

EXECUTIVE SUMMARY

Revenue Estimating Conference for the General Revenue Fund

March 14, 2025

Key variables from the new state and national economic forecasts adopted in February 2025 were modestly weaker than those adopted in July 2024, with the Conference noting that the risk was predominantly to the downside. Overall, the forecasting environment is considerably less stable over the short run than it was in the summer. Further, economic uncertainty exists from this point forward. For these reasons, the forecast changes were comparatively minor given the size of the General Revenue Fund.

Total revenue collections through January 2025 exceeded expectations since the last conference by \$595.7 million (or 2.2 percent). After analyzing this year-to-date performance, the Conference added \$768.3 million in total to the estimate for FY 2024-25 and \$503.5 million to the estimate for FY 2025-26, yielding a two-year combined increase of just under \$1.3 billion. These changes reflect increases over the previous estimates of 1.6 percent in FY 2024-25 and 1.0 percent in FY 2025-26, surpassing \$50 billion in that year.

Much of the upward adjustment to the prior forecast relates to Sales Tax. At the end of January, Sales Tax was 1.7 percent above the estimate for the year. With consumers facing increasingly strong headwinds, \$510.0 million was added to FY 2024-25 (1.4 percent), but only \$385.4 million (1.0 percent) was added to FY 2025-26.

Only one other revenue source was adjusted materially upward. Earnings on Investments were increased by \$399.5 million in FY 2024-25 and by \$236.1 million in FY 2025-26, for a combined total of nearly \$636 million for the two years. These gains can be attributed to favorable interest rates, as well as historically high balances in state accounts. While it is possible that future interest rates and the size of the investment pool may sustain a higher level of earnings over the longer term, the Conference felt there was increasing risk over this period and shaped the new forecast to reflect an assumption of more traditional conditions by FY 2029-30.

Corporate Income Tax had the largest reduction in the first two years of the new forecast. Based on recent performance and lowered corporate profit growth, the Conference reduced the forecast by \$135.8 million in FY 2024-25 and by \$86.0 million in FY 2025-26. Combined, the two-year reduction of \$221.8 million exceeds any other downward adjustment.

Several of the revisions to the forecast (Tobacco Taxes, Article V Fees & Transfers, Highway Safety Licenses & Fees, Counties Medicaid Share, Pari-Mutuel Taxes and Indian Gaming Revenues) 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>.