EXECUTIVE SUMMARY
Revenue Estimating Conference for the General Revenue Fund
January 21, 2022

The new forecasts for the national and state economies adopted in December 2021 contained only slight revisions, straddling the prior forecasts for many of the economic metrics, most notably in the short-term. Economic disruption is still evident over the next few years, with some variables increasing from abnormally low activity and others dropping back from artificially high activity. Nonetheless, revenue collections over the past five months have far exceeded expectations and the economic fundamentals.

Fueled by the continuing influx of federal dollars, elevated savings and a still atypically high percentage of income spent on goods, revenue collections had gained $2.2 billion to the Conference’s expectations in August, with the next few months anticipated to add to the overage. Because the stimulus effects and outsized savings are now unwinding, the Revenue Estimating Conference crafted a glide path that largely removes those effects. As a result, nearly $3.3 billion (inclusive of the year-to-date overage) was added to the forecast for the current year, but only $704 million of that increase was retained for FY 2022-23. The two-year combined increase for FY 2021-22 and FY 2022-23 adds nearly $4.0 billion to the prior forecast. These changes reflect increases over the previous estimates of 8.9 percent in FY 2021-22 and 1.8 percent in FY 2022-23.

By far the largest adjustment in the new forecast relates to Sales Tax, which had benefitted from the greater spending on goods and low inflation in the past. The anticipated gain to General Revenue is $2.539 billion in FY 2021-22 and $732.9 million in FY 2022-23, with all six sales tax categories seeing increases in both years. The Conference noted future risks to sales tax collections include consumers returning to a typical purchasing mix of goods and services, and managing personal budget constraints in a period of rising inflation, as well as the diminishing effects of federal stimulus payments.

Apart from Sales Tax, the greatest gain to the forecast comes from the Documentary Stamp Tax. Expecting the surge in the residential real estate market to continue a little longer before higher mortgage rates begin to affect sales, the Conference added $296.7 million to the estimate for the current year and removed $49.9 million from the next. Further, while the Conference significantly increased the forecast for Corporate Income Tax, the temporary tax rate reduction and refund provisions in s. 220.1105, F.S., had previously been triggered for taxable years beginning on or after January 1, 2021, and before January 1, 2022. Thereafter, the provisions of s. 220.1105, F.S., no longer apply. After taking this into account, the forecast was increased by $175.5 million in FY 2021-22 and by $2.1 million in FY 2022-23.

With the changes described above, future growth rates over the prior year reflect a new pattern relative to the prior forecast, with 10.8 percent growth in FY 2021-22 over FY 2020-21 and a decline of -2.9 percent in FY 2022-23, before again increasing in FY 2023-24.

Several of the revisions to the forecast (Indian Gaming Revenues, 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.