

# FLORIDA MONTHLY ECONOMIC REPORT

MAY 1997 - VOLUME 17, NO. 11

*Office of Economic and Demographic Research*

## **GENERAL REVENUE COLLECTIONS FOR APRIL**

Preliminary General Revenue (GR) collections for April were \$54.1 M over estimate for the year to date. Preliminary Sales Tax Collections are \$15.9 M over estimate. (Sales Tax Collections are net of \$1.0 M in transfers to qualified sports facilities. Preliminary estimates for Sales Tax assume that audit collections, bad checks, and other adjustments made to total collections are on estimate.) Other sources over estimate include: the Corporate Income Tax (\$29.3 M over estimate and coupled with last month's good performance leaves this source \$70.9 M over estimate since March); Intangibles Taxes (\$12.7 M over estimate for the transfer to GR, but \$28.8 under estimate in total collections); the Documentary Stamp Tax (\$1.9 M over estimate in the transfer to GR, but virtually on estimate in total collections); and Service Charges to GR from trust funds (\$14.0 M over estimate, primarily due to timing of these transfers to GR). Interest Earnings were \$1.7 M over estimate.

<u>Preliminary General Revenue Collections</u>	<u>Lottery Transfers to DOE</u>
Month: \$54.1 M over the March 1997 estimate	Month: \$75.9 M or \$5.8 M over the Feb. 1997 estimate
\$79.5 M over the March 1996 estimate	Year: \$599.4 M or \$11.3 M over the Feb. 1997 estimate
Year: \$67.9 M over the March 1997 estimate	\$11.8 M below the February 1996 estimate
\$369.2 M over the March 1996 estimate	

Two sources fell significantly under estimate. Insurance Premium Tax fell \$13.4 M under estimate. Insurance Premium payments for April are estimated payments based on the prior year's total collections, which fell short of estimates. Drivers License Fees show a negative number for the month, reflecting processing glitches that will be corrected next month.

Overall, preliminary net GR collections for April are \$54.1 M over estimate for the month and \$67.9 M (or about half a percent) over estimate for the fiscal year to date. Estimates in the table below are based on the March 14, 1997 General Revenue Estimating Conference.

**TABLE 1 - APRIL PRELIMINARY GENERAL REVENUE COLLECTIONS  
(\$ MILLIONS - BASED ON MARCH 1997 ESTIMATES)**

	<u>MONTH</u>			<u>FISCAL YEAR TO DATE</u>				
	ACTUAL	ESTIMATE	OVER/	CURRENT	CURRENT	OVER/	PRIOR	PERCENT
	CURRENT	CURRENT	UNDER	YEAR	YEAR	UNDER	YEAR	INCREASE
	MONTH	MONTH	ESTIMATE	ACTUAL	ESTIMATE	ESTIMATE	ACTUAL	DECREASE
<b>SALES TAX COLLECTIONS</b>	1,014.4	998.5	15.9	9,159.9	9,143.5	16.3	8,667.7	5.7%
<b>BEVERAGE TAXES</b>	49.9	50.6	-0.7	448.5	450.7	-2.2	435.7	2.9%
<b>CORPORATE INCOME TAX</b>	234.0	204.7	29.3	977.5	906.6	70.9	837.5	16.7%
<b>DOCUMENTARY STAMP</b>	29.6	27.7	1.9	243.8	250.2	-6.4	240.2	NA
<b>TOBACCO TAX</b>	13.8	13.1	0.7	111.6	112.3	-0.7	113.6	-1.8%
<b>INSURANCE PREMIUM TAX</b>	70.6	84.0	-13.4	169.4	183.0	-13.6	153.6	10.3%
<b>PARIMUTUEL TAXES</b>	2.6	4.1	-1.5	23.5	23.2	0.3	38.2	-38.5%
<b>INTANGIBLES TAXES</b>	122.1	109.4	12.7	450.3	467.4	-17.1	404.1	11.4%
<b>ESTATE TAX</b>	30.6	33.0	-2.4	471.9	468.9	3.0	351.5	34.3%
<b>INTEREST EARNINGS</b>	12.2	10.5	1.7	128.5	124.6	3.9	126.0	2.0%
<b>DRIVERS LICENSE FEES</b>	-0.2	4.1	-4.3	41.3	43.0	-1.8	40.5	1.9%
<b>MEDICAL HOSPITAL FEES</b>	12.8	13.0	-0.2	103.7	107.0	-3.3	97.5	6.4%
<b>MOTOR VEHICLE CHARGES</b>	3.1	3.3	-0.2	32.0	31.6	0.3	30.3	5.4%
<b>AUTOMOBILE TITLE FEES</b>	2.5	2.1	0.4	20.6	20.1	0.4	19.4	6.1%
<b>SEVERANCE TAXES</b>	0.0	0.4	-0.4	20.7	22.4	-1.7	19.4	NA
<b>SERVICE CHARGES</b>	43.4	29.4	14.0	291.1	275.4	15.7	279.3	4.3%
<b>CORPORATION TRUST</b>	20.1	22.0	-1.9	71.9	74.7	-2.8	66.3	8.4%
<b>OTHER TAXES LICENSES &amp;</b>	7.5	8.3	-0.8	118.5	120.5	-1.9	103.6	14.5%
<b>TOTAL REVENUE</b>	<b>1,669.2</b>	<b>1,618.2</b>	<b>51.0</b>	<b>12,884.7</b>	<b>12,825.3</b>	<b>59.5</b>	<b>12,024.3</b>	<b>7.2%</b>

LESS REFUNDS	9.9	13.0	-3.1	199.7	208.1	-8.4	200.7	-0.50%
NET REVENUE	1,659.3	1,605.2	54.1	12,685.0	12,617.2	67.9	11,823.6	7.3%

**Revisions to the Taxable Sales Data-** There have been significant revisions to the taxable sales data provided on the back page of this newsletter. We believe that the revised data offer a more accurate picture of activity, and regret any inconvenience this may cause. The revised data reported here are consistent with what are being provided on our site on the World Wide Web. A more comprehensive explanation of the revisions can also be found on the website.

The most significant change is in the Business Investment category of taxable sales. The revised data in the Business Investment category is about 25% higher than the old data. These revisions involve the treatment of data regarding transactions subject to the use tax. Until the late 1980's, data provided by the Department of Revenue did not include the value of taxable sales reported under the use tax. When the data started to become available, it was decided to disregard it in order to maintain consistency in the data series and avoid showing large increases in month over month data that were related to reporting practices rather than economic activity. Over time, this has caused significant under-reporting of the level of activity. The revised data now includes the value of use tax transactions.

The second most significant change to the data is in the Consumer Nondurables category, and relates to the treatment of taxable services transactions. The tax on services, which took effect in July 1987, was repealed the following December. In order to maintain consistency through time in the Consumer Nondurables category, data on sales related to services have been excluded from the category (nor have they been included in any other category or totals). However, there are some services which are taxable and were unaffected by the repeal. The revised data now contains the value of taxable service transactions beginning in January 1989 in the Consumer Nondurables category. This eliminates nearly all of the impact of the short-lived services tax from the data, without disregarding the growth in spending on taxable services which has been seen in more recent years.

A revision of considerably less significance is in the Tourism and Recreation category. Any transaction reported as related to tourism is now included in this category. This involves only a small number of transactions which are not already being reported in Tourism and Recreation. This revision has the effect of reducing the other categories slightly (.25% to 1.5%) and increasing the Tourism and Recreation category.

Finally, probably the most obvious but least noteworthy revision has been to the Index of Retail Activity. The calculation of the Index remains as before, but the base period of the Index has been changed from December 1977 to December 1988. This will have the effect of reducing the Index values. However, rebasing an index has no effect on growth rates. This rebasing allows direct comparison of the various MSAs over a more relevant time period.

**National Economic Conditions.** The stellar performance of the national economy continued into May. The April unemployment rate fell below 5% (a 23 year low), while gains in the workweek pushed that series to a record high. The robust first quarter GDP release was more than double the February conference's estimate--see Table Two). But early second quarter data releases are pointing to a deceleration in the growth rate in economic activity.

Despite the strength in real economic activity, price pressures remain moderate. The spurt in first quarter productivity helped curb increases in unit labor costs, while both producer prices (at all levels) and consumer prices remain well-behaved. With the absence of significant price pressures, the Federal Reserve chose not to boost the fed funds rate at their May 20<sup>th</sup> Open Market Committee Meeting. The graph above highlights that other than in the aftermath of the inflationary buildup in the early 1980's, the real fed funds rate (the spread between the effective fed funds rate and the year-over-year consumer price index) is within historical bounds and the Federal Reserve's target range.

TABLE 2: KEY ELEMENTS OF THE NATIONAL ECONOMIC FORECAST							
FROM THE FEBRUARY 1997 ESTIMATING CONFERENCE							
(SEASONALLY ADJUSTED)							
		----1996----		--1997--			
		Q3	Q4	Q1	Q2	Q3	Q4
		Annual Percentage Rate of Change					
Real Gross	forecast	2.1	4.7	2.5	2.3	1.8	2.3
Domestic Product	actual	2.1	3.8	5.6	---	---	---
Real Personal	forecast	0.5	3.4	4.0	3.2	2.9	2.8
Consumption	actual	0.5	3.4	6.4	---	---	---
Real Fixed Non-	forecast	18.3	2.4	5.9	4.7	6.3	4.9
resid. Invest	actual	17.5	5.5	11.9	---	---	---
Real Personal	forecast	3.8	2.8	4.1	2.5	2.4	2.2
Income	actual	3.8	3.1	5.5	---	---	---
Total	forecast	2.1	2.1	2.8	1.4	0.8	1.1
Employment	actual	2.1	2.1	3.2	---	---	---
Consumer Price	forecast	2.3	3.2	2.0	2.8	2.5	2.8
Index	actual	2.7	3.3	2.4	---	---	---
		Average Level for Quarter					
Savings Rate	forecast	5.3	5.1	5.4	5.2	5.4	5.2
	actual	5.3	5.1	5.1	---	---	---
Prime Interest	forecast	8.25	8.25	8.25	8.36	8.60	8.75
Rate (%)	actual	8.25	8.25	8.27	---	---	---
Housing Starts	forecast	1.49	1.41	1.41	1.41	1.40	1.37
(mil/yr)	actual	1.49	1.42	1.44	---	---	---
Unemployment	forecast	5.3	5.3	5.3	5.2	5.2	5.3
Rate (%)	actual	5.3	5.3	5.3	---	---	---

**Joint Legislative Management Committee  
Economic & Demographic Research Division  
111 W Madison St, Suite 576  
Tallahassee, FL 32399-1400  
Voice: 850/487-1402 FAX: 850/922-6436  
E-Mail: [hertz.laura@leg.state.fl.us](mailto:hertz.laura@leg.state.fl.us)**