

Executive Summary

The table below shows the estimate of the Gross Receipts Tax collections and the estimated amount available for appropriation to the Public Education Capital Outlay (PECO) program.

	PECO Appropriations	Gross Receipt Tax Collections
FY 2004-05	761.9	856.6
FY 2005-06	677.8	879.4
FY 2006-07	458.3	895.1
FY 2007-08	392.7	914.3
FY 2008-09	395.0	936.2
FY 2009-10	466.7	960.5
FY 2010-11	531.4	985.5
FY 2011-12	605.4	1011.0
FY 2012-13	510.8	1035.9
FY 2013-14	797.9	1062.4

Gross Receipts Tax estimating conference- A revenue estimating conference was convened on October 18 to forecast collections from the Gross Receipts Tax on utilities, including the Gross Receipts Tax portion of the Communications Services Tax. The conference raised the estimate in general, with the largest increases over the next several years.

Most of the increase was due to higher estimates of tax collections from the sale of electricity, on the basis of higher fuel cost adjustments in electric rates and increased usage of electricity. The new forecast anticipates that natural gas and residual oil prices (fuels used to generate electricity) will move higher than previously thought and stay high for a longer period. The old forecast had prices returning to more normal levels sooner. These higher fuel costs are passed through to the consumer in electric rates, and thus generate higher tax collections.

In the current and upcoming fiscal years, the increase in receipts from electricity more than offsets a decrease in the telecommunications part of the tax. The Gross Receipts Tax component of the Communications Services Tax was increased by \$1.3 million this fiscal year, but lowered in FY 05-06 by \$8.7 million. Lower growth rates prevail throughout the forecast, as cell phone usage reaches saturation, the number of land lines declines, and technological advances reduce the cost of telecommunications and promote new competitive business models in the marketplace.

PECO estimating conference- The estimating conference reconvened on November 2 and increased the forecast of the maximum amount available for the PECO program in the upcoming fiscal year by \$169.1 million, to \$677.8 million in total. Of this total amount, \$499.0 million is from the sale of bonds, and \$178.8 million is available as cash. More than half of the increase in the bond sale is due to expectations that bonds will be sold at lower interest rates than previously thought. For FY 06-07, the estimate is increased by \$209.9 million, mostly attributable to the stronger Gross Receipts Tax forecast.

PUBLIC EDUCATION CAPITAL OUTLAY (PECO) ESTIMATING CONFERENCE

MAXIMUM POSSIBLE PECO APPROPRIATION
(in millions of dollars)

		<u>03/08/04</u>	<u>11/02/04</u>		<u>Difference</u>
2004-05	Maximum Appropriation	812.1	761.9	*	(50.2)
	From Bond Sale	523.6	473.4	*	(50.2)
	From Cash	288.5	288.5	*	0.0
2005-06	Maximum Appropriation	508.7	677.8		169.1
	From Bond Sale	357.2	499.0		141.8
	From Cash	151.5	178.8		27.3
2006-07	Maximum Appropriation	248.4	458.3		209.9
	From Bond Sale	107.4	294.0		186.6
	From Cash	141.0	164.3		23.3
2007-08	Maximum Appropriation	315.3	392.7		77.4
	From Bond Sale	163.9	232.8		68.9
	From Cash	151.4	159.9		8.5
2008-09	Maximum Appropriation	443.0	395.0		(48.0)
	From Bond Sale	279.6	232.4		(47.2)
	From Cash	163.4	162.6		(0.8)
2009-10	Maximum Appropriation	546.0	466.7		(79.3)
	From Bond Sale	371.7	297.4		(74.3)
	From Cash	174.3	169.3		(5.0)
2010-11	Maximum Appropriation	595.1	531.4		(63.7)
	From Bond Sale	408.4	354.1		(54.3)
	From Cash	186.7	177.3		(9.4)
2011-12	Maximum Appropriation	676.1	605.4		(70.7)
	From Bond Sale	474.7	417.6		(57.1)
	From Cash	201.4	187.8		(13.6)
2012-13	Maximum Appropriation	645.6	510.8		(134.8)
	From Bond Sale	399.6	321.2		(78.4)
	From Cash	246.0	189.6		(56.4)
2013-14	Maximum Appropriation	N/A	797.9		797.9
	From Bond Sale	N/A	603.9		603.9
	From Cash	N/A	194.0		194.0

* These figures reflect the amounts needed to meet the effective appropriation (net of vetoes).

Public Education Capital Outlay (PECO) Program, Sources Of Revenue (\$ Millions)

	<u>TOTAL</u>	<u>BONDS</u>	<u>CASH</u>	<u>OTHER</u>	<u>TAX RATE</u>	<u>COMMENT</u>
FY 1988-89	385.3	34.6	101.1	249.6	1.50%	See NOTE 1
FY 1989-90	490.2	133.5	156.8	199.9	1.50%	See NOTE 2
FY 1990-91	621.1	322.7	298.4		2.00%	See NOTE 3
FY 1991-92	857.5	643.7	213.8		2.25%	See NOTE 4
FY 1992-93	1070.6	886.6	184.0		2.50%	See NOTE 4
FY 1993-94	869.1	642.3	226.8		2.50%	See NOTE 4
FY 1994-95	981.5	805.4	176.1		2.50%	See NOTE 5
FY 1995-96	635.4	417.0	218.4		2.50%	
FY 1996-97	601.5	441.6	159.9		2.50%	
FY 1997-98	634.9	490.2	144.7		2.50%	
FY 1998-99	627.3	447.9	179.4		2.50%	
FY 1999-00	511.3	367.2	144.1		2.50%	
FY 2000-01	631.7	428.3	203.4		2.50%	
FY 2001-02	1188.8	887.6	287.6	13.6	2.50%	See NOTE 6
FY 2002-03	807.0	613.4	193.6		2.50%	
FY 2003-04	752.4	516.3	236.1		2.50%	
FY 2004-05	761.9	473.4	288.5		2.50%	
FY 2005-06	677.8	499.0	178.8		2.50%	
FY 2006-07	458.3	294.0	164.3		2.50%	
FY 2007-08	392.7	232.8	159.9		2.50%	
FY 2008-09	395.0	232.4	162.6		2.50%	
FY 2009-10	466.7	297.4	169.3		2.50%	
FY 2010-11	531.4	354.1	177.3		2.50%	
FY 2011-12	605.4	417.6	187.8		2.50%	
FY 2012-13	510.8	321.2	189.6		2.50%	
FY 2013-14	797.9	603.9	194.0		2.50%	

NOTE 1 : According to statute, the share of General Revenue tax collections going to the State Infrastructure Fund was to increase from \$200 million to \$500 million in FY 1988-89. The PECO Trust Fund was supplemented by a \$255.2 million transfer from the State Infrastructure Fund.

NOTE 2 : Again, the State Infrastructure Fund provided \$150 million for the PECO trust fund. Additionally, a large balance forward in the Educational Enhancement (Lottery) trust fund allowed the transfer of \$49.9 million. A speedup in tax collections added about \$35 million in cash.

NOTE 3 : Taxes were increased effective July 1, 1990, 1991, and 1992. While bonding the new tax collections could not be done until the following fiscal year, the tax increase did provide about \$78 million in cash. Also, lower interest rates allowed a large PECO debt restructuring to occur, saving \$110 million in cash payments for the year in interest and sinking fund obligations (most of which was nonrecurring). The original estimate of funds available was \$221.0 million before the refinancing and tax law change.

NOTE 4 : High bonding levels are attributable to the increases in the Gross Receipts tax rate.

NOTE 5 : High bonding levels are attributable in part to the tax increase. In addition, further debt restructuring due to declining interest rates gave a boost to bonding capacity by lowering outstanding debt service.

NOTE 6 : General Revenue was used to supplement the regular PECO trust fund appropriation. In addition, in Special Session "C" an additional \$260.7 million was appropriated, of which \$192.6 million was funded from the sale of bonds and \$68.1 million from available cash.

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MEMORANDUM

DATE: November 8, 2004

TO: Public Education Capital Outlay Revenue Estimating Conferees

FROM: Jeanine Blomberg

SUBJECT: Report of the November 2, 2004, Consensus Estimating Conference on Public Education Capital Outlay (PECO) Revenue

A Public Education Capital Outlay Revenue Estimating Conference was held on November 2, 2004, in Room 2103 Capitol. In attendance were: Don Langston, Scott Kittel, and Kurt Hamon, Executive Office of the Governor; Jim LaCrosse and Amy Baker, Office of Economic and Demographic Research; Alan Johansen, Senate; Jose Diez-Arguelles, Ouida Ashworth, and Ann Gordon, House of Representatives; Ron Fahs, James Kimbrel, Charlene Waltz, Link Jarrett, and Jennifer Seifert, Department of Education.

Using the most recent actual available data and forecast information from the most recent estimating conferences, the conference reached a consensus for the maximum Public Education Capital Outlay appropriations as follows:

MAXIMUM POSSIBLE PECO APPROPRIATION (in millions of dollars)

Fiscal Year	03/08/04	11/02/04	Increase/ (Decrease)	Percentage Change
2004-05	812.1	761.9*	(50.2)	-6.2%
2005-06	508.7	677.8	169.1	33.2%
2006-07	248.4	458.3	209.9	84.5%
2007-08	315.3	392.7	77.4	24.5%
2008-09	443.0	395.0	(48.0)	-10.8%
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2010-11	595.1	531.4	(63.7)	-10.7%
2011-12	676.1	605.4	(70.7)	-10.5%
2012-13	645.6	510.8	(134.8)	-20.9%
2013-14	N/A	797.9	797.9	

* These figures reflect the amounts needed to meet the effective appropriation (net of vetoes).

JEANINE BLOMBERG
DEPUTY COMMISSIONER, FINANCE AND OPERATIONS

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Most of the increase was due to higher estimates of tax collections from the sale of electricity, on the basis of higher fuel cost adjustments in electric rates and increased usage of electricity. The new forecast anticipates that natural gas and residual oil prices (fuels used to generate electricity) will move higher than previously thought and stay high for a longer period. The old forecast had prices returning to more normal levels sooner. These higher fuel costs are passed through to the consumer in electric rates, and thus generate higher tax collections.

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Information from the Gross Receipts and PECO Conferences is available on the Office of Economic and Demographic Research Internet site at:

<http://www.state.fl.us/edr/conferences/peco/peco.htm>

Gross Receipts Utilities Tax
Forecast Comparison
October 18, 2004

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	746.49	3.3%			
<i>CST law change</i>	<i>33.00</i>				
Total 01-02	779.49				
FY02-03	786.03	5.3%	786.03	5.3%	0.00
FY03-04	833.29	6.0%	826.59	5.2%	-6.70
FY04-05	849.21	1.9%	856.58	3.6%	7.37
FY05-06	855.49	0.7%	879.40	2.7%	23.91
FY06-07	869.00	1.6%	895.13	1.8%	26.13
FY07-08	895.40	3.0%	914.30	2.1%	18.90
FY08-09	923.08	3.1%	936.23	2.4%	13.15
FY09-10	950.66	3.0%	960.45	2.6%	9.79
FY10-11	980.62	3.2%	985.52	2.6%	4.90
FY11-12	1012.73	3.3%	1010.95	2.6%	-1.78
FY12-13	1045.87	3.3%	1035.87	2.5%	-10.00
FY13-14	#N/A	#N/A	1062.43	2.6%	#N/A

Gross Receipts Utilities Tax
Forecast Comparison
October 18, 2004

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%	388.60	3.9%	0.00
FY03-04	437.81	12.7%	425.00	9.4%	-12.81
FY04-05	446.38	2.0%	448.03	5.4%	1.65
FY05-06	441.92	-1.0%	469.98	4.9%	28.06
FY06-07	446.78	1.1%	478.64	1.8%	31.86
FY07-08	460.63	3.1%	489.42	2.3%	28.79
FY08-09	475.37	3.2%	501.32	2.4%	25.95
FY09-10	489.63	3.0%	514.64	2.7%	25.01
FY10-11	505.79	3.3%	528.26	2.6%	22.47
FY11-12	523.49	3.5%	541.80	2.6%	18.31
FY12-13	542.34	3.6%	555.31	2.5%	12.97
FY13-14	#N/A	#N/A	569.75	2.6%	#N/A

Gross Receipts Utilities Tax
Forecast Comparison
October 18, 2004

Collections on Telecommunications

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	358.67	1.7%			
<i>CST law change</i>	<i>33.00</i>				
Total 01-02	391.67				
FY02-03	383.04	6.8%	383.04	6.8%	0.00
FY03-04	378.80	-1.1%	383.07	0.0%	4.27
FY04-05	386.10	1.9%	387.43	1.1%	1.33
FY05-06	397.68	3.0%	388.98	0.4%	-8.70
FY06-07	409.61	3.0%	396.76	2.0%	-12.85
FY07-08	421.90	3.0%	406.67	2.5%	-15.23
FY08-09	434.56	3.0%	416.84	2.5%	-17.72
FY09-10	447.60	3.0%	427.27	2.5%	-20.33
FY10-11	461.02	3.0%	437.95	2.5%	-23.07
FY11-12	474.85	3.0%	448.89	2.5%	-25.96
FY12-13	489.01	3.0%	460.12	2.5%	-28.89
FY13-14	#N/A	#N/A	471.62	2.5%	#N/A

Gross Receipts Utilities Tax
Forecast Comparison
October 18, 2004

Collections on Other

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%	14.39	4.7%	0.00
FY03-04	16.68	15.9%	18.52	28.7%	1.84
FY04-05	16.73	0.3%	21.12	14.0%	4.39
FY05-06	15.89	-5.0%	20.44	-3.2%	4.55
FY06-07	12.61	-20.6%	19.73	-3.5%	7.12
FY07-08	12.87	2.1%	18.21	-7.7%	5.34
FY08-09	13.15	2.2%	18.07	-0.8%	4.92
FY09-10	13.43	2.1%	18.54	2.6%	5.11
FY10-11	13.81	2.8%	19.31	4.2%	5.50
FY11-12	14.39	4.2%	20.26	4.9%	5.87
FY12-13	14.52	0.9%	20.44	0.9%	5.92
FY13-14	#N/A	#N/A	21.06	3.0%	#N/A

Student Station Cost Factors Feb 2004

STUDENT STATION COST FACTORS

17-Feb-04

	Consumer Price Index REC National Forecast of February 2004	Student Station Cost Factors	Cost of Elementary School Student Station (\$)	Cost of Middle School Student Station (\$)	Cost of High School Student Station (\$)
Jul-1997	160.4	0.9032	11,520	13,208	17,478
Aug-1997	160.8	0.9054	11,548	13,241	17,521
Sep-1997	161.2	0.9077	11,577	13,274	17,565
Oct-1997	161.5	0.9093	11,599	13,298	17,598
Nov-1997	161.7	0.9105	11,613	13,315	17,619
Dec-1997	161.8	0.9110	11,620	13,323	17,630
Jan-1998	162.0	0.9122	11,635	13,339	17,652
Feb-1998	162.0	0.9122	11,635	13,339	17,652
Mar-1998	162.0	0.9122	11,635	13,339	17,652
Apr-1998	162.2	0.9133	11,649	13,356	17,674
May-1998	162.6	0.9155	11,678	13,389	17,718
Jun-1998	162.8	0.9167	11,692	13,405	17,739
Jul-1998	163.1	0.9184	11,714	13,430	17,772
Aug-1998	163.4	0.9200	11,735	13,455	17,805
Sep-1998	163.5	0.9206	11,742	13,463	17,816
Oct-1998	163.9	0.9229	11,771	13,496	17,859
Nov-1998	164.1	0.9240	11,785	13,512	17,881
Dec-1998	164.5	0.9262	11,814	13,545	17,925
Jan-1999	164.8	0.9279	11,836	13,570	17,957
Feb-1999	164.7	0.9274	11,829	13,562	17,946
Mar-1999	164.9	0.9285	11,843	13,578	17,968
Apr-1999	165.9	0.9341	11,915	13,661	18,077
May-1999	166.0	0.9347	11,922	13,669	18,088
Jun-1999	166.0	0.9347	11,922	13,669	18,088
Jul-1999	166.6	0.9381	11,965	13,718	18,153
Aug-1999	167.1	0.9409	12,001	13,759	18,208
Sep-1999	167.7	0.9443	12,044	13,809	18,273
Oct-1999	168.1	0.9465	12,073	13,842	18,317
Nov-1999	168.4	0.9482	12,094	13,866	18,350
Dec-1999	168.9	0.9510	12,130	13,908	18,404
Jan-2000	169.3	0.9533	12,159	13,941	18,448

Feb-2000	170.0	0.9572	12,209	13,998	18,524
Mar-2000	171.0	0.9628	12,281	14,081	18,633
Apr-2000	171.0	0.9628	12,281	14,081	18,633
May-2000	171.2	0.9640	12,295	14,097	18,655
Jun-2000	172.2	0.9696	12,367	14,179	18,764
Jul-2000	172.6	0.9718	12,396	14,212	18,807
Aug-2000	172.7	0.9724	12,403	14,221	18,818
Sep-2000	173.6	0.9775	12,468	14,295	18,916
Oct-2000	173.9	0.9792	12,489	14,319	18,949
Nov-2000	174.2	0.9809	12,511	14,344	18,982
Dec-2000	174.6	0.9831	12,540	14,377	19,025
Jan-2001	175.6	0.9887	12,611	14,459	19,134
Feb-2001	176.0	0.9910	12,640	14,492	19,178
Mar-2001	176.1	0.9916	12,647	14,500	19,189
Apr-2001	176.6	0.9944	12,683	14,542	19,243
May-2001	177.4	0.9989	12,741	14,608	19,330
Jun-2001	177.8	1.0011	12,769	14,640	19,374
Jul-2001	177.3	0.9983	12,733	14,599	19,319
Aug-2001	177.4	0.9989	12,741	14,608	19,330
Sep-2001	178.1	1.0028	12,791	14,665	19,406
Oct-2001	177.6	1.0000	12,755	14,624	19,352
Nov-2001	177.5	0.9994	12,748	14,616	19,341
Dec-2001	177.3	0.9983	12,733	14,599	19,319
Jan-2002	177.6	1.0000	12,755	14,624	19,352
Feb-2002	178.0	1.0023	12,784	14,657	19,396
Mar-2002	178.6	1.0056	12,827	14,706	19,461
Apr-2002	179.5	1.0107	12,891	14,780	19,559
May-2002	179.5	1.0107	12,891	14,780	19,559
Jun-2002	179.7	1.0118	12,906	14,797	19,581
Jul-2002	179.9	1.0130	12,920	14,813	19,603
Aug-2002	180.5	1.0163	12,963	14,863	19,668
Sep-2002	180.8	1.0180	12,985	14,887	19,701
Oct-2002	181.3	1.0208	13,021	14,929	19,755
Nov-2002	181.5	1.0220	13,035	14,945	19,777
Dec-2002	181.6	1.0225	13,042	14,953	19,788
Jan-2003	181.7	1.0231	13,049	14,962	19,799
Feb-2003	183.1	1.0310	13,150	15,077	19,951
Mar-2003	184.2	1.0372	13,229	15,167	20,071
Apr-2003	183.8	1.0349	13,200	15,135	20,028
May-2003	183.5	1.0332	13,179	15,110	19,995
Jun-2003	183.7	1.0343	13,193	15,126	20,017
Jul-2003	183.9	1.0355	13,207	15,143	20,038
Aug-2003	184.6	1.0394	13,258	15,200	20,115
Sep-2003	185.2	1.0428	13,301	15,250	20,180

Oct-2003	185.0	1.0417	13,286	15,233	20,158
Nov-2003	184.5	1.0389	13,251	15,192	20,104
Dec-2003	184.3	1.0377	13,236	15,176	20,082
Jan-2004	185.9	1.0467	13,351	15,307	20,256
Feb-2004	186.2	1.0484	13,373	15,332	20,289
Mar-2004	186.4	1.0495	13,387	15,349	20,311
Apr-2004	186.1	1.0479	13,365	15,324	20,278
May-2004	186.2	1.0484	13,373	15,332	20,289
Jun-2004	186.3	1.0490	13,380	15,340	20,300
Jul-2004	186.5	1.0501	13,394	15,357	20,322
Aug-2004	186.7	1.0512	13,409	15,373	20,344
Sep-2004	186.9	1.0524	13,423	15,390	20,365
Oct-2004	187.1	1.0535	13,437	15,406	20,387
Nov-2004	187.3	1.0546	13,452	15,423	20,409
Dec-2004	187.5	1.0557	13,466	15,439	20,431
Jan-2005	187.7	1.0569	13,480	15,456	20,453
Feb-2005	188.0	1.0586	13,502	15,480	20,485
Mar-2005	188.2	1.0597	13,516	15,497	20,507
Apr-2005	188.4	1.0608	13,531	15,513	20,529
May-2005	188.6	1.0619	13,545	15,530	20,551
Jun-2005	188.8	1.0631	13,559	15,546	20,572
Jul-2005	189.0	1.0642	13,574	15,563	20,594
Aug-2005	189.2	1.0653	13,588	15,579	20,616
Sep-2005	189.5	1.0670	13,610	15,604	20,649
Oct-2005	189.7	1.0681	13,624	15,620	20,670
Nov-2005	189.9	1.0693	13,638	15,637	20,692
Dec-2005	190.2	1.0709	13,660	15,662	20,725
Jan-2006	190.3	1.0715	13,667	15,670	20,736
Feb-2006	190.6	1.0732	13,689	15,694	20,769
Mar-2006	190.8	1.0743	13,703	15,711	20,790
Apr-2006	191.0	1.0755	13,717	15,727	20,812
May-2006	191.3	1.0771	13,739	15,752	20,845
Jun-2006	191.5	1.0783	13,753	15,769	20,867
Jul-2006	191.8	1.0800	13,775	15,793	20,899
Aug-2006	192.1	1.0816	13,796	15,818	20,932
Sep-2006	192.3	1.0828	13,811	15,834	20,954
Oct-2006	192.6	1.0845	13,832	15,859	20,986
Nov-2006	192.9	1.0861	13,854	15,884	21,019
Dec-2006	193.2	1.0878	13,875	15,909	21,052
Jan-2007	193.6	1.0901	13,904	15,941	21,095
Feb-2007	193.9	1.0918	13,926	15,966	21,128
Mar-2007	194.2	1.0935	13,947	15,991	21,161
Apr-2007	194.5	1.0952	13,969	16,016	21,193
May-2007	194.9	1.0974	13,997	16,049	21,237

Jun-2007	195.2	1.0991	14,019	16,073	21,270
Jul-2007	195.6	1.1014	14,048	16,106	21,313
Aug-2007	195.9	1.1030	14,069	16,131	21,346
Sep-2007	196.2	1.1047	14,091	16,156	21,379
Oct-2007	196.6	1.1070	14,120	16,189	21,422
Nov-2007	196.9	1.1087	14,141	16,213	21,455
Dec-2007	197.3	1.1109	14,170	16,246	21,499
Jan-2008	197.6	1.1126	14,191	16,271	21,531
Feb-2008	198.0	1.1149	14,220	16,304	21,575
Mar-2008	198.3	1.1166	14,242	16,328	21,608
Apr-2008	198.7	1.1188	14,270	16,361	21,651
May-2008	199.0	1.1205	14,292	16,386	21,684
Jun-2008	199.4	1.1227	14,321	16,419	21,727
Jul-2008	199.7	1.1244	14,342	16,444	21,760
Aug-2008	200.1	1.1267	14,371	16,477	21,804
Sep-2008	200.4	1.1284	14,392	16,501	21,836
Oct-2008	200.8	1.1306	14,421	16,534	21,880
Nov-2008	201.2	1.1329	14,450	16,567	21,924
Dec-2008	201.5	1.1346	14,471	16,592	21,956
Jan-2009	201.9	1.1368	14,500	16,625	22,000
Feb-2009	202.3	1.1391	14,529	16,658	22,043
Mar-2009	202.7	1.1413	14,558	16,691	22,087
Apr-2009	203.0	1.1430	14,579	16,715	22,120
May-2009	203.4	1.1453	14,608	16,748	22,163
Jun-2009	203.8	1.1475	14,637	16,781	22,207
Jul-2009	204.2	1.1498	14,665	16,814	22,250
Aug-2009	204.6	1.1520	14,694	16,847	22,294
Sep-2009	205.0	1.1543	14,723	16,880	22,338
Oct-2009	205.5	1.1571	14,759	16,921	22,392
Nov-2009	205.9	1.1593	14,787	16,954	22,436
Dec-2009	206.3	1.1616	14,816	16,987	22,479
Jan-2010	206.7	1.1639	14,845	17,020	22,523
Feb-2010	207.2	1.1667	14,881	17,061	22,577
Mar-2010	207.6	1.1689	14,910	17,094	22,621
Apr-2010	208.0	1.1712	14,938	17,127	22,665
May-2010	208.5	1.1740	14,974	17,168	22,719
Jun-2010	208.9	1.1762	15,003	17,201	22,763
Jul-2010	209.4	1.1791	15,039	17,242	22,817
Aug-2010	209.8	1.1813	15,068	17,275	22,861
Sep-2010	210.3	1.1841	15,103	17,317	22,915
Oct-2010	210.8	1.1869	15,139	17,358	22,970
Nov-2010	211.2	1.1892	15,168	17,391	23,013
Dec-2010	211.7	1.1920	15,204	17,432	23,068
Jan-2011	212.2	1.1948	15,240	17,473	23,122

Feb-2011	212.7	1.1976	15,276	17,514	23,177
Mar-2011	213.2	1.2005	15,312	17,555	23,231
Apr-2011	213.6	1.2027	15,340	17,588	23,275
May-2011	214.1	1.2055	15,376	17,629	23,329
Jun-2011	214.6	1.2083	15,412	17,671	23,384
Jul-2011	215.1	1.2111	15,448	17,712	23,438
Aug-2011	215.6	1.2140	15,484	17,753	23,493
Sep-2011	216.1	1.2168	15,520	17,794	23,547
Oct-2011	216.6	1.2196	15,556	17,835	23,602
Nov-2011	217.0	1.2218	15,585	17,868	23,645
Dec-2011	217.5	1.2247	15,621	17,909	23,700
Jan-2012	218.0	1.2275	15,656	17,951	23,754
Feb-2012	218.5	1.2303	15,692	17,992	23,809
Mar-2012	219.0	1.2331	15,728	18,033	23,863
Apr-2012	219.5	1.2359	15,764	18,074	23,918
May-2012	220.0	1.2387	15,800	18,115	23,972
Jun-2012	220.4	1.2410	15,829	18,148	24,016

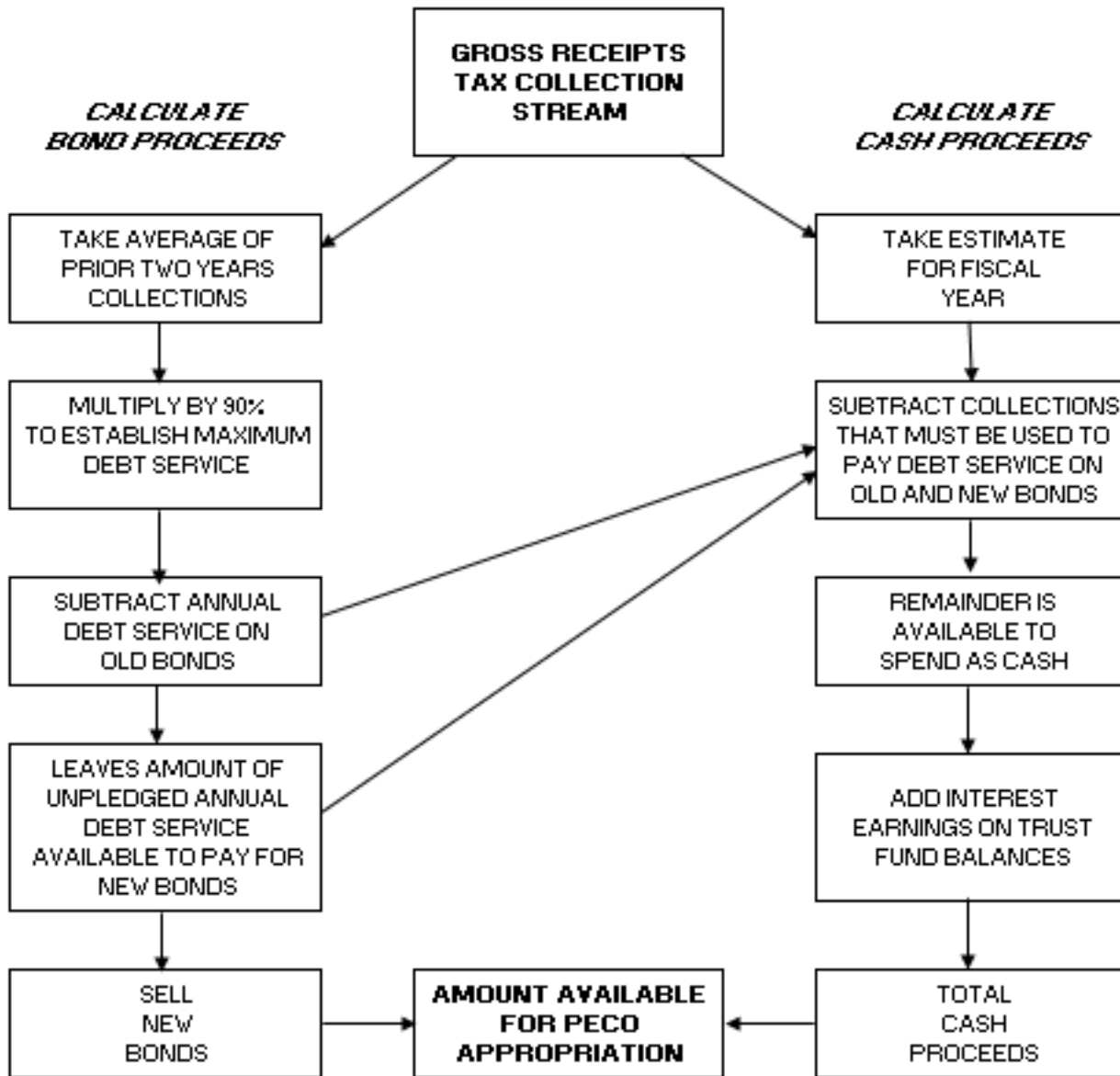
How the Gross Receipts Tax Becomes a PECO Appropriation

The Gross Receipts Tax is a relatively stable, if slow growing, tax source, making it an ideal revenue source for financing the sale of bonds. This stability helps make PECO bonds more marketable, lowering interest costs, and assuring bond buyers that the cash flow to make the interest payments on the bonds is reliable. However, it has been observed that the amount available for appropriation to the PECO program can and has fluctuated substantially from one year to the next. It may seem counter-intuitive that funding for a program can go up and down as much as PECO funding can, while at the same time the tax source supporting the program continues to grow.

Most of the funding for PECO comes from the sale of bonds, and it is changes in the sizes of the bond sales which are the primary reason for the fluctuation of the PECO appropriation. The changes in the bond sales are related to the Gross Receipts Tax collections, but in a rather indirect way. What follows is an explanation of the process by which Gross Receipts Tax collections become the PECO appropriation.

The PECO estimate is comprised of two kinds of funds, bond proceeds and cash proceeds. Both estimates begin with the Gross Receipts Tax, and the diagram below illustrates how the two fund sources are calculated. Bond proceeds are determined by criteria which are set forth in both statute and the Constitution. A certain portion of the Gross Receipts Tax collections is set aside for paying the debt on bonds. This portion is defined as 90% of the average annual tax collections of the prior two years. From this portion, called the maximum debt service capacity, the amount of already existing debt service is subtracted. The remainder is the amount of new debt service which can be used to finance the sale of new bonds. The state then sells these new bonds and places the proceeds in the PECO trust fund for spending on a set of projects which are stipulated in the Appropriations Act. Tax collections not needed for paying debt service, in addition to other cash sources of funds such as interest earnings, are appropriated as well.

HOW THE GROSS RECEIPTS TAX BECOMES A PECO APPROPRIATION



As previously mentioned, most of the amount available for PECO spending (typically about three-fourths) comes from the sale of bonds. It is important to remember that each year, a PECO bond sale is made which obligates a portion of the Gross Receipts Tax collection stream into the future. In other words, the state gives up a portion of the future tax collections in order to enjoy the benefit of having a larger amount to spend on projects in the present time. At current interest rates and bond terms, this means giving up about \$1 in revenue for 30 years for every \$15 that is spent today. Thus it can be seen that as time goes by, most of the tax collections are not available for spending on PECO projects, but instead must be paid out as interest on the outstanding bonds. This also means that since the state sells the maximum amount of bonds it can each year, the ability to sell additional bonds the following year is dependent on there being an increase in the tax collections. When the tax collections increase, there is additional money to pay the interest on new bonds. If tax collections were to stay constant, there could be no new bond sales. Since most of the PECO appropriation is derived from the sale of new bonds, it is easy to see that the tax source must grow if there is to be significant funding for the

PECO program.

It is also evident that the amount of growth in the tax collections is the most significant factor in the size of the PECO appropriation. In fact, a growth rate of 6%, for example, would generate bond proceeds which are twice as great as a growth rate of 3% would generate. The table below displays this phenomenon and the impact on the amount available for appropriation, using hypothetical tax collection figures.

Hypothetical PECO appropriation at different tax collection growth rates (\$ millions)		
	3% growth rate	6% growth rate
Cash proceeds	\$19.7	\$24.7
Bond proceeds	\$40.9	\$80.7
Total appropriation	\$60.6	\$105.4

As can be seen in this example, the 3% difference in the tax collection growth rate (going from 3% to 6%) nearly doubled the amount bond proceeds, and produced a 25% increase in the cash proceeds.

In reality, of course, the growth rate in the tax is not equal from year to year. When growth rates are large, the PECO estimate is large, and when growth rates are small, the PECO estimate is small. Only relatively minor changes from year to year in the growth rate of the tax source are necessary to produce substantial changes in the amount available for the PECO appropriation.

NOTE: You can follow how the calculations were done which produced the results in the table, in the same format as the flow chart displayed above. Please select the [3% scenario](#) or the [6% scenario](#).