

Surtax Funds Review FY19-20

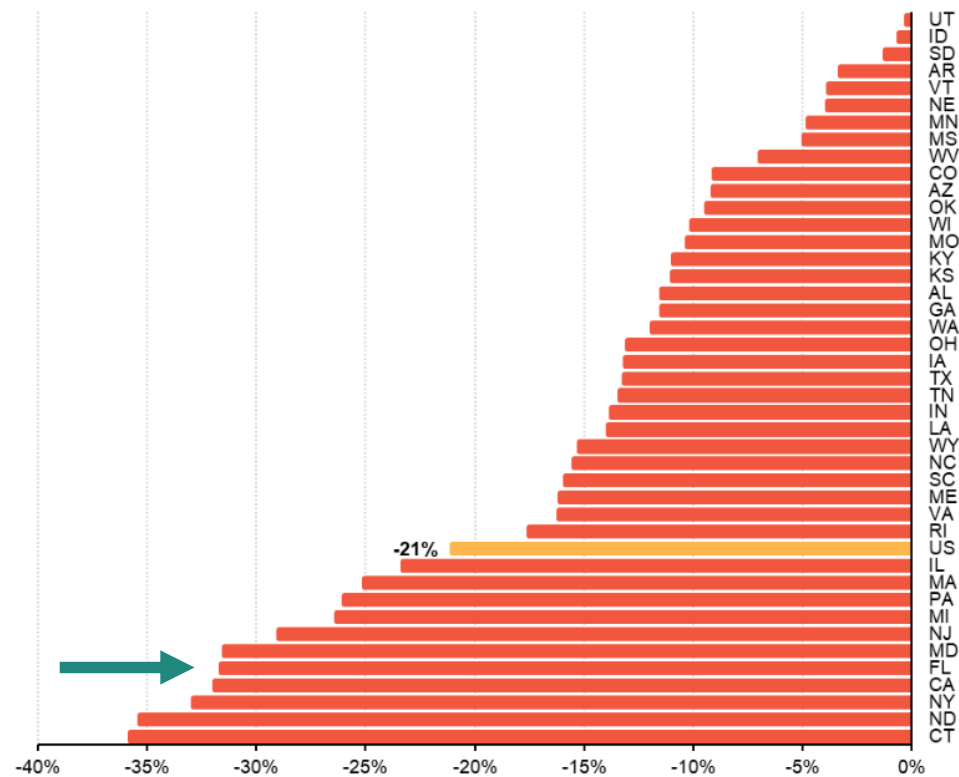
COVID-19 Crisis Sensitivity Analysis

October 2, 2020

States and communities experienced major declines in sales tax revenue when COVID hit in April and May



*Nominal year-on-year sales tax percent change,
May 2020 vs May 2019*



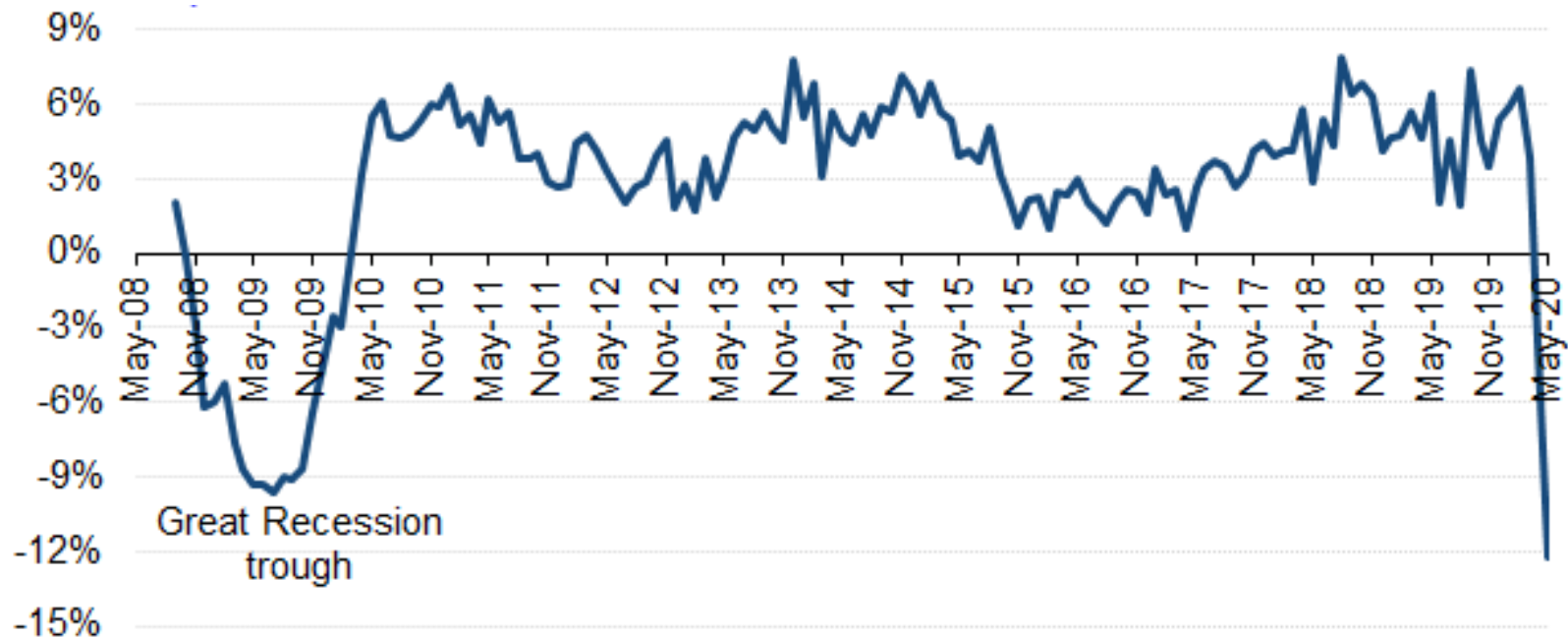
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from Noun Project

- State sales tax revenues in the US were down 21% compared to the previous year for May 2020
- Actual experience by state varied widely, with Florida over 30%

Declines in sales tax during COVID have been steeper than the last recession; the period of sales decline is uncertain . . .

. . . However, the recovery may accelerate more quickly in this crisis in comparison with the great recession

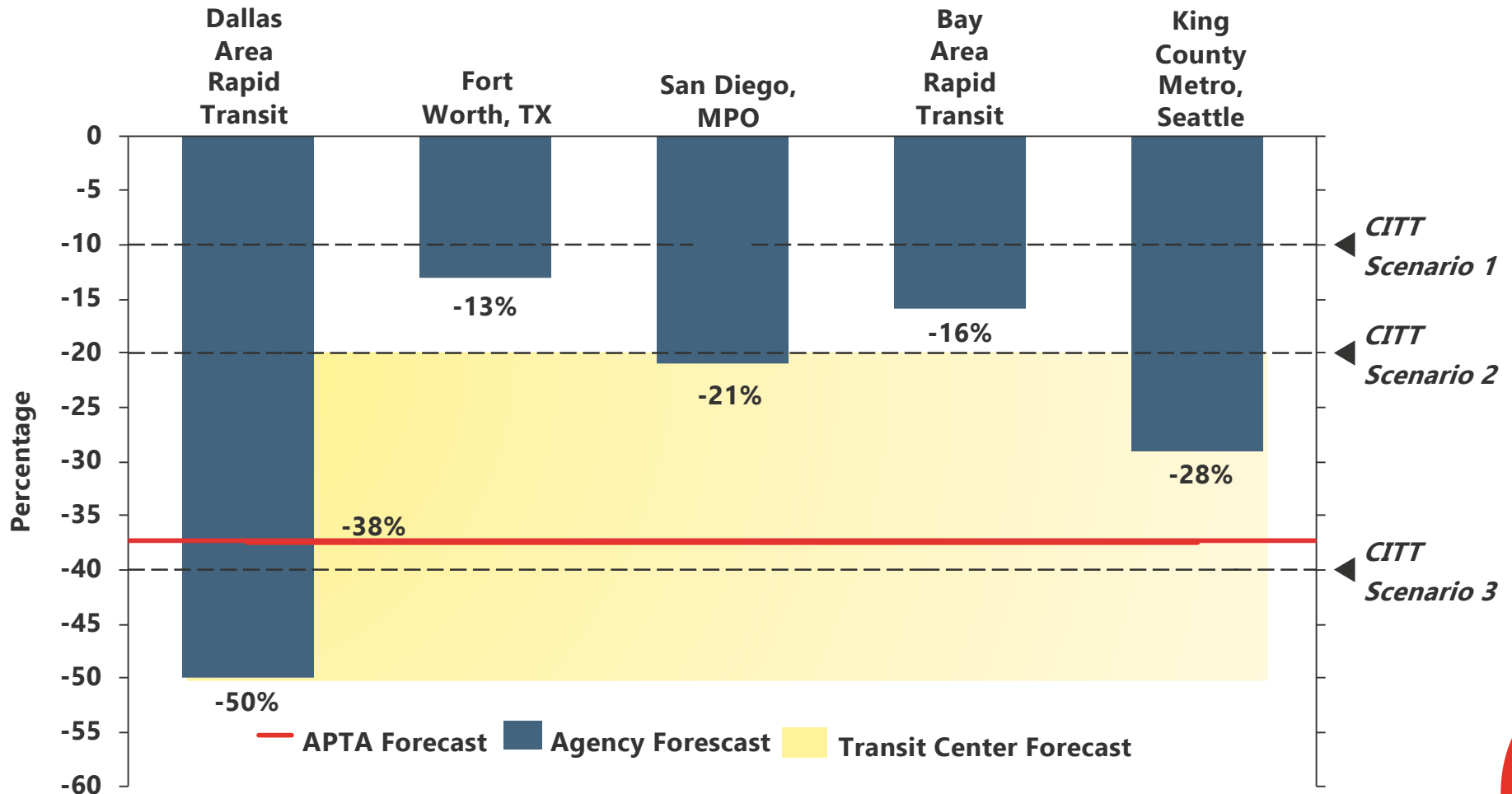
Nominal year-on-year in state sales tax revenues



Note: Percentage change is for 3-month moving averages.

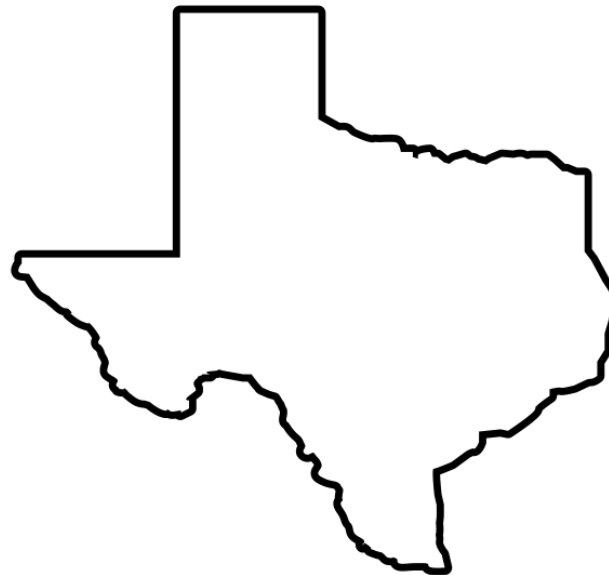
1. Inputs from Urban Institute

In May, governments and transit agencies forecasted significant declines in sales taxes for 2020—of at least 20% on an annual basis



But sales taxes began to pick up in July and August as retail activity picked up, such as in Texas

- In Dallas, July sales taxes were only down 5% year-on-year, with some communities showing gains
- Throughout Texas, August collections were up 0.2% year-on-year, with home improvement projects and staycations driving retail demand

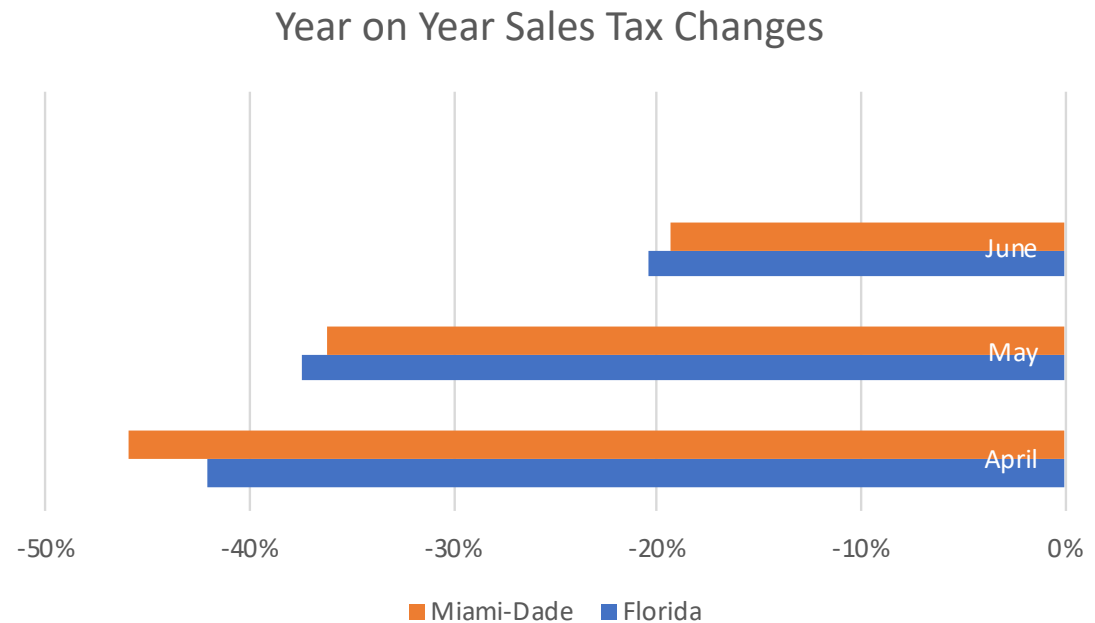


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Fewer tourists from Texas and other places still hurt Florida and Miami through June



Created by Oleksandr Panasovskyi
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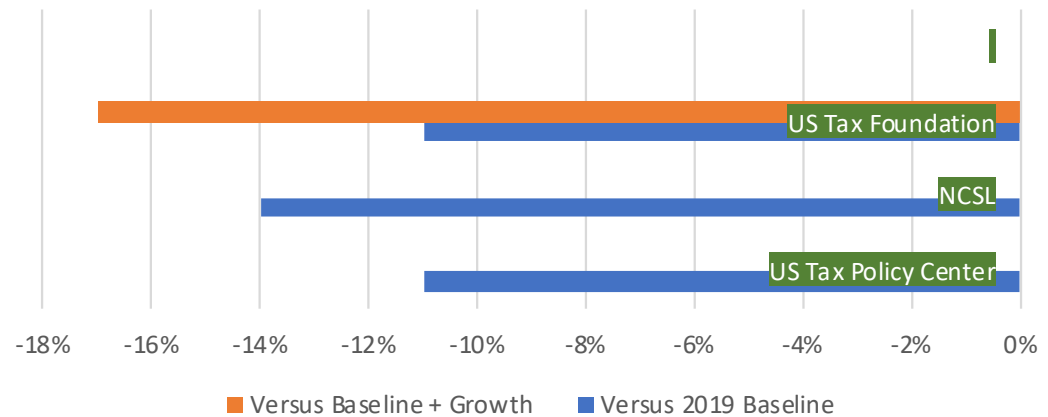
- Estimates are that Florida state August sales taxes will be up 8.4%, with the result that Florida sales taxes are down statewide 4% on an annualized basis as of August end

Nationally, projected sales tax shortfalls from COVID-19's economic fallout in FY2020 and FY2021 combined may be as high as 17%



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National Sales Tax Changes, FY2020 and FY2021



Rebel developed some initial scenarios of the Miami-Dade Surtax monies and implications for transit O&M and capital funding

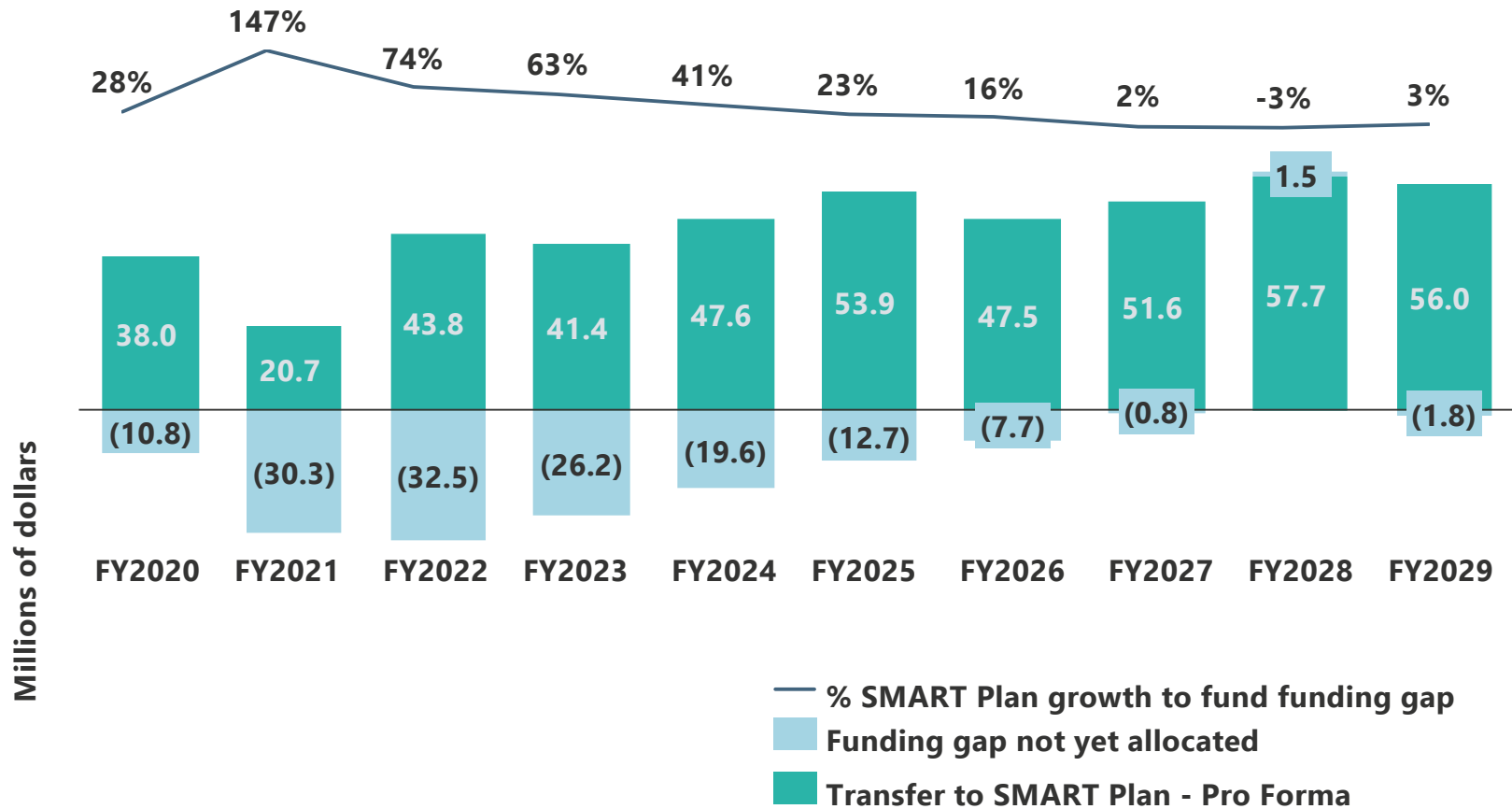
- Rebel has been guided by:
 - Sales tax impacts of other major municipal and transit sales tax programs and national forecasts
- Rebel also has incorporated the Surtax experience during the 2007 Recession and recent studies during COVID-19
- Rebel has prepared three scenarios:
 - These vary by the level of impact and how long it will take to get back to original projections (i.e. "normal")
 - These show the impact on programs and funds that the Surtax supports
- The analysis is primarily based on the FY2019-20 Pro Forma for allocation information

The scenarios below illustrate previous economic downturns or current assumptions on a range of potential short-to-medium-term outcomes

- **Scenario 1:** 2007 Recession – Follow similar path as previous crisis (10% decline over two FYs)
- **Scenario 2:** 20% Decline in Surtax Revenues (current FY)
- **Scenario 3:** 40% Decline in Surtax Revenues (current FY)

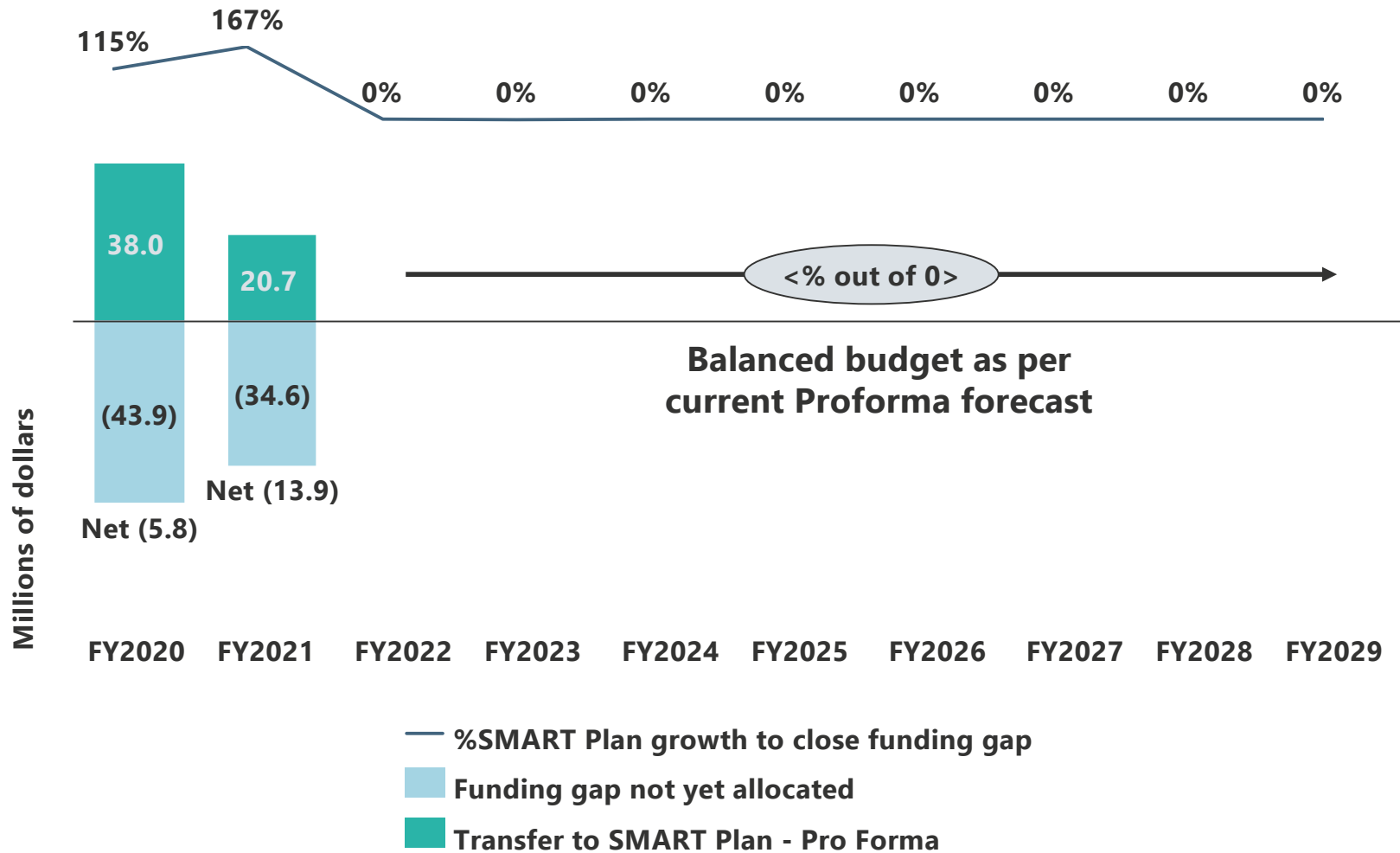
Under the 2007 recession scenario, the funding gap could be closed with SMART Plan pre-allocated funds, primarily in the next 5 years

Surtax Funding Gap – Scenario 1: 2007 Recession

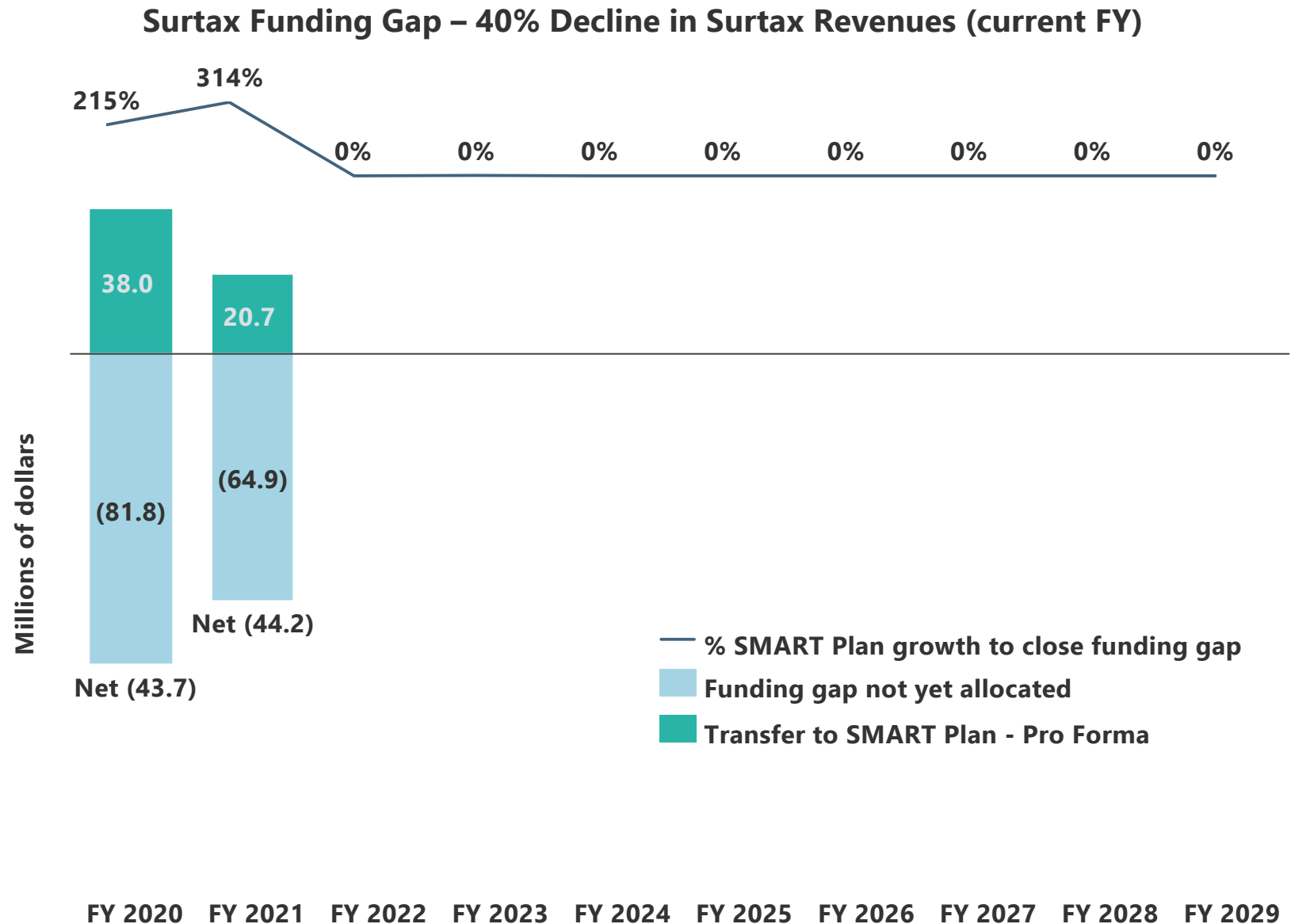


The funds allocated to the SMART Plan will not be able to bridge the funding gap - \approx \$79 M - in the short-term

- Surtax Funding Gap – 20% Decline in Surtax Revenues (current FY)



The funds allocated to the SMART Plan will not be able to bridge the funding gap in the short-term



The expected recovery could happen within three fiscal years; yet, the impact in the short-term (i.e. in FY2020 & FY2021) could be substantial in some scenarios

	Scenario 1: 2007 Recession	Scenario 2: 20% Decline in Surtax Revenues (current FY)	Scenario 3: 40% Decline in Surtax Revenues (current FY)
The expected surtax receipts match the current Pro Forma forecast – in nominal terms	FY2027	FY2023	FY2023
Additional funding gap in FY2020 & FY2021 combined	≈ \$40M	≈ \$79M	≈ \$147M

- Scenarios 2 and 3 assume that the economy returns to “normal” in the third fiscal year (FY2022), without any further funding gaps; if that assumption is incorrect, further gaps could occur
- Scenario 1 assumes a six-year recovery period (i.e. FY 2022-FY2027), during which time there are additional funding gaps of \$101M in nominal terms
- As described, if funds allocated to the SMART Plan are allocated to fill the funding gap, then the gaps are reduced to \$9M \$20M, and \$88M for Scenarios 1, 2, and 3, respectively

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