

EXECUTIVE SUMMARY
Revenue Estimating Conference for the General Revenue Fund
August 17, 2021
(Revised)

After Florida's economy shrank 0.5 percent in FY 2019-20, it appears to have grown 2.0 percent in FY 2020-21. The turnaround was led by a stronger than anticipated response to the back-to-back federal stimulus packages in December 2020 and March 2021, coupled with a faster than expected reopening of the economy in the last quarter of the fiscal year.

Through June 2021, revenue collections had gained \$2.3 billion to the Conference expectations in April, with July 2021 expected to add to the overage. Because the economy is largely returning to normal, the Revenue Estimating Conference has gained confidence in adding to the prior forecast for FY 2021-22 and FY 2022-23, even though some areas will be backing down from heightened activity levels associated with the federal response to the pandemic. As a result, the Conference made sizeable adjustments to the forecast adopted in April. Anticipated revenues were revised upward by \$1.4 billion in FY 2021-22 and by \$1.2 billion in FY 2022-23, for a two-year combined increase of \$2.6 billion. These changes reflect increases over the previous estimates of 4.0 percent in FY 2021-22 and 3.2 percent in FY 2022-23.

By far the largest adjustment in the new forecast relates to Sales Tax. The anticipated gain to General Revenue is \$1.367 billion in FY 2021-22 and \$668.5 million in FY 2022-23, with all six sales tax categories seeing increases in both years. Even though signs of a return to pre-pandemic life appear to be 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 seventeen months.

Apart from Sales Tax, the greatest gain to the forecast comes from Corporate Income Tax. While the Conference significantly increased the forecast, the temporary tax rate reduction and refund provisions in s. 220.1105, F.S., will, once again, be 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 \$307.2 million in FY 2021-22 and by \$536.0 million in FY 2022-23.

With the changes described above, the state's overall General Revenue collections move notably above the pre-pandemic forecasted levels for FY 2021-22 and FY 2022-23 by approximately \$1.2 billion each year; however, about one-half of the annual difference is attributable to the addition of Indian Gaming Revenues and retained online sales tax dollars which were previously not included. Because the recovery is largely in place, future growth rates over the prior year smooth relative to the prior expectations, ranging downward from 4.1 percent in FY 2023-24 to 2.5 percent in FY 2025-26, before again increasing in FY 2026-27.

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/>.