After Florida’s economy shrank 4.3 percent at an annualized rate in the first quarter of 2020 (January, February and March), the state’s economy contracted at its greatest rate in postwar history (30.1 percent) during the second quarter (April, May and June) as unprecedented shutdowns closed businesses and left over 1.3 million Floridians out of work. The back-to-back negative quarters were followed in the third quarter (July, August and September), by growth of 33.4 percent at an annualized rate and in the fourth quarter (October, November and December) by growth of 3.1 percent, according to the US Commerce Department, Bureau of Economic Analysis.

Through February, revenue collections had gained nearly $883 million to the Conference expectations, with reason to believe that March would add to the overage. Because the continuing risk to the forecast is still elevated due to the pandemic-induced economic effects on Florida’s tourism-sensitive economy, the Revenue Estimating Conference largely banked the year-to-date overage and assumed that the rest of the year would perform similarly. As a result, the Conference made sizeable adjustments to the forecast adopted in December. Anticipated revenues were revised upward by $1.475 billion in FY 2020-21 and by $550.8 million in FY 2021-22, for a two-year combined increase of $2.026 billion. These changes reflect increases over the previous estimates of 4.5 percent in FY 2020-21 and 1.6 percent in FY 2021-22. The difference between the two years (both in terms of levels and percentages) reflects the fact that much of the gain in the current year reflects a faster than expected recovery without materially changing expectations for future years.

By far the largest adjustment in the new forecast relates to Sales Tax. The anticipated gain to General Revenue is $875.5 million in FY 2020-21 and $331.0 million in FY 2021-22, with all six sales tax categories seeing increases in FY 2020-21. Even though signs of a return to pre-pandemic life are firmly in place, the Conference noted the future risk to sales tax collections associated with people returning to a normal purchasing mix of goods and services, as well as a more typical savings rate. Sales Tax had benefited from both of these behavioral changes over the past year.

Apart from Sales Tax, the greatest gain to the forecast came from Corporate Income Tax. Despite reduced profitability, business failures and delayed business formations exerting downward pressure on future receipts, the Conference essentially banked the year-to-date gains for the current year and projected that the tax rate and refund provisions in s. 220.1105, F.S., as passed by the 2018 Legislature may, once again, come into play for tax years beginning in 2021. After taking this into account, the forecast was increased by $242.1 million in FY 2020-21 and by $208.1 million in FY 2021-22.

With the changes described above, the state’s overall revenue collections for General Revenue this fiscal year move notably above last year’s pandemic-reduced collection level by 8.2 percent. Next fiscal year will see growth of 2.7 percent, with full recovery following in FY 2022-23 (growing by 5.1 percent over FY 2021-22) when all elements of the state’s tourism sector are fully restored.

Excluding Indian Gaming revenue which is still shown as zero, several of the revisions to the forecast (Tobacco Taxes, Article V Fees & Transfers, and Highway Safety Licenses & Fees) are the results of earlier conferences. Additional information regarding the estimates for sources adopted at prior conferences can be found on the Legislative Office of Economic and Demographic Research’s website: http://edr.state.fl.us/content/conferences/index.cfm.