDITIONAL \$52.3 MILLION IN REFUNDS IS AT RISK IN THE LAWSUITS UNDER LITIGATION. A RULING AGAINST THE STATE'S CURRENT LAW COULD PLACE ALL BEVERAGE TAX COLLECTIONS AT RISK IF ADDITIONAL SUITS WERE FILED. THIS DECISION COULD TAKE PLACE AS EARLY AS FY 1987-88.

THE SECOND ISSUE INVOLVES THE CONSTITUTIONALITY OF FLORIDA'S INSURANCE PREMIUM TAX, WHICH TAXES INSURANCE COMPANIES AT DIFFERENT RATES DEPENDING ON WHETHER THEY ARE IN-STATE OR OUT-OF-STATE. THE CURRENT SUIT SEEKS TO DECLARE THIS DIFFERENCE IN RATES TO BE DISCRIMINATORY. IF THE LAW IS DECLARED UNCONSTITUTIONAL, MINIMALLY \$400 MILLION OF GENERAL REVENUE AND \$130 MILLION OF TRUST FUND MONIES WOULD BE AT RISK. THIS DECISION COULD TAKE PLACE AS EARLY AS FY 1988-89.

THIRD, THE FIRST DISTRICT COURT OF APPEAL HAS FOUND THE STATE FRANCHISE FEE ON BANKS AND SAVINGS INSTITUTIONS EQUAL TO 5.5% OF NET INCOME TO BE SUBSTANTIVELY INDISTINGUISHABLE FROM THE STATE CORPORATE INCOME TAX. AS SUCH, THE TAX IS INVALID TO THE EXTENT IT CONFLICTS WITH A FEDERAL LAW AGAINST STATE TAXATION ON EARNINGS OF U.S. OBLIGATIONS WHICH ARE INCLUDED IN THE TAX BASE OF THE FLORIDA INSTITUTIONS. BY PRELIMINARY ESTIMATE, AT RISK IS \$56.7 MILLION IN TAXES PAID UNDER PROTEST AND ABOUT \$22 MILLION ANNUALLY IN THE FUTURE SHOULD THE APPEALS COURT DECISION BE UPHELD BY THE SUPREME COURT WHERE THE CASE IS NOW ON FURTHER APPEAL. A DECISION IS EXPECTED BY FY 1987-88.

- (B) MIDYEAR REVERSIONS WERE \$31.6 MILLION, ACCORDING TO THE CONTROLLER'S RECORDS. HOWEVER, ABOUT \$5.0 MILLION THAT REVERTED AT THE END OF THE FISCAL YEAR AND AT DECEMBER 31 WAS FROM THE UNIVERSITIES AND SHOULD NOT HAVE REVERTED UNDER THE PROVISIONS OF 240.272 F.S., WHICH REQUIRES UNIVERSITIES TO CARRYFORWARD UNEXPENDED BALANCES OF UP TO 5% OF THEIR OPERATING BUDGETS. BECAUSE THESE PROVISIONS ARE IN CONFLICT WITH 216.351 F.S. IT IS UNCERTAIN WHETHER THE FULL \$31.6 MILLION WILL BE AVAILABLE.

- (C) HOUSE BILL 1381 PROVIDED FOR A \$30 MILLION APPROPRIATION FROM THE WORKING CAPITAL FUND TO OFFSET SIGNIFICANT REDUCTIONS IN FEDERAL FUNDS DIRECTLY RECEIVED BY STATE AGENCIES. THIS MONEY IS TO BE TRANSFERRED TO GENERAL REVENUE ONLY AFTER THE REVENUE ESTIMATING CONFERENCE HAS DETERMINED THAT THERE WILL BE SUFFICIENT REVENUES TO MEET GENERAL REVENUE APPROPRIATIONS AND THEN NOT UNTIL THE ADMINISTRATION COMMISSION DETERMINES THAT SUCH TRANSFER IS NECESSARY AFTER CONSULTATION WITH THE LEGISLATURE.
- (D) THE STATE CONTESTED BROWARD COUNTY'S AD VALOREM TAX ROLL FOR FY 1980-81 AS TOO LOW, RESULTING IN INADEQUATE REQUIRED LOCAL EFFORT. THE FINAL TAX ROLL HAS BEEN DETERMINED AND FUNDS IN THE AMOUNT OF \$20.4 MILLION WERE WITHHELD FROM THE COUNTY'S FEFP ALLOCATION FOR NOVEMBER AND DECEMBER. SUPPLEMENTAL TAX BILLS IN THE AMOUNT OF \$18.8 MILLION WERE SENT OUT, BUT ONLY \$14.1 MILLION WAS RECEIVED. THE DEPARTMENT OF EDUCATION HAS SINCE INDICATED THAT IT WILL AMEND THE AMOUNT WITHHELD TO \$14.1 MILLION.
- (E) 1987-88 SUPPLEMENTAL APPROPRIATIONS OF \$4,950,000 TO THE DEPARTMENT OF COMMUNITY AFFAIRS AND \$850,000 TO THE DEPARTMENT OF GENERAL SERVICES WERE MADE IN HB 1405.
- (F) CHAPTER 216, F.S. REQUIRES THAT REVENUE ESTIMATES BE BASED ON THE ASSUMPTION OF 'CURRENT LAW AND CURRENT ADMINISTRATION'. AT THIS POINT, HOWEVER, NO ADMINISTRATIVE DETERMINATION HAS BEEN MADE ON THE EXACT MEANING OF THE TERM "ANY SERVICE" AS IT IS USED IN CH. 86-166, LAWS OF FLORIDA. THE SERVICE CATEGORIES ON WHICH THESE ESTIMATES ARE BASED REPRESENT A BROAD INTERPRETATION OF THE MEANING OF THAT TERM. TO THE EXTENT THAT SOME CATEGORIES INCLUDED HEREIN ARE EVENTUALLY DETERMINED NOT TO BE SUBJECT TO TAXATION, THE FISCAL IMPACT OF THE ACT WOULD BE LOWER. UPDATED ESTIMATES OF THE VALUE OF THE EXEMPTIONS HAVE INCREASED BY \$329.2 MILLION OVER THE FIGURE ON THE LAST OUTLOOK STATEMENT DATED 2/2/87. INCLUDED IN THE EXEMPTION ESTIMATES IS \$563.8 MILLION THAT WOULD BE COLLECTED ASSUMING INSURANCE PREMIUMS (\$311.9 M.) AND INTEREST ON LOANS (\$251.9 M.) ARE TAXABLE UNDER THE DEFINITION OF "SERVICES". IF INSURANCE PREMIUMS AND INTEREST ON LOANS ARE DETERMINED NOT TO BE SUBJECT TO TAXATION, THE FISCAL IMPACT OF THE ACT WOULD BE LOWERED BY \$563.8 MILLION.