

## **EXECUTIVE SUMMARY**

### **Revenue Estimating Conference for the General Revenue Fund**

### **August 16, 2022**

The new forecasts for the national and state economies adopted in July 2022 notably lowered many of the economic metrics relative to those adopted in December 2021, largely as a result of the war in Ukraine's effects on the global economy and a significant upward shift in the level of inflation. Of note, the risk associated with the national economic forecast is skewed to the downside, with almost equal probabilities that the new forecast will unfold as predicted or fall short of expectations. Economic disruption is still evident, with challenges including the end of significant federal monetary and fiscal stimulus provided during the early years of the pandemic, the rapid drawdown of savings over the past year, the elevated use of credit over the past few months, the continued normalization of spending on services and away from taxable goods, and strong inflationary pressures on households. Nonetheless, revenue collections since January have far exceeded expectations and the economic fundamentals, confounding the ability to predict the impact and timing of key turning points.

After coming in nearly \$3.85 billion over estimate for FY 2021-22, the Conference added a similar amount (\$3.45 billion) to the overall forecast for FY 2022-23. Even at that, the new forecast for collections embeds a decline of -4.6 percent from the outsized prior year. Assuming a downshift will begin sometime in the current year, the Conference increased the FY 2023-24 forecast by \$1.82 billion, with the positive annual adjustments declining thereafter. The two-year combined increase for FY 2022-23 and FY 2023-24 adds nearly \$5.3 billion to the prior forecast. These changes reflect increases over the previous estimates of 8.9 percent in FY 2022-23 and 4.5 percent in FY 2023-24.

The current economic environment presented significant forecasting challenges which were reflected in the greater than usual variation among the proposed estimates. By far the largest adjustment in the new forecast relates to Sales Tax, which had benefitted from the greater spending on goods and the initial effect of inflation. The anticipated gain to General Revenue is \$2.44 billion in FY 2022-23 and \$1.20 billion in FY 2023-24, 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.

Apart from Sales Tax, the greatest gain to the forecast comes from the Corporate Income Tax. The Conference increased the forecast by \$645.9 million in FY 2022-23 and by \$528.9 million 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>.