EXECUTIVE SUMMARY
Revenue Estimating Conference for the General Revenue Fund
December 21, 2020

After the US economy shrank -5.0 percent at an annualized rate in the first quarter of 2020 (January, February and March), the US economy contracted at its greatest rate in postwar history (-31.4 percent) during the second quarter (April, May and June) as unprecedented shutdowns closed businesses and left millions of Americans out of work during the pandemic. 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. The back-to-back negative quarters were followed in the third quarter (July, August and September), by growth of +33.1 percent at an annualized rate according to the “second” estimate released by the US Commerce Department, Bureau of Economic Analysis. The third quarter Gross Domestic Product (GDP) level is still 2.9 percent lower than the third quarter of 2019.

Through November, revenue estimates had gained slightly over $1.0 billion to the Conference expectations, with reason to believe that December would add to the overage. Because the continuing risk to the forecast is still high due to the pandemic-induced economic effects on Florida’s tourism-sensitive economy, the Revenue Estimating Conference largely banked the year-to-date overage and assumed that the rest of the year would perform in accordance with the prior forecast. As a result, the Conference made sizeable adjustments to the forecast adopted in August. Anticipated revenues were revised upward by nearly $1.5 billion in FY 2020-21 and by $623 million in FY 2021-22, for a two-year combined increase of $2.1 billion—restoring 39.0 percent of the $5.4 billion reduction taken in August. These changes reflect increases over the previous estimates of 4.8 percent in FY 2020-21 and 1.8 percent in FY 2021-22.

By far the largest adjustment in the new forecast relates to Sales Tax. The anticipated gain to General Revenue is $806.6 million in FY 2020-21 and $205.3 million in FY 2021-22, with five of six sales tax categories seeing increases in FY 2020-21. Only expected revenues in the vulnerable Tourism & Recreation sector were reduced. Even though a significant part of this category relates to 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 year-to-date gain in this category relates to restaurant sales which are particularly sensitive to individual social-distancing decisions as consumers face a resurgence in the pandemic.

Apart from Sales Tax, the greatest gain to the forecast came from Corporate Income Tax. Despite reduced profitability, business failures and delayed business formations exerting downward pressure on receipts, the Conference essentially banked the year-to-date gains for the current year. The forecast was increased by $252.9 million in FY 2020-21 and by $274.7 million in FY 2021-22.

With the changes described above, the state’s overall revenue collections for General Revenue this year move notably above last year’s pandemic-reduced collection level by 3.5 percent, before beginning the recovery process in earnest in FY 2021-22 (growing by 5.7 percent over this year) when effective vaccines are 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.