EXECUTIVE SUMMARY
Revenue Estimating Conference for the General Revenue Fund
March 13, 2009

Since the November 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 $1.1 billion or 4.9% below the estimate from November. For Fiscal Year 2009-10, expected revenues were reduced by $2.3 billion or 10.6% from the earlier forecast.

Estimated revenue collections for Fiscal Year 2008-09 are less than Fiscal Year 2007-08 receipts by $3.2 billion or 13.1%. The Fiscal Year 2009-10 forecast has decreased by 4.5% over the revised Fiscal Year 2008-09 estimate, resulting in the fourth consecutive year of declining revenues.

The revisions to the forecast are primarily attributable to the interplay of several economic events. First, the still dysfunctional credit market continues to constrain the housing market, consumer expenditures and business investment. Second, the spread of the worst national recession in the postwar era to a global recession has affected business expenditures in Florida and has dampened tourism and exports. Third, the deterioration of wealth from accelerating job losses, the continued depreciation of home values, and the decline in asset values have exerted pressure on discretionary spending. Fourth, Florida's population has ceased to grow in the current period and is not expected to return to historic growth rates. These factors influence revenue collections in the following ways:

- **Sales Tax…**In addition to the continued decline in home prices, worsening job losses and the drop in asset values are undermining consumer and business confidence and reducing discretionary spending. Consumer response to these conditions has been stronger than originally anticipated. In this regard, purchases in all sectors fell sharply since the last forecast and are expected to remain below previous estimates. These adjustments persist throughout the forecast period.

- **Documentary Stamp and Intangibles Taxes…**Tax collections are expected to be significantly below previous estimates. While existing home sales volume has improved, a significant portion of this increase is attributable to mounting foreclosures. Moreover, home prices will continue to fall, exerting downward pressure on collections until the credit market improves and the housing market stabilizes. 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 21.1% and 13.8%, 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.

Revenue collections are not anticipated to exceed the Fiscal Year 2005-06 level within the three-year forecast horizon.