The US economy contracted at its greatest rate in postwar history during the second quarter as unprecedented shutdowns closed businesses and left millions of Americans out of work during the pandemic. According to the “advance” estimate from the US Commerce Department, Bureau of Economic Analysis, GDP shrank at an annualized rate of 32.9 percent, slightly better than the expected decline of 36.4 percent adopted as part the National Economic Outlook on July 10, 2020. The National Bureau of Economic Research (NBER) had previously dated the business cycle peak to February 2020 after 128 months of expansion, marking that month as the official turning point which began the recession. As a result of the pandemic-induced economic contraction, General Revenue collections for FY 2019-20 ended with a loss from the estimate for the General Revenue Fund of nearly $1.9 billion, down 5.7 percent from the expectations held in January 2020 when the last forecast was made. Of the total loss, 84.7 percent came from the Sales Tax distribution, which was down 6.1 percent from the anticipated level.

Recognizing the heightened risk to the forecast due to the pandemic-induced economic effects on Florida’s tourism-sensitive economy, the Revenue Estimating Conference made substantial adjustments to the forecast adopted in January. Anticipated revenues were revised downward by $3.4 billion in FY 2020-21 and by $2.0 billion in FY 2021-22, for a two-year combined decrease of $5.4 billion. This change reflects an overall 9.9 percent loss in FY 2020-21 and a 5.6 percent loss in FY 2021-22 from the prior estimates.

By far the largest adjustment in the new forecast relates to Sales Tax. The anticipated loss to General Revenue is $2.84 billion in FY 2020-21 and $1.25 billion in FY 2021-22, with about one-half of the loss each year attributed to severely dampened sales in the Tourism & Recreation sector. Even though a significant part of the loss arises from a reduction in the number of out-of-state tourists, this category also includes sales to Florida residents at restaurants, local attractions and other leisure-based activities which have also been negatively affected by the pandemic. The record-breaking increase in the savings rate that has developed since the beginning of the outbreak is also a factor since it comes at the expense of consumption.

Apart from Sales Tax, the greatest loss to the forecast came from Corporate Income Tax. Reduced profitability, business failures and delayed business formations are expected to drive receipts downward in FY 2020-21 by $493 million and by $663 million in FY 2021-22.

As a result of the changes described above, the state’s overall revenue collections for General Revenue this year will fall below last year’s already reduced collection level by nearly 1.2 percent, before beginning the recovery process in FY 2021-22 (growing by 8.7 percent over this year) when an effective vaccine is expected to be widely deployed.

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.