

EXECUTIVE SUMMARY
Revenue Estimating Conference for the General Revenue Fund
November 21, 2008

Since the August General Revenue Estimating Conference, weakness in the state, national and world economies has deepened. In response, the Revenue Estimating Conference has reduced its estimate of General Revenue collections for Fiscal Year 2008-09 by \$1.4 billion or 6.0% below the estimate from August. For Fiscal Year 2009-10, expected revenues were reduced by \$2.3 billion or about 9.5% from the earlier forecast.

Estimated revenue collections in Fiscal Year 2008-09 are less than Fiscal Year 2007-08 receipts by \$2.1 billion or 8.8%, the third year of declining receipts. The Fiscal Year 2009-10 forecast has weak growth of 1.6% over the revised Fiscal Year 2008-09 estimate.

The revisions to the forecast are primarily attributable to three persistent economic shocks. First, the virtual shut-down of the credit market will constrain the housing market, consumer expenditures and business investment until the credit market thaws. Second, the spread of the national recession to a global recession will have spillover effects on business expenditures in Florida, in addition to dampening tourism and export growth. Third, the deterioration of wealth from heightened job losses, the continued depreciation of home values, and the decline in asset values will all exert pressure on discretionary spending. These factors will influence revenue collections in the following ways:

- **Sales Tax...**In addition to the decline in home prices, worsening job losses and the drop in asset values are undermining consumer and business confidence and reducing discretionary spending. Purchases in the tourism and auto sectors fell sharply in October and are expected to remain below previous estimates. Other sectors are expected to follow this path in the near future. These adjustments persist throughout the forecast period.
- **Documentary Stamp and Intangibles Taxes...**Tax collections are expected to be significantly below previous estimates. While some improvement had occurred in existing home sales volume, current credit market conditions are expected to erode those gains. Moreover, home prices will continue to fall, exerting downward pressure on collections until the housing market begins to stabilize. In addition, the outlook for loans related to automobile sales has further weakened.
- **Corporate Income Tax...**Tax collections will decline in Fiscal Years 2008-09 and 2009-10 by 15.2% and 3.2%, respectively. The overall weakness is largely due to: (1) lower profits of companies previously benefiting from the overheated real estate market, (2) losses related to credit instruments, and (3) compressed profit margins caused by the economic downturn.

While the economic and demographic outlooks have worsened in the short run, growth rates are expected to improve by late Fiscal Year 2009-10. Underlying the forecast is the assumption that the extreme financial stress since mid-September is relatively short-lived, but will be followed by months of little to no growth before gradual recovery begins in the spring of 2010. Revenue collections are not anticipated to exceed the Fiscal Year 2005-06 level within the forecast horizon.