An Overview of
Gross Receipts and PECO Bonding

September 27, 2012

Presented by:

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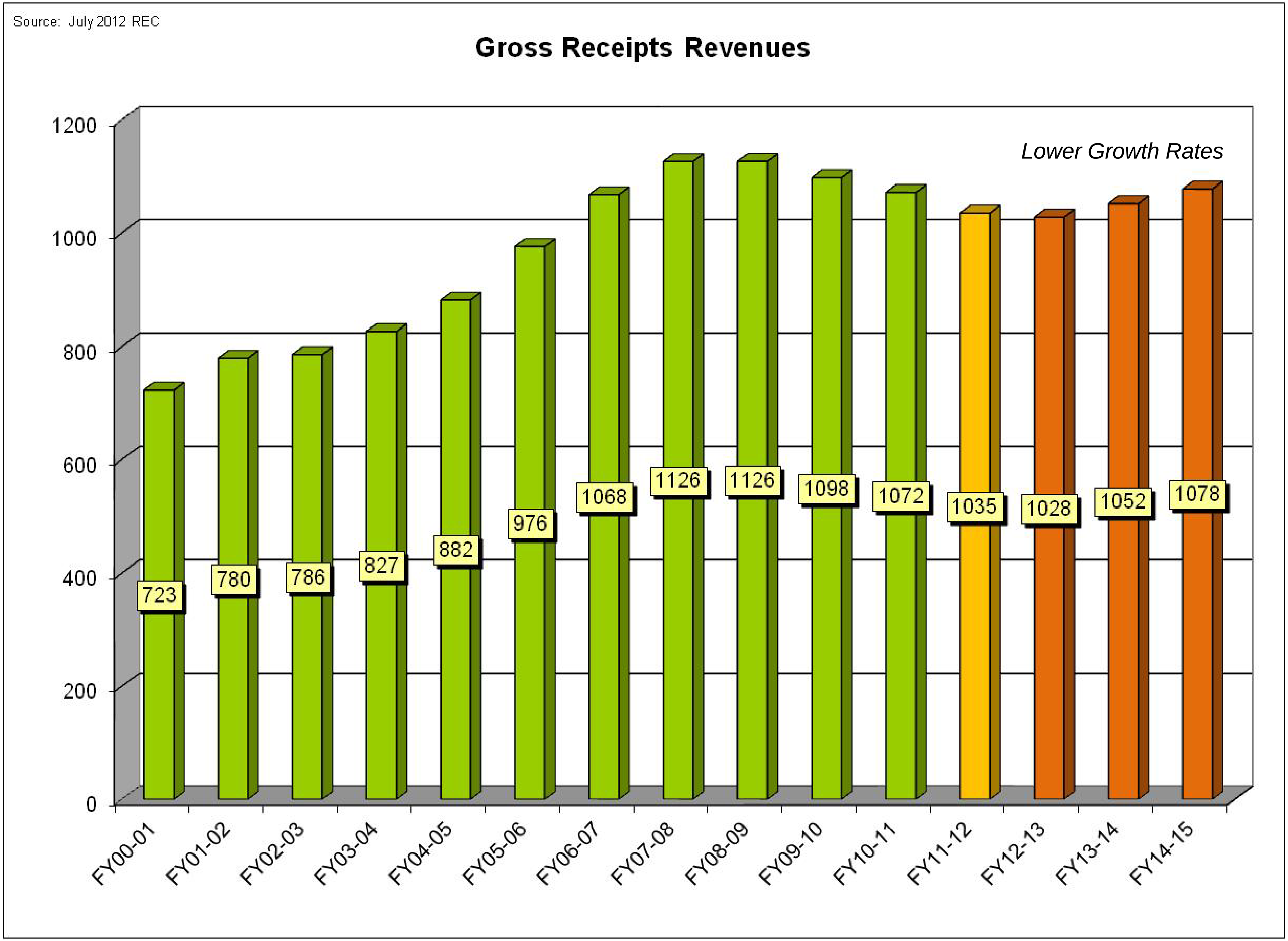
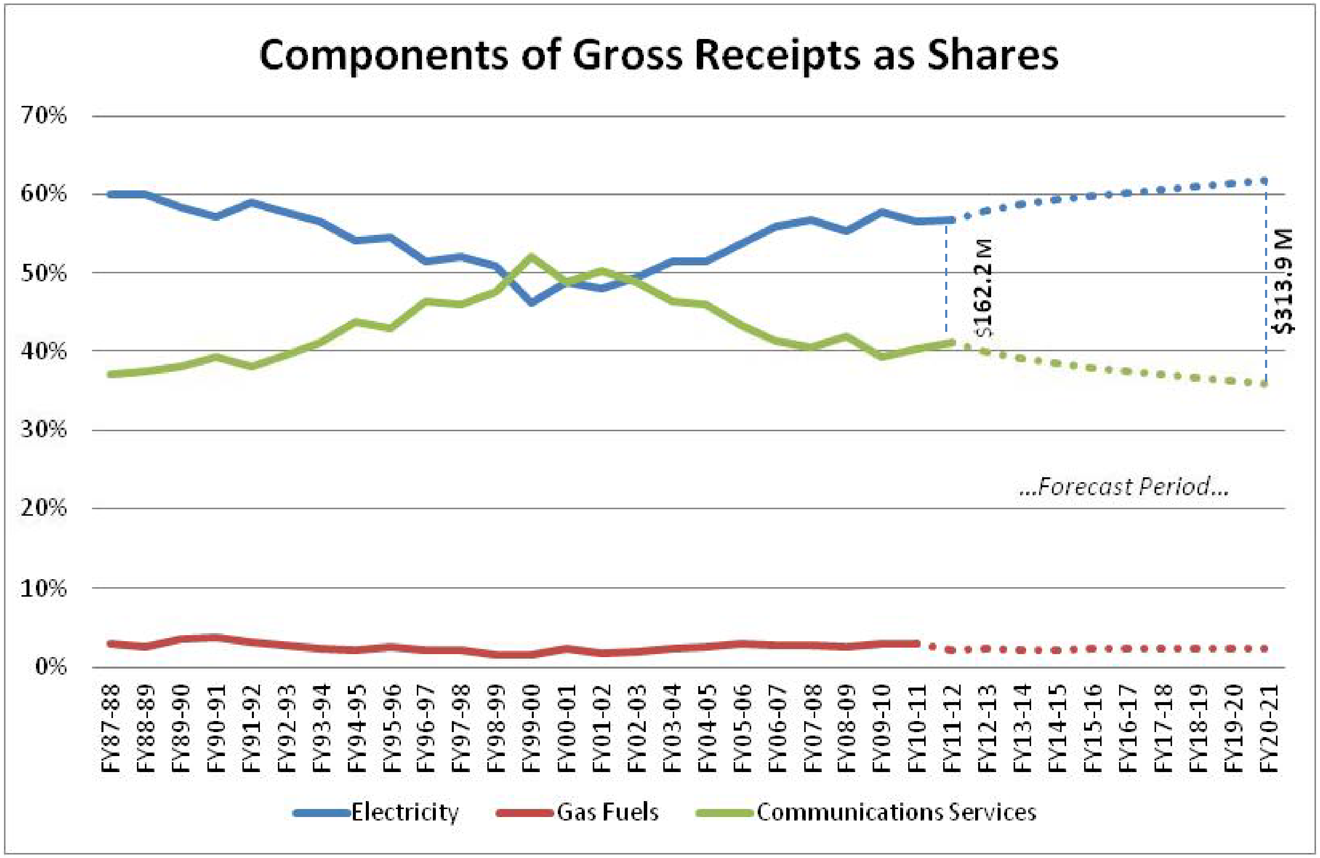
Taxable Items

Gross Receipts (CST +++)	Sales Tax CST
• Telecommunication Services – residential, commercial and wireless	• Telecommunication Services – commercial and wireless
• Television Services – cable and satellite	• Television Services – cable and satellite
• Electricity	• N/A
• Gas Fuels	• N/A
2012-13 Total Estimate: $1,027.9 million **CST~ $409.4 million (39.8% of Total Gross Receipts)**	**2012-13 Estimate: (See Below)** **CST~ $968.8 million (2.37 x Gross Receipts share)**


Source: July 2012 REC
Gross Receipts Revenues
Lower Growth Rates
1200
1000
800
600
400
200
0
723
780
786
827
882
976
1068
1126
1126
1098
1072
1035
1028
1052
1078
FY00-01
FY01-02
FY02-03
FY03-04
FY04-05
FY05-06
FY06-07
FY07-08
FY08-09
FY09-10
FY10-11
FY11-12
FY12-13
FY13-14
FY14-15

Source Shares in Gross Receipts



The three forecasted components can also be thought of as shares of the total. In dollar terms for FY 2011-12, the share associated with electricity is $162.2 million greater than the share associated with communications services. Because electricity has stronger growth rates than communications services throughout the forecast period, the dollar difference between the two will increase over time.

Bonding Attributes

- Generally, Section 11 of Article VII of the Florida Constitution authorizes the state to issue general obligation bonds or revenue bonds to finance or refinance fixed capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the state and payable from specified taxes. Revenue bonds are payable solely from specified revenues.

- The Florida Constitution requires the Legislature to appropriate moneys sufficient to pay debt service on bonds pledging the full faith and credit of the State. All state tax revenues, other than trust funds dedicated by the Florida Constitution for other purposes, would be available for such an appropriation if required.

- Education-related bonds are unusual because the state is responsible for the liability while the related assets are owned by local school districts, state colleges and state universities --- meaning that the asset is not included in the state's financial statements while the current-period liability is.

- Public Education Bonds are issued to finance capital outlay projects of local school districts, community colleges, vocational technical schools, and state universities. The bonds, serial and term, are secured by a pledge of the state's gross receipts tax revenues and by a pledge of the full faith and credit of the state.

Authorization To Bond Gross Receipts Article XII, Section 9(a)(2)

...all of the proceeds of the revenues derived from the gross receipts taxes collected from every person...shall, as collected, be placed in a trust fund to be known as the “public education capital outlay and debt service trust fund” in the state treasury (hereinafter referred to as “capital outlay fund”), and used only as provided herein...

The capital outlay fund shall be administered by the state board of education ...(hereinafter referred to as “state board”)...

State bonds pledging the full faith and credit of the state may be issued, without a vote of the electors, by the state board pursuant to law to finance or refinance capital projects theretofore authorized by the legislature, and any purposes appurtenant or incidental thereto, for the state system of public education provided for in Section 1 of Article IX of this Constitution (hereinafter referred to as “state system”), including but not limited to institutions of higher learning, community colleges, vocational technical schools, or public schools, as now defined or as may hereafter be defined by law.

Constitutional Requirements...con't

All such bonds shall mature not later than thirty years after the date of issuance thereof...

...No such bonds shall ever be issued in an amount exceeding ninety percent of the amount which the state board determines can be serviced by the revenues derived from the gross receipts taxes accruing thereafter under the provisions of this subsection (a)(2), and such determination shall be conclusive.
The moneys in the capital outlay fund in each fiscal year shall be used only for the following purposes and in the following order of priority:

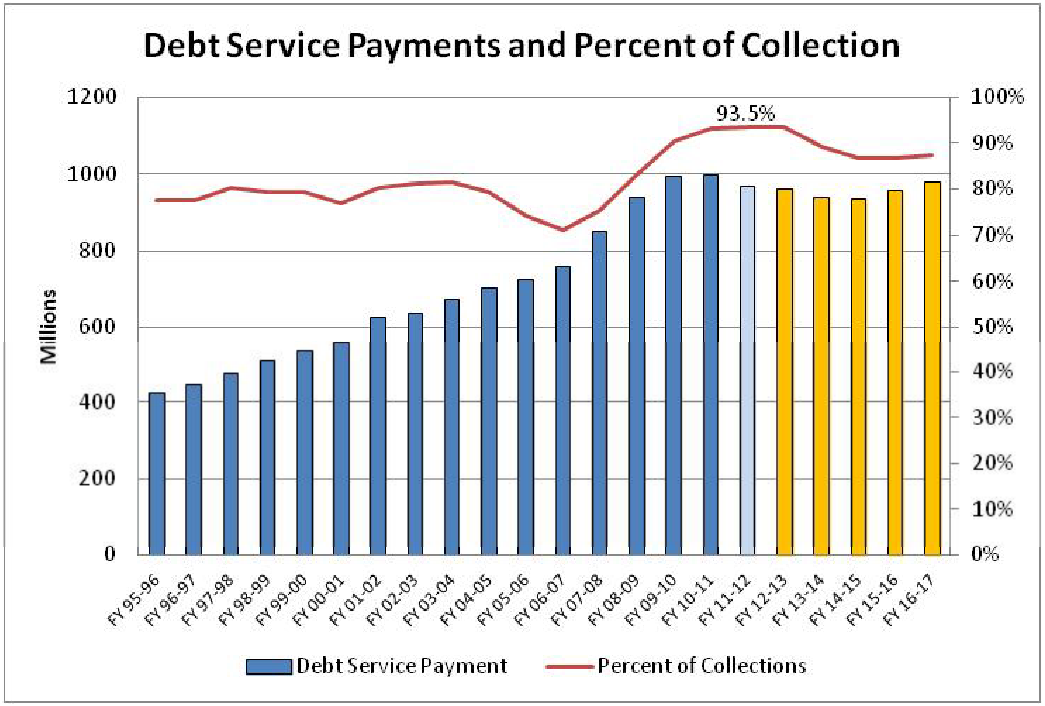
a. For the payment of the principal of and interest on any bonds due in such fiscal year;

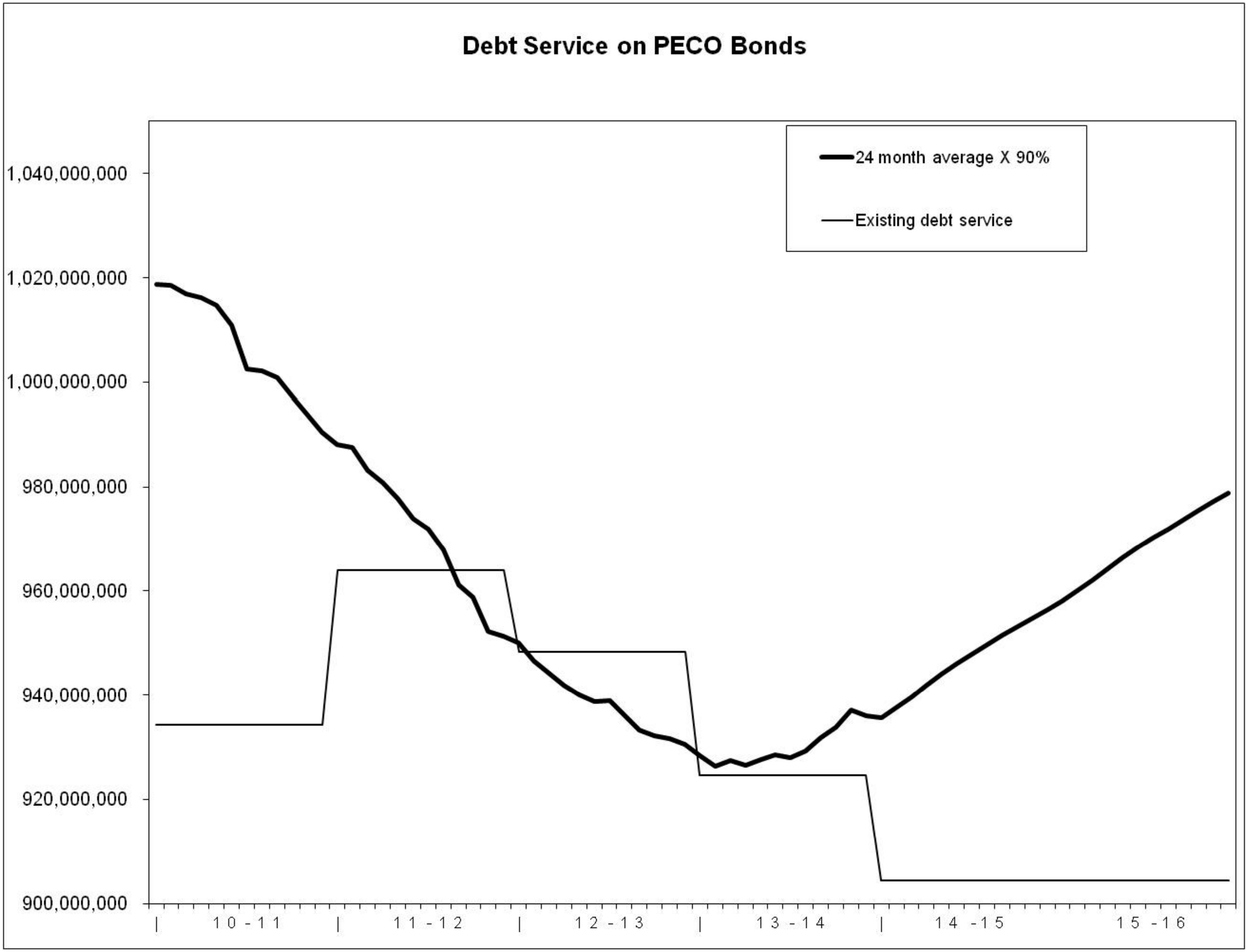
b. For the deposit into any reserve funds provided for in the proceedings authorizing the issuance of bonds of any amounts required to be deposited in such reserve funds in such fiscal year;

c. For direct payment of the cost or any part of the cost of any capital project for the state system theretofore authorized by the legislature, or for the purchase or redemption of outstanding bonds in accordance with the provisions of the proceedings which authorized the issuance of such bonds, or for the purpose of maintaining, restoring, or repairing existing public educational facilities.

Debt Service

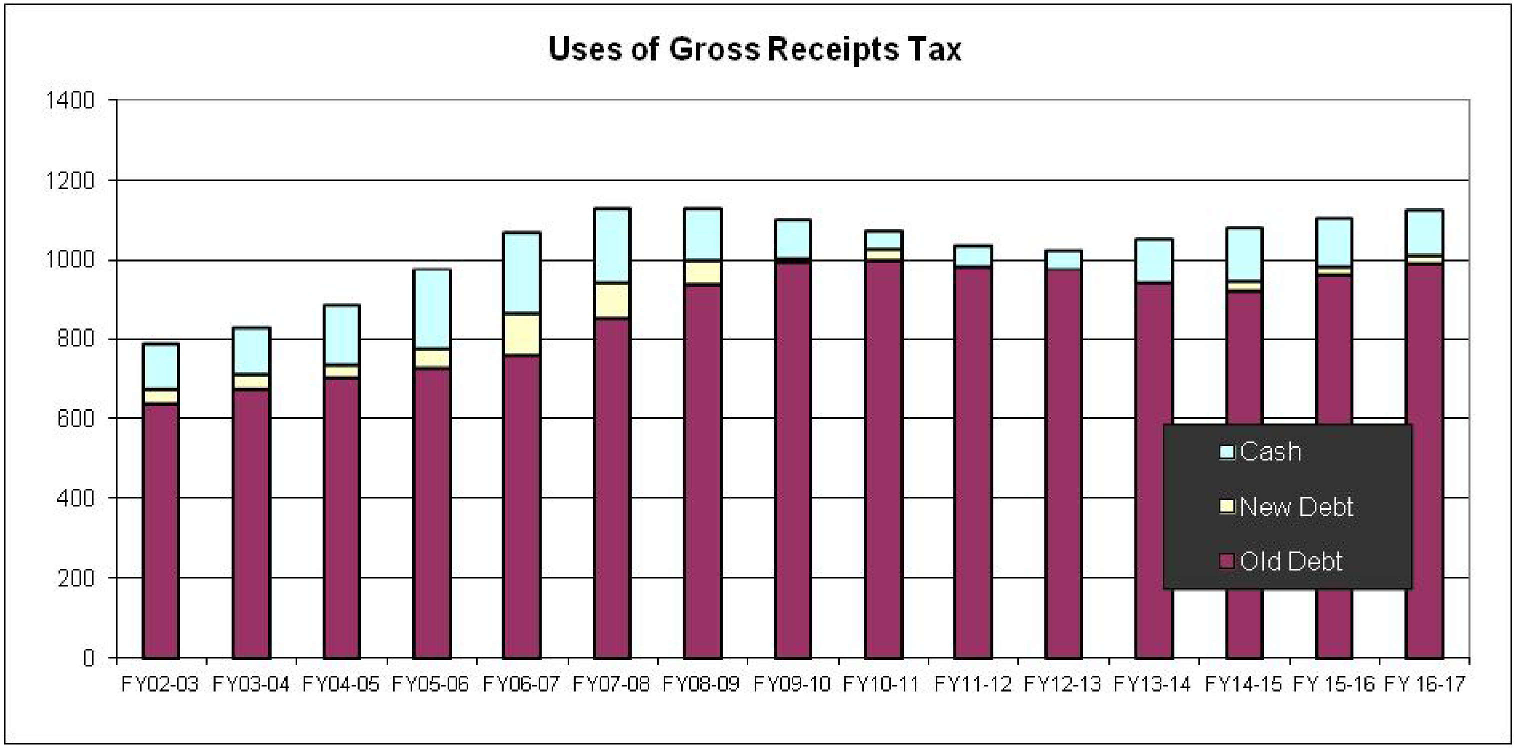
- Each PECO bond sale obligates a portion of the Gross Receipts Tax collection stream into the future. In other words, the state gives up a portion of the future tax collections in order to enjoy the benefit of having a larger amount to spend on projects in the present time. Most of the tax collections are not available for spending on new PECO projects, but instead must be paid out for outstanding bonds. This also means that since the state has typically sold the maximum amount of bonds it can each year, the ability to sell additional bonds in subsequent years is dependent on there being an increase in the tax collections.





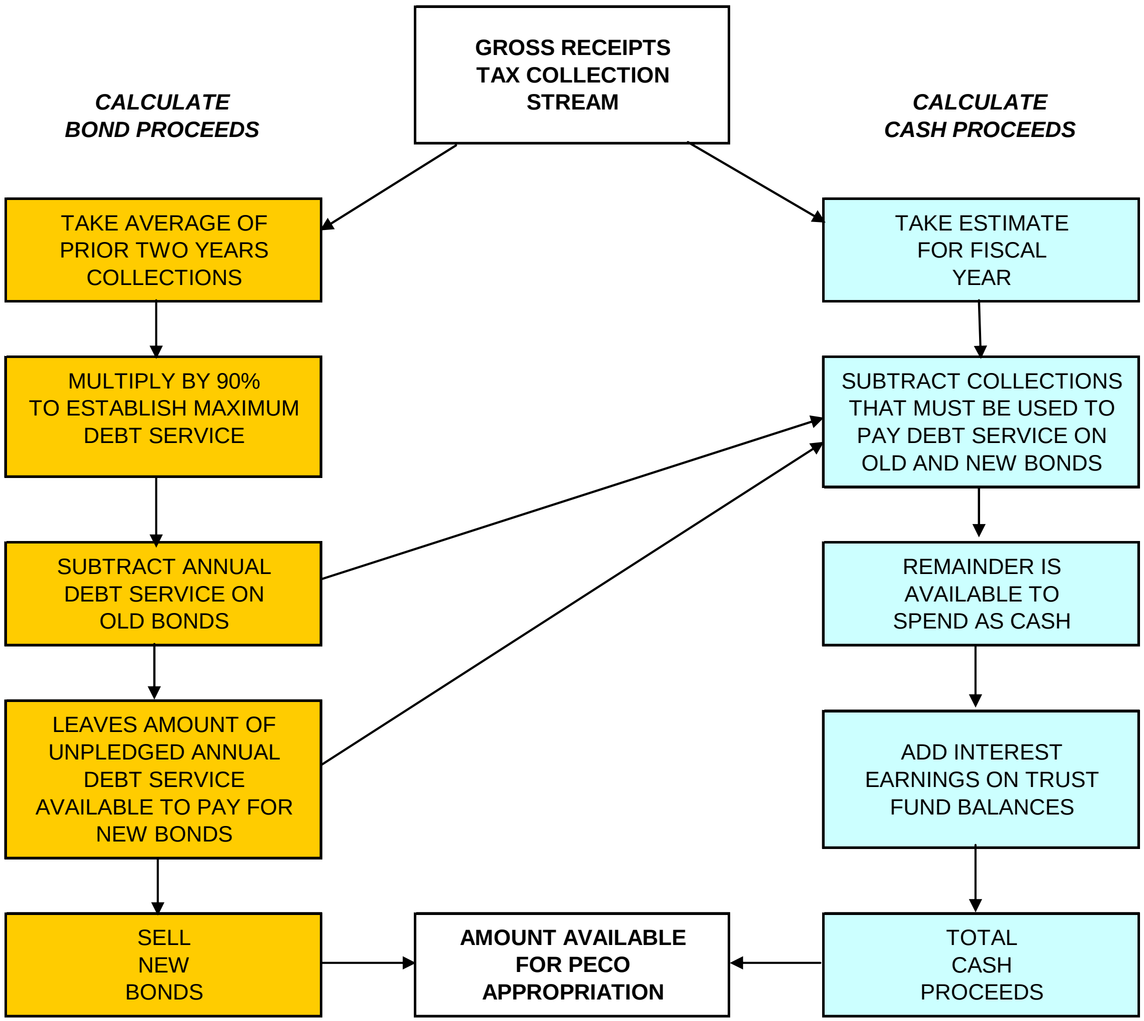
Debt Service on PECO Bonds
24 month average X 90%
Existing debt service
1,040,000,000
1,020,000,000
1,000,000,000
980,000,000
960,000,000
940,000,000
920,000,000
900,000,000
10 - 11
11 - 12
12 - 13
13 - 14
14 - 15
15 - 16

Total Composition

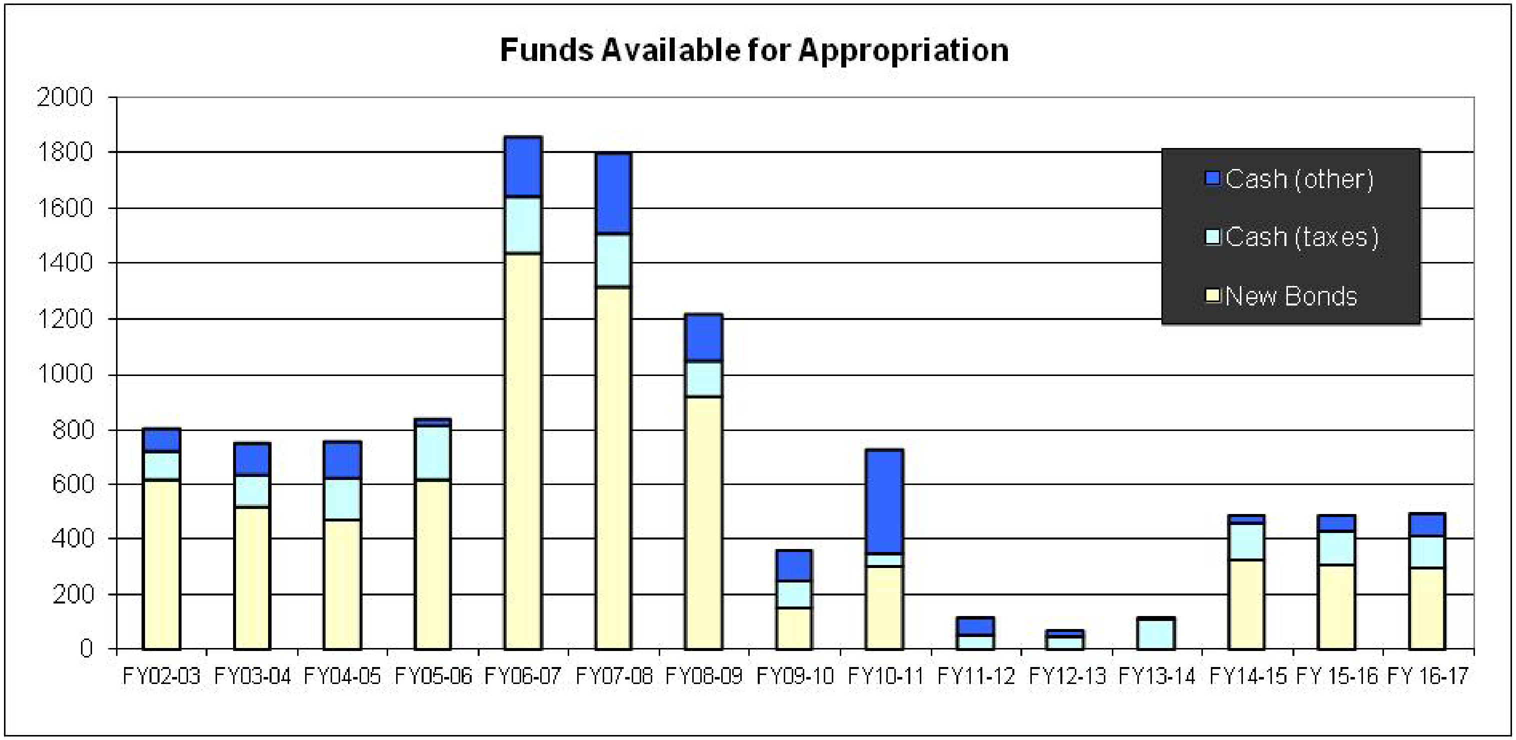


The total PECO estimate is comprised of two kinds of funds, bond proceeds and cash proceeds. In prior years, most of the new funding for PECO has come from the sale of bonds, and it is changes in the sizes of the bond sales which are the primary reason for the fluctuation of the PECO appropriation.

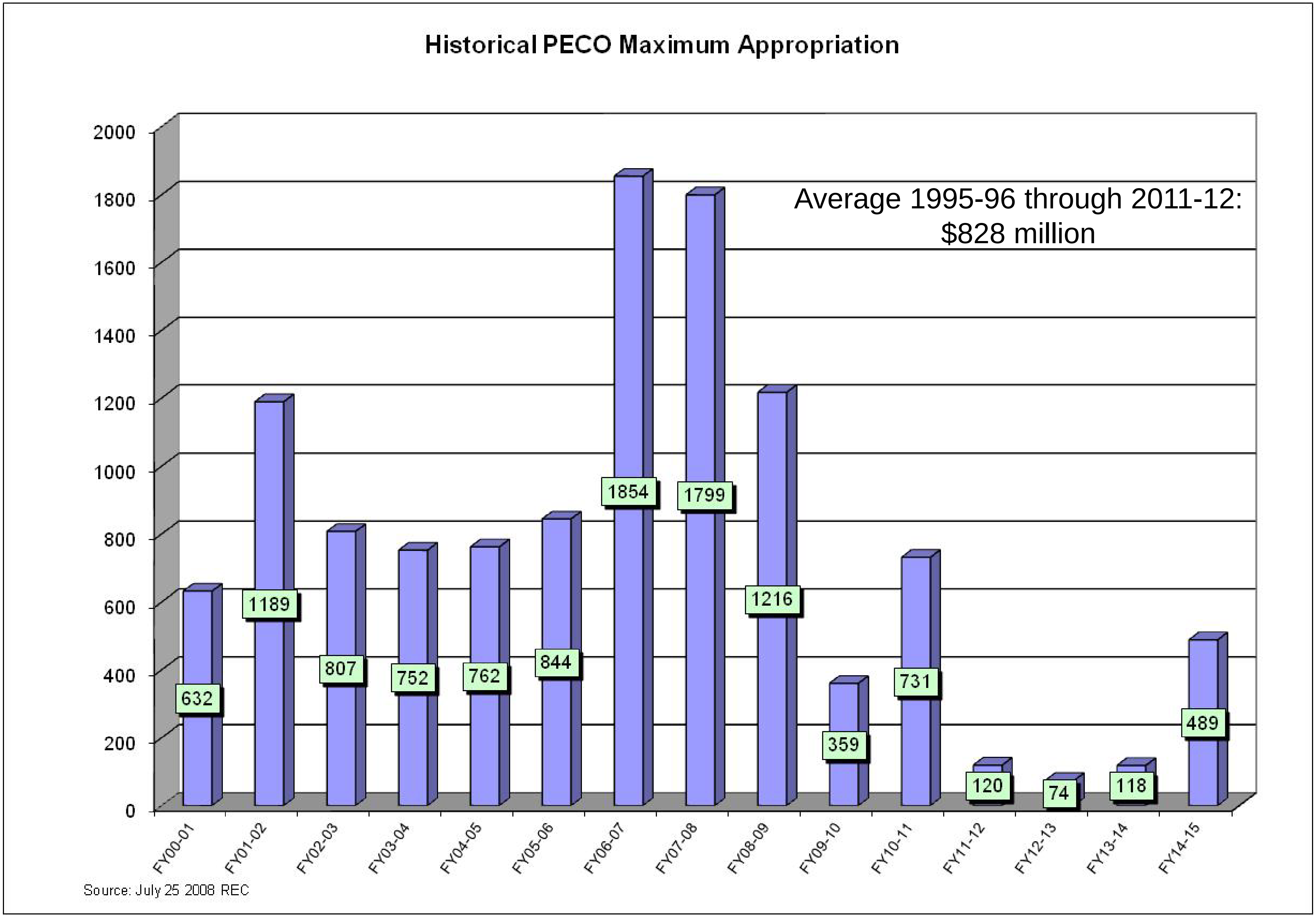
How the Gross Receipts Tax Becomes a PECO Appropriation



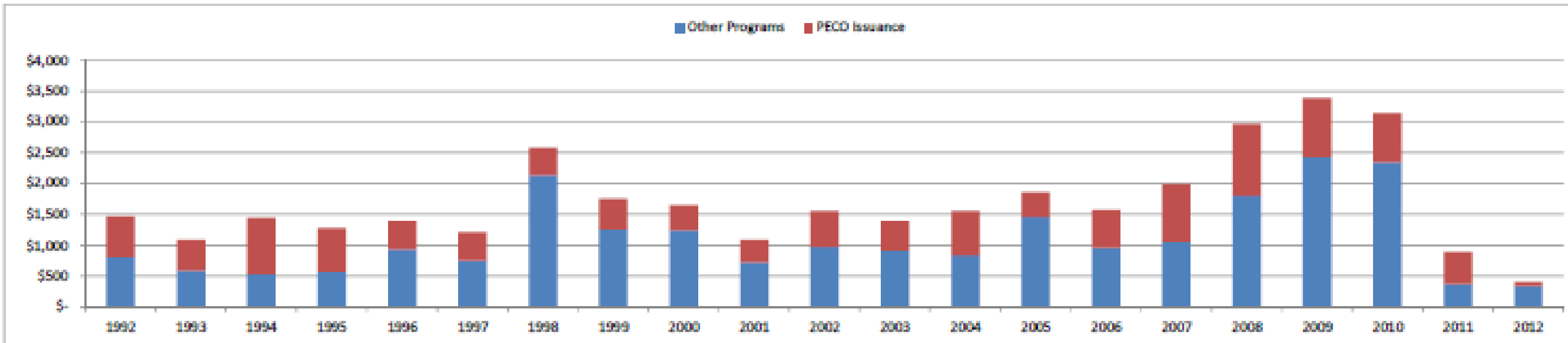
Expenditure Portion



Bonding is the tool that has allowed the state to leverage the amount that can be appropriated each year. Currently, PECO is the State's largest bond program with $11.3 billion in outstanding debt (40.8% of the total $27.7 billion in direct debt outstanding).


Historical PECO Maximum Appropriation
Average 1995-96 through 2011-12: $828 million
2000
1800
1600
1400
1200
1000
800
600
400
200
0
632
1189
807
752
762
844
1854
1799
1216
359
731
120
74
118
489
FY00-01
FY01-02
FY02-03
FY03-04
FY04-05
FY05-06
FY06-07
FY07-08
FY08-09
FY09-10
FY10-11
FY11-12
FY12-13
FY13-14
FY14-15
Source: July 25 2008 REC

PECO Bond Issuance As a Percentage of Total Issuance
Historical New Money Issuance Fiscal Years 1992 through 2012
(In Millions of Dollars)



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
PECO Issuance	$ 650.0	$ 500.0	$ 907.0	$ 706.0	$ 460.4	$ 462.0	$ 450.0	$ 490.3	$ 397.0	$ 367.3
Total Issuance	1,465.5	1,091.8	1,444.3	1,275.0	1,395.3	1,211.6	2,587.5	1,752.8	1,644.4	1,090.3
PECO as % of Total	44%	46%	63%	55%	33%	38%	17%	28%	24%	34%

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PECO Issuance	$ 578.3	$ 476.0	$ 712.6	$ 400.0	$ 616.5	$ 936.8	$ 1,166.3	$ 950.0	$ 791.7	$ 523.0	$ 74.3
Total Issuance	1,554.8	1,391.7	1,549.6	1,856.8	1,571.5	1,988.5	2,970.2	3,387.0	3,147.3	888.3	406.8
PECO as % of Total	37%	34%	46%	22%	39%	47%	39%	28%	25%	59%	18%

While each new debt service issuance is associated with appropriations specific to a single fiscal year, it usually takes multiple years for all of the authorized bonds from a particular year to be issued. This means that the actual bonds issued in any given year were authorized in several prior years, so there is no direct correlation between the appropriation and the actual issuance for a specific year. The appropriations associated with those issuances were likely from other years.

The graph shows both the level and percentage of the PECO bond issuances relative to all bond issuances for each year. Comparing the total for the ten-year period between 1991-92 and 2000-01 with the total for the ten-year period 2001-02 through 2010-11, PECO issuances increased nearly 33 percent. All other bonding programs rose 37 percent, but the composition and amounts attributed to the individual programs comprising that group were significantly different from year to year .