

## HOW WILL THE 2023 LEGISLATURE HANDLE A RECORD \$13.5 BILLION BUDGET SURPLUS?

**As Florida TaxWatch has been detailing in our Budget Watch series,<sup>1</sup> the state's fiscal circumstances have been steadily improving since the initial shock (and resultant revenue loss) at the beginning of the pandemic.** Even with historic state spending and tax cuts over the last two budgets, record reserves still exist. Florida's tax system continues to produce revenue at a breakneck pace, with actual collections beating the estimate in each month over the last two year. Lately, the magnitude of the overage has been staggering. In the last three months of FY2021-22 (April-June), collections exceeded estimates by \$2.545 billion (23.9 percent).

Now, the new *Long-Range Financial Outlook*,<sup>2</sup> recently adopted by the Joint Legislative Budget Commission, adds estimated expenditures to the equation. **The result is by far the largest projected General Revenue (GR) budget surplus ever forecast by the Outlook--\$13.5 billion for the next budget (FY2023-24). The surplus grows to \$14.6 billion FY2024-25 and \$15.5 billion in FY2025-26.**

This estimated surplus assumes the 2023 Legislature will fund the entire current recurring base budget and add funding to pay for increased workloads, such as the number of PreK-12 students and Medicaid recipients (as determined by the state's estimating conferences). It also includes some average increases in spending and the restoration of non-recurring funding that the Legislature has historically funded. The *Outlook* includes more tax cuts and assumes that the Legislature will leave \$1.7 billion in unspent cash reserves (plus \$3.1 billion in the Budget Stabilization Fund and \$499 million in the new Emergency Preparedness and Response Fund). The estimated surplus assumes no new initiatives or extraordinary increases in funding, but it also does not include any reduction/elimination of appropriations in the base budget. The surpluses forecast for the next two budget years assume the Legislature follows this budget blueprint.

The *Outlook* is a constitutionally required annual report that compares estimated revenues to expenditures to give the Legislature a sense of the state's budget position going into session and

<sup>1</sup> <https://floridatxwatch.org/Research/Budget-Hub>

<sup>2</sup> Florida Legislature, Long-Range Financial Outlook, Fiscal Years 2023-24 through FY 2025-26, September 10, 2022. Available at [http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan\\_Fall-2022\\_2024-2226.pdf](http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan_Fall-2022_2024-2226.pdf)

whether lawmakers can expect a budget shortfall or surplus (for more description of the *Outlook*, see Appendix). It is a valuable tool that also looks ahead, giving a sense of what past budgetary actions mean for the state's financial outlook over the next three years.

## BUDGET OUTLOOK

It is now estimated that there will be \$13.7 billion in unobligated GR remaining at the end of the current budget year. This money will be carried forward into the next year and is available for the 2023 Legislature to use for the FY2023-24 budget.

Adding the new revenue estimate results in \$56.377 billion in total available GR (see table on next page), considerably more than the current base budget of \$39.022 billion. The *Outlook's* critical needs (\$0.421 billion) and high priority needs (\$1.536 billion) means it will take \$40.970 billion to fund a budget that largely keeps doing what the Legislature did last year. After allowing for a reserve of \$1.663 billion and making adjustments for assumed tax cuts and trust fund sweeps, a budget surplus of \$13.534 billion remains.

It is interesting to note that the new revenue expected to be collected in FY2023-24 is more than enough to cover all estimated expenditures (including the critical and high priority needs) and tax cuts, meaning more money would be carried forward into FY 2024-25 than was carried forward into this year. This is in contrast to past *Outlooks* which warned that a "structural imbalance" existed in the state's budget, where recurring spending was outstripping recurring revenues—leading to increasing deficits in the future.

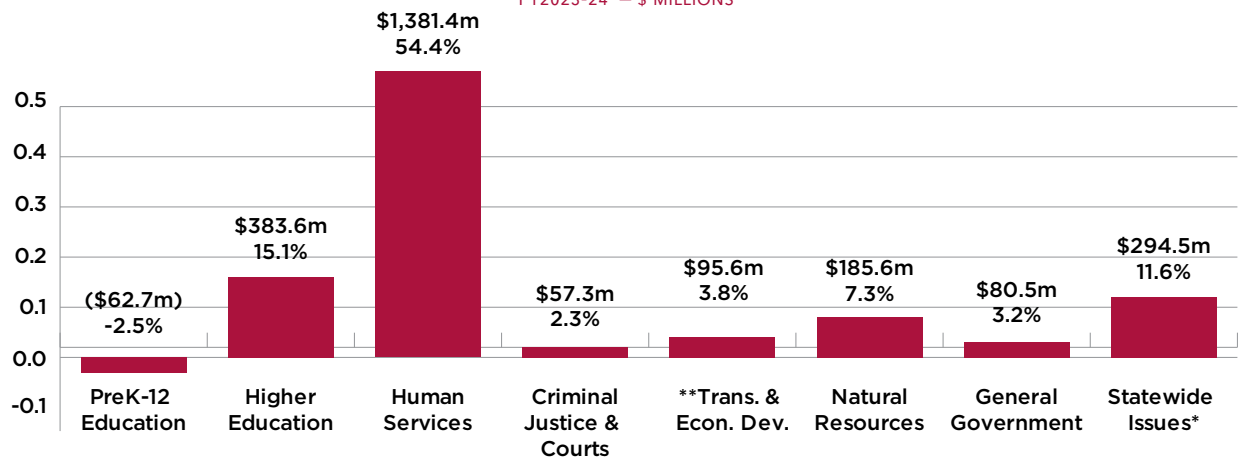
## BUDGET OUTLOOK - FY 2023-24 THROUGH FY 2025-26

GENERAL REVENUE - \$ IN MILLIONS

	FY23-24	FY24-25	FY25-26
<b>Revenues</b>			
Unspent GR from Prior Year	\$13,688	\$15,198	\$16,334
Estimated Revenues	\$42,649	\$43,979	\$44,824
Total GR Available for Appropriation	\$56,337	\$59,177	\$61,158
<b>Expenditures</b>			
Recurring Base Budget	\$(39,022)	\$(40,002)	\$(41,074)
Increase - Critical Needs	\$(412)	\$(801)	\$(767)
High Priority Needs	\$(1,536)	\$(1,847)	\$(1,849)
Total Estimated Expenditures	\$(40,970)	\$(42,650)	\$(43,690)
Tax Cuts (see note)	\$(297)	\$(321)	\$(345)
Trust Fund Sweeps	\$128	\$128	\$128
Minimum GR Cash Reserve	\$(1,663)	\$(1,715)	\$(1,748)
<b>Budget Surplus</b>	<b>\$13,534</b>	<b>\$14,619</b>	<b>\$15,502</b>
Note: Assumes the same amount of tax relief is adopted each year--\$24.0 million in recurring tax cuts (\$16.8 million in first year) and \$280.0 million in one-time cuts. The recurring portion of the cuts compounds the amount in subsequent years. Source: Florida TaxWatch from data in the 2022 Long-Range Financial Outlook			

## CRITICAL AND HIGH PRIORITY NEEDS BY PROGRAM AREA VS. FY2021-22

FY2023-24 - \$ MILLIONS



\* Includes state employee salary and benefit increases, capital improvements, statewide technology issues, etc.

\*\* Transportation is usually funded entirely by trust funds, so the Outlook includes no additional costs for transportation.

Source: Florida TaxWatch from data in the 2022 Long-Range Financial Outlook

## WHAT ARE THE \$1.948 BILLION IN ESTIMATED GR NEEDS FOR FY2023-24?

This detailing of the \$0.412 billion in Critical Needs and \$1.536 billion in High Priority Needs focuses on General Revenue (as does the *Outlook*). Many of these issues will require additional trust fund revenue as well.

### PREK-12 EDUCATION (TOTAL NEED: \$298.0 MILLION LESS IN GR)

**Critical Needs (\$321.8 million GR)** – The critical need in education is the GR required to fund enrollment growth and increase per-student funding. Enrollment growth of 45,272 students (1.5 percent) and increasing per-student funding for all students by 2.67 percent (the average of the last three years) will require \$1.037 billion in additional funding.

However, under the *Outlook's* forecast, most of this increase will be paid for by local taxpayers. It is assumed that the Legislature will keep the same millage rate for Required Local Effort (RLE)<sup>3</sup> and the nonvoted discretionary millage of 0.748, as it did for the current year. Rapidly escalating property values means keeping the same millage rates will produce an additional \$854.0 million in school property taxes. This reduced the state's share of funding these critical needs to \$182.5 million.

***Florida TaxWatch recommends that the Legislature reduce the RLE millage rate at least closer to the rolled-back rate. With the budget surplus that the state is enjoying, a property tax increase is not needed to fund increased PreK-12 funding.***

Moreover, this cost is more than covered by increased revenue in two education trust funds,<sup>4</sup> resulting in extra revenue of \$502.2 million that can be used instead of GR. The result is that funding enrollment growth and a 2.67 percent per-student increase will require \$319.7 million less GR next year.

The other Critical Need in education will also help the budget's bottom line. A reduction of 715 students next year (compared to the number funded in the current budget) in the Voluntary Pre-Kindergarten Program will reduce needed GR funding by \$2.1 million (at the current per-student level).

**High Priority Needs (\$23.9 million)** – While enrollment in the Voluntary Pre-Kindergarten program will drop next year, the *Outlook* assumes a 4.93 percent increase in per-student funding (based on the average annual increase provided by the Legislature over the past three years). A small increase for the operations of the Florida School for the Deaf and Blind is also included.

<sup>3</sup> Required Local Effort (RLE) is the amount of property taxes school districts must levy in order to participate in the state's school funding formula—the Florida Education Finance Program. The Legislature sets the amount of RLE—currently \$8.852 billion—in the General Appropriations Act each year, although it is not counted as a state appropriation. The current RLE millage rate is 3.606 mills statewide. School districts may also levy a non-voted local discretionary millage of 0.748 mills, that produces an additional \$1.888 billion.

<sup>4</sup> The Educational Enhancement Trust Fund (funded by the lottery and slot machines) and the State School Trust Fund (funded by unclaimed property).

## HIGHER EDUCATION (TOTAL NEED: \$385.2 MILLION GR)

**Critical Needs (-\$69.8 million (reduction from FY2021-22))** – An additional \$0.9 million in GR will be needed to fund more eligible students for the Children and Spouses of Deceased/Disabled Veterans scholarship program. Bright Futures Scholarships are funded by the Educational Enhancement Trust Fund (Lottery) and fewer eligible students will reduce needed lottery funds by \$6.4 million in FY 2023-24.

In addition, growth in lottery and slot revenues provides an additional \$70.7 million from the Educational Enhancement Trust Fund to be used in higher education instead of GR. This reduces the total GR cost of the Critical Needs.

**High Priority Needs (\$455.0 million GR)** – The *Outlook* continues the \$265.0 million annual appropriation for State University System Performance funding. It further provides increased workload funding for state universities (\$124.9 million), colleges (\$58.2 million), and school district workforce education (\$6.7 million). This does not include funding for member projects, of which there will likely be many.

Increased funding of \$0.2 million is provided for student financial assistance programs—Effective Access to Student Education (EASE) and the Benacquisto Scholarship Program.

## HEALTH & HUMAN SERVICES (TOTAL NEED: \$526.7 MILLION GR)

The COVID-19 pandemic and massive unemployment from the attendant economic slowdown resulted in a large increase in Floridians in need. Not surprisingly, the cost of providing assistance to these families results in this budget area requiring the most additional funding.

**Critical Needs (\$185. million)** – Medicaid is a \$36.4 billion federal and state program, the largest single program in the state budget, accounting for one-third of the state budget. The pandemic swelled Medicaid enrollment and the number of recipients now stands at 5.4 million people (FY2022-23). This is 1,546 million more people than in FY2019-20 (pre-COVID). The number of recipients is expected to begin declining next year, but total enrollment will stay above pre-pandemic levels through at least FY2027-28.<sup>5</sup> Medicaid is funded through GR, various state trust funds, and federal funds. While total program expenditures are expected to increase by only \$164 million (0.5 percent) in FY2023-24, the state's share of Medicaid funding is rising \$1.466 billion (10.6 percent). Additional GR need is estimated at \$1.161. This is due in large part to the expected decrease in the Federal Medical Assistance Percentage (FMAP)—the federal share of costs—which was temporarily increased by 6.2 percentage points during the pandemic's personal health emergency. The FMAP increase was extended but is now scheduled to end in October 2022. The forecast assumes the FMAP will return

<sup>5</sup> Florida Social Services Estimating Conference, Medicaid Caseloads and Expenditures, July 29 and August 8, 2022. <http://edr.state.fl.us/Content/conferences/medicaid/index.cfm>

to its normal rate at this now-scheduled date. If the increased FMAP is extended again, the state's cost will be less.

Florida's Kidcare program—which implements the federal Children's Health Insurance Program (CHIP)—provides health insurance to uninsured low-income children. The federal government pays roughly three-quarters of the cost of the program. The latest enrollment estimate decreased the expected number of children in the program, but enrollment is still increasing significantly year to year. The more than 63,000 additional children in the program will cost the state \$166.3 million (\$43.6 million in GR) more next year.

In contrast, enrollment is expected to decrease in the Temporary Assistance for Needy Families (TANF) program—another federal/state program. TANF provides assistance (including cash payment) and work opportunities to families in need. A drop in needed GR of \$31.1 million will result next year.

**High Priority Needs (\$341.0 million)** – Increases in GR funding (plus \$366.8 million in trust funds) for the following programs are assumed in the *Outlook*:

- Medicaid - \$58.9 million in GR (plus \$92.0 million in trust funds) is provided to the Agency for Health Care Administration and the Department of Elder Affairs for provider rate increases and additional waiver slots for the elderly.
- Children and Families - \$199.1 million in GR (plus \$220.5 million in trust funds) to fund increases for adoption subsidies, community-based care lead agencies, child abuse investigations, foster care room and board rates, domestic violence prevention and services, children's legal services, and mental health and substance abuse initiatives.
- Health - \$10.5 million in GR (plus \$24.5 million in trust funds) to fund increases for Early Steps, newborn screening, Child Protection Teams, Medical Quality Assurance, HIV/AIDS programs, epidemiology programs, three Florida Poison Control Centers, Minority Health Initiatives and the Office of Medical Marijuana Use.
- Persons with Disabilities - \$42.8 million in GR (plus \$69.2 million in trust funds) is estimated to be needed to reduce the waitlist for the developmental disability waiver, additional client needs, increased administrative costs, replacement of motor vehicles, agency-nursing contracts, and Medicaid Waiver provider rate increases.
- Veterans Affairs - \$4.5 million in GR (plus \$2.2 million in trust funds) is included for the Entrepreneurship Program, the Veterans Training Grants Program, veterans' home equipment, and routine maintenance at veterans' nursing homes.

- Elder Affairs - \$17.4 million in GR (plus \$0.3 million in trust funds) in additional funding is included for reducing the Community Care for the Elderly and the Home Care for the Elderly program waitlists, Alzheimer's disease respite services, Public Guardianship services, and Aging Resource Centers.
- Information Technology - \$7.8 million in GR (along with \$84.7 million in trust funds) to complete the Agency for Persons with Disabilities' Client Data Management System, the Department of Veterans' Affairs computer enhancements, the Florida Medicaid Management Information System transition, facility regulation in the Agency for Health Care Administration, modernizing the Department of Children and Families' Florida System (ACCESS) and Florida Safe Families Network (FSFN), continuation of Enterprise Client Information, the Tracking System (eCIRTS) Project in the Department of Elder Affairs, and the Department of Health's Centralized Online Reporting, Tracking, and Notification Enterprise (CORTNE) Accounting and Budgeting System.

## ECONOMIC DEVELOPMENT AND TRANSPORTATION (TOTAL NEED: \$102.0 MILLION GR)

**Critical Needs (none)** - The Department of Transportation's work program is funded by the State Transportation Trust Fund--not GR--so transportation system needs are not reflected here. DOT's work program is estimated at \$9.7 billion in FY2023-24.

**High Priority Needs (\$102.0 million)** - \$36.9 million in GR is included for economic development and workforce programs, including the Job Growth Grant Fund. The rest would go to traditional economic development programs.

The Outlook assumes no new funding for any other economic development programs or increased funding for VISIT Florida or affordable housing.

Funding of \$59.7 million is included for the Department of State's grant programs--libraries, cultural affairs, and historic preservation, as well as election litigation and special election costs.

Funding is included for maintenance and security enhancement of National Guard armories, National Guard tuition assistance, and workers compensation claims for troops who become injured while on state active duty (\$5.4 million).

## CRIMINAL JUSTICE & COURTS (TOTAL NEED: \$34.0 MILLION)

**Critical Needs** – No critical needs are included in the *Outlook*.

**High Priority Needs (\$34.0 million)** – In Corrections, \$1.6 million is included for education and training programs.

In the Department of Juvenile Justice (DJJ), GR of \$2.6 million is included for increased community supervision costs, and for prevention programs that target high-risk juveniles.

Another \$22.5 million in increased costs are included for more safety equipment and security cameras in DJJ, and motor vehicle replacement and information technology improvements in other criminal justice agencies.

In Justice Administration, the Outlook includes an increase of \$1.0 million for increased workload costs, including the state's five Criminal Conflict and Civil Regional Counsels and Capital Collateral Regional Counsels.

In the Judicial Branch, an increase of \$6.3 million is provided for the certification of additional judgeships and problem-solving courts—such as drug, veterans, mental health, and early childhood courts. These are supported by Florida TaxWatch as a way to reduce recidivism and improve societal outcomes.

## NATURAL RESOURCES (TOTAL NEED: \$326.2 GR MILLION)

**Critical Needs** – No critical needs are included in the *Outlook*.

**High Priority Needs (\$326.2 million GR)** – Although there are no additional critical needs identified, Natural Resources has the largest amount of high priority needs over the three-year forecast--\$1.6 billion. This is due to the additional investments made by the Legislature in this area in recent years (since the *Outlook* uses the average appropriation over the last three-years). Funding of \$40.2 million GR (along with \$896.4 million in trust funds) is provided for water and land conservation. This includes Florida Forever, Everglades restoration, Lake Apopka water quality improvements, alternative water supply, beach restoration, and land management.

Another \$286.0 million in GR and \$50.9 million in trust funds is included in FY2023-24 for a myriad of environmental and agricultural programs including water projects, drinking water and wastewater loan programs, Florida Keys restoration, the Florida Resilient Coastlines Program, citrus recovery, and other agricultural and Fish & Wildlife Commission programs. The Legislature is expected to continue to fund scores of local water projects, so the *Outlook* includes these.

**Florida TaxWatch reiterates its recommendation to develop a formal, comprehensive competitive selection process for these member projects.<sup>6</sup>**

## **GENERAL GOVERNMENT (TOTAL NEED: \$90.5 MILLION GR)**

**Critical Needs (\$58.4 million GR)** - State law requires the Legislature to provide money to fiscally constrained counties to offset property tax reductions arising from two constitutional amendments. While paid annually, this money is considered non-recurring and is not part of the budget base, so the entire payment is included in Critical Needs. This will cost \$58.3 in the next budget.

A small increase (\$0.1 million) is expected in Non-Florida Retirement System Pensions and Benefits (such as for the Florida Natural Guard and disabled justices and judges).

High Priority Needs (\$32.1 million GR) - GR of \$31.3 million and \$20.3 million in trust funds is included for general repair and maintenance of the state building pool and \$38.7 million (\$0.8 million GR) is provided for other general government activities like tower leases for the Statewide Law Enforcement Radio System, contract costs for the Florida Accounting Information Resource replacement, and aerial photography for small counties.

## **STATEWIDE ISSUES (TOTAL NEED: \$781.2 MILLION)**

**Critical Needs (\$559.8 million)** - While the state employee health insurance program is expected to have a \$427.7 million surplus at the end of the current year, a deficit of \$169.0 million is forecast for next year. This deficit grows to \$866.4 million in FY2024-25 and \$1,154.4 million in FY2025-26. The Outlook also assumes the Legislature will address this with both a 6.5 percent increase in employer (agency) paid premiums (as it did in 2020) and transfer \$200 million to the insurance trust fund (as it did in 2022). This would mean a \$288.9 increase in needed funding for FY2023-24. Two cost containment measures passed by the 2022 Legislature could help reduce future costs.

The state will also continue providing full funding to amortize any unfunded liability in the Florida Retirement System. Under the most recent annual actuarial valuation, no additional expenditures would be needed. However, since the 2022 FRS Actuarial Assumption Conference and the Fiscal Year 2021-22 Annual Actuarial Valuation are not yet available, the Outlook uses the three-year average increase in appropriations (\$24.6 million annually) to estimate needed additional funding.

The state's risk management self-insurance fund will also need an additional \$36.1 million next year to avoid a deficit.

<sup>6</sup> Florida TaxWatch, The 2022 Budget Turkey Watch Report: An analysis of the transparency and accountability of the budget process, April 2022.

FEMA Match - The state matching requirement for all open federally declared disasters will require \$243.9 million next year. The match (typically 25 percent) covers previous hurricanes and other natural disasters, including COVID-19 response. An active hurricane season in FY 2023-24 could increase this amount.

**High Priority Needs (\$221.4 million GR)** - A total of \$264.5 million (\$146.0 million GR) is provided for state employee bonuses and competitive, merit, minimum wage pay adjustments and \$97.3 million (\$21.9 million GR) is provided for critical repairs and capital improvements of state buildings.

## CONCLUSION

When all of the spending that has taken place in Florida over the last two sessions is considered, the record budget surplus estimated in the new *Long-Range Financial Outlook* is even more remarkable. The state budget now stands at \$110 billion, an increase of \$19 billion (19.4 percent) in just two years. This spending does not include tens of billions in federal stimulus funding Florida has spent making generational investments in the state's infrastructure and environment. It also doesn't include building up the states reserves. The Budget Stabilization Funds now stands at \$3.1 billion, and the Legislature created a new \$500 million Emergency Preparedness and Response Fund. Add in the General Revenue unobligated by the FY2022-23 budget, and Florida's reserves total \$17.4 billion, 41.3 percent of expected GR collections. The Legislature also put aside \$2 billion in an insurance loss contingency fund.

All this happened and the state still has a record budget surplus for next year? Overall, this is good news for taxpayers as these funds will keep our bond rating high and bolster the Florida Legislature's efforts to craft a 2023-2024 budget that addresses education, housing, healthcare, workforce, and other critical needs. What's more, it should give our elected leaders another opportunity to return some of this windfall back to taxpayers. Governor DeSantis has already released his tax recommendations for the Legislature's consideration next session. He is recommending tax relief of \$1.1 billion, focusing on saving families money through tax holidays and a host of permanent and temporary sales tax exemptions. This is on top of the \$38 million proposal to reduce tolls for those who are frequent users of the Florida Turnpike and other state toll roads.

***Florida TaxWatch recommends that the Legislature reduce the Required Local Effort property tax millage rate to help offset rapidly rising property values and use state dollars to fund increased PreK-12 spending. With the budget surplus that the state is enjoying, a property tax increase is not needed.***

The Legislature must exercise caution when considering the budget surplus. Florida's overheated revenue machine is showing signs of cooling off and unstable economic times add considerable downside risk to the new GR forecast. The state's economists point out that the risk in the economic forecast "is skewed to the downside," with an equal chance it will fall short of expectations.<sup>7</sup>

The *Outlook* points out the many ongoing challenges, including the end of federal pandemic relief and stimulus funding; rapid depletion of personal savings over the past year; the elevated use of credit over the past few months; and the return of spending on services and away from taxable goods. This could mean a stop to the factors that have fueled the growth in Florida's sales tax collections over the last two years.

There are also the major worldwide concerns of strong inflationary pressures, supply chain problems, and the war in Ukraine.

Florida is in a very strong fiscal position, the best in history, but Florida state and local governments should remember a lesson learned back in 2007—when the housing bubbled burst—about what can happen when you spend windfall revenue and things suddenly turn south.

## APPENDIX

### WHAT IS THE LONG-RANGE FINANCIAL OUTLOOK?

The *Long-Range Financial Outlook* is a valuable, constitutionally required budget planning tool that looks ahead three years, comparing estimated revenues and expenditures. This summer's round of state estimating conferences was the basis for the *Outlook*, which is produced annually by the Florida Legislature's Office of Economic and Demographic Research and the House and Senate Appropriations Committees. The *Outlook* focuses on General Revenue (GR), the funds that can be spent by the Legislature on anything and that are major source of funding for education, human services and criminal justice. The *Outlook* also forecasts some trust funds that can affect the need for GR spending in certain areas of the budget, such as the Educational Enhancement Trust Fund, which provides lottery and slot machine revenue for education.

The *Outlook* first projects the amount of GR that will be available for the budget. That amount is then compared to the base budget (recurring appropriations in the current budget) plus an estimate of increased spending needed for a "continuation budget." The difference in projected revenues and expenditures is the projected surplus or shortfall, after assuming the Legislature will leave some GR unobligated for cash reserves.<sup>8</sup>

<sup>7</sup> General Revenue Estimating Conference, Executive Summary, August 16, 2022. <http://edr.state.fl.us/Content/conferences/generalrevenue/index.cfm>

<sup>8</sup> Historically, the Outlook assumed the Legislature would leave \$1.0 billion in cash reserves, a level Florida TaxWatch cited as being too low. Beginning last year, the Outlook assumes cash reserves of 3.9 percent of estimated total GR. For the new Outlook, this amounts to \$1.663 billion in the first year FY 23-24, growing to \$1.748 billion in two years.

The forecasted growth in expenditures is made up of two categories. **Critical Needs** are mandatory increases (based on estimating conferences and other essential items), representing the minimum cost to fund the budget without significant programmatic changes. New initiatives and funding increases above what is required are not included. For example, the cost of funding additional Medicaid enrollees is included as a critical need but added services or increased provider payments are not. Historically, maintaining per-student PreK-12 student funding levels and increased Medicaid costs make up the vast majority of these new “critical needs.” **High Priority Needs** are historically funded issues that are typically viewed as “must fund” in normal budget years. These can include the continued funding of programs paid for with non-recurring revenues, as well as non-mandatory increases for recurring programs. These are usually calculated by using the three-year average appropriations for that program. Adding these two categories to the recurring expenditures in the current budget comprises what can be thought of as a continuation budget.

In 2015, the *Outlook* began assuming the Legislature will cut taxes (reducing GR) and sweep trust funds<sup>9</sup> (increasing GR). These are estimated using the average of the previous three years, adjusted for statutory “reverse transfers” from GR to trust funds. These two changes are subtracted/added to the estimate of available GR. Generally, the estimate of trust fund sweeps has been larger than the tax cut estimate, so this usually improves the budget outlook in the first year (although this is not the case in FY2022-23); however, since a portion of the tax cuts is considered recurring, while the sweeps are non-recurring, the impact of the tax cuts compounds over time.

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<sup>9</sup> The Legislature often transfers money from trust funds, which has specified uses, to GR, which may be used for anything. For more information see Florida TaxWatch, Putting the Trust Back in Trust Funds, March 2014 and The Legislature Must Stop Diverting Affordable Housing Funding, April 2019.

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