

## FY2021-22 REVENUE COLLECTIONS BEAT ESTIMATE BY \$3.8 BILLION

*New General Revenue Estimates Add Another \$5.3 Billion to Amount Available for the Next Budget*

**The Revenue Estimating Conference (REC) met on August 16, 2022, to develop the state's new forecast for general revenue (GR) collections.** After the close of FY2021-22, which wildly exceed revenue expectations, the REC increased the estimates for FY2022-23 and 2023-24 by a total of \$5.3 billion. All this revenue adds to an already large surplus and will be available to the 2023 Legislature to use for the new FY2022-23 state budget. The REC increased its estimate for GR collections by \$3.5 billion in the current year (FY2022-23) and by \$1.8 billion in FY2023-24. The estimates increased significantly despite the forecast including no revenue from Indian Gaming, due to a court ruling that the new Seminole Compact is invalid. This removed \$945 million from the forecast.

Florida's tax system continues to produce revenue at a record rate, as June 2022 marked the 22<sup>nd</sup> consecutive months that GR collections exceeded the estimates. After actual collections beat the August 2021 estimate by \$2.2 billion in the first half of FY2021-22, the January 2022 GR Estimating Conference increased the estimate for the fiscal year by \$3.3 billion. That new increased estimate still proved to be conservative, as actual collections in the 2<sup>nd</sup> half of the year (January to June) surpassed it by another \$3.8 billion.

Actual collections for FY2021-22 totaled \$44.0 billion, a \$7.8 billion (21.4 percent) increase over the previous year and 31.7 percent greater than the pre-pandemic GR collection high point in 2018-2019. These collections are also \$8.3 billion (22.3 percent) above the forecast for FY2021-22 that was made before COVID-19 hit Florida (January 2020).

When the \$3.8 billion in additional collections in FY2021-22 are added to the \$5.3 billion total two-year increase in the estimates, **there is \$9.1 billion more available for the next budget than previously anticipated.**

TABLE 1. CHANGE IN ESTIMATES - JANUARY 2022-AUGUST 2022 (\$ MILLIONS)

FY	January 2022 Estimate	August 2022 Estimate	Change in Estimate		August Estimates Change from Prior Year	
			\$ million	%		
2019-20*	31,366.2	31,366.2	-	0.0%	(2,047.6)	-6.1%
2020-21*	36,280.9	36,280.9	-	0.0%	4,914.7	15.7%
2021-22*	40,189.8	44,035.7	3,845.9	9.6%	7,754.8	21.4%
2022-23	38,549.4	41,998.2	3,448.8	8.9%	(2,037.5)	-4.6%
2023-24	40,683.9	42,508.4	1,824.5	4.5%	510.2	1.2%
2024-25	42,141.8	43,838.3	1,696.5	4.0%	1,329.9	3.1%
2025-26	43,318.4	44,682.8	1,364.4	3.1%	844.5	1.9%
2026-27	44,766.8	45,880.7	1,113.9	2.5%	1,197.9	2.7%
* Actual collections						

The state's estimators tempered this forecast by noting that the recent economic forecasts include many reduced economic metrics. This is due to a number of concerns, most notably the war in Ukraine and much higher than normal inflation. The risk in the forecast is "skewed to the downside" and there are challenges that are expected to at least slow the growth in revenue, especially the sales tax. The end of pandemic-related federal stimulus funding, depleted household savings, and increased spending on non-table services instead of taxable goods will all have a negative impact on revenues.

Therefore, the estimators are predicting revenue growth will begin to slow some time this year. While the estimates were increased by a total of \$5.3 billion in the current year and the next, total collections of \$42.0 billion for FY2022-23 are a 4.6 percent decrease from last year inflated receipts (see table 1). It is anticipated minor growth (1.2 percent) will occur in FY2023-24 and then pick up a bit in FY2045-25 (3.1 percent).

The estimate for most of the individual GR sources were increased (see Table 2). The state's biggest money-maker (the sales tax) accounts for most of the increase in the estimates--\$3.6 billion of the \$5.3 billion two-year increase. The Conference credits this to the initial impact of inflation (higher prices) and a sales mix is that still skewed toward taxable goods. Florida TaxWatch also believes the recent implementation of E-fairness legislation, a longtime priority of ours, is also a contributing factor, with the state finally requiring online and other remote sellers to collect the sales tax owed on sales to customers in Florida. All six sales tax categories saw increases in the estimate, lead by Consumer Nondurables (\$595.3 million) and Tourism & Recreation (\$573.9 million) (see Table 3).

TABLE 2. CHANGE IN ESTIMATES AND ANNUAL GROWTH BY GENERAL REVENUE SOURCE

\$ MILLIONS - CHANGE FROM JANUARY 2022 TO AUGUST 2022 ESTIMATES

Revenue Source	Change FY2022-23	Change FY2023-24	Two-Year Change in Estimates	Growth From Prior Year	
				FY2022-23	FY2023-24
Increased Estimates					
Sales Tax	\$2,443.9	\$1,204.4	\$3,648.3	-6.7%	0.3%
Corporate Income Tax	\$645.9	\$528.9	\$1,174.8	19.9%	8.6%
Documentary Stamp Tax	\$469.3	\$253.3	\$722.6	-18.9%	-14.3%
Insurance Premium Tax	\$177.5	\$153.1	\$330.6	12.6%	1.7%
GR Services Charges	\$60.7	\$41.5	\$102.2	-6.9%	-3.8%
Corporate Filing Fees	\$43.8	\$35.3	\$79.1	5.6%	2.0%
GR Refunds*	\$(6.3)	\$79.6	\$73.3	-29.4%	-32.9%
Earnings on Investments	\$26.7	\$13.7	\$40.4	40.5%	2.0%
Beverage Tax & License	\$9.9	\$17.3	\$27.2	1.4%	3.5%
Highway Safety Licenses & Fees	\$9.7	\$13.8	\$23.5	-17.9%	-4.8%
Other Taxes and Fees	\$9.6	\$10.3	\$19.9	-2.8%	0.2%
Severance Tax	\$1.0	\$0.9	\$1.9	3.0%	-2.0%
Nonop. Revenue	\$5.4	\$(3.9)	\$1.5	-11.1%	-7.2%
Pari-mutuels Tax	\$0.8	\$(0.3)	\$0.5	-32.9%	1.0%
Counties Mediciad Share	\$-	\$-	\$-	-3.3%	37.2%
Decreased Estimates					
Indian Gaming**	\$(463.5)	\$(481.4)	\$(944.9)	-100.0%	0.0%
Article V (Court) Fees	\$(13.4)	\$(4.6)	\$(18.0)	-3.1%	3.8%
Tobacco Taxes	\$(4.0)	\$(4.5)	\$(8.5)	-4.3%	-1.9%
Intangibles Tax	\$31.8	\$(32.9)	\$(1.1)	-36.2%	-15.8%
Total Net Gen. Revenue	\$3,448.8	\$1,824.5	\$5,273.3	-4.6%	1.2%
* Estimates of refund amounts were increased for this year and decreased for next year. Decreased refunds increase net revenue.					
** Due to a court ruling that the new Seminole Compact is invalid, the new forecast includes no revenue from Indian Gaming.					

The next largest increase was in corporate income tax collections. Due to tax base expansion provisions in the federal tax reform (mostly adopted by Florida in 2018), taxes paid by Florida corporations have increased significantly in recent years, even with the temporary refunds and rate reductions passed by the Legislature that lessen the impact. Now, with no more refunds and the tax rate returning to 5.5 percent (applied to the larger base), businesses will see even larger tax bills. This tax increase was apparent even before the REC added another \$1.2 billion to corporate income tax collections.

It is now estimated corporate income taxes will total \$4.6 billion in FY2023-24, more than double the highest amount in any year before Florida expanded the tax base.

**TABLE 3. CHANGE IN ESTIMATES - FY2022-23 SALES TAX COLLECTIONS**  
(\$ MILLIONS)

	Old	New	\$ Difference	% Difference
Nondurables	\$10,319.3	\$10,914.6	595.3	5.8%
Tourism & Recreation	\$7,072.9	\$7,646.8	573.9	8.1%
Autos & Accessories	\$5,774.8	\$6,128.7	353.9	6.1%
Other Durables	\$1,822.5	\$2,041.5	219.0	12.0%
Building Investment	\$1,998.7	\$2,332.1	333.4	16.7%
Business Investment	\$6,482.8	\$6,888.9	406.1	6.3%
<b>TOTAL</b>	<b>\$33,471.0</b>	<b>\$35,952.6</b>	<b>2,481.6</b>	<b>7.4%</b>

## THE FY2023-24 BUDGET OUTLOOK

Incredibly, FY2021-22 ended with a surplus of \$21.5 billion in unobligated GR that is carried forward into this year (see Table 4). This includes \$4.4 billion in federal Coronavirus State Fiscal Recovery funds that had been deposited into GR in FY2021-22 and not spent by year's end.

The 2022 Legislature spent a sizable portion of that surplus. The 2022-23 budget appropriated \$5.5 billion more in GR than last year and budget amendments to spend \$4.6 billion in Fiscal Recovery Funds were approved or are pending. Another \$410.0 million was transferred to the Budget Stabilization Fund and \$200.0 million to the State Employee Health Insurance Trust Fund. Finally, during a special session, the Legislature set aside a \$2.0 billion contingency fund to cover potential hurricane losses by insurers.

Even with all this spending, it is now estimated there will be a surplus of \$13.7 billion in unobligated GR at the end of this year. This is in addition to \$3.1 billion in the Budget Stabilization Fund, \$500 million in the Emergency Preparedness and Response Fund, and the \$2.0 billion insurance fund.

Augmented by the new revenue estimates, it is now forecast the 2023 Legislature will have approximately \$56.3 billion in GR available for the FY2023-24 budget. This is \$14.4 billion (34.3 percent) more than was appropriated by the 2022 Legislature. While most of this is non-recurring funds, the state should have \$42.6 billion in recurring funds available—\$3.6 billion (9.3 percent) more than current recurring expenses.

TABLE 4. FY2023-24 BUDGET OUTLOOK

GR Available in FY2022-23		Recurring	Non-Rec.	Total
FY2021-22 Ending Balance*		-	\$21,549.50	\$21,549.50
Estimated Revenues		\$43,059.90	\$(1,061.70)	\$41,998.20
Trust Fund Transfers		\$-	\$46.80	\$46.80
BP Settlement Agreement Payment		\$26.70	\$-	\$26.70
FEMA Reimbursements (COVID & Hurricanes)		\$-	\$332.50	\$332.50
Reversions/Other		\$(0.70)	\$112.40	\$111.70
<b>Total GR Available in FY2022-23</b>		<b>\$43,085.90</b>	<b>\$20,979.50</b>	<b>\$64,065.40</b>
<i>FY2022-23 Appropriations</i>				
2022-23 Appropriations		\$38,962.60	\$3,014.90	\$41,977.50
Reappropriations			\$1,168.30	\$1,168.30
Fed Aid (ARP) - State Fiscal Recovery Fund		-	\$4,577.30	\$4,577.30
Transfer to Budget Stabilization Fund		-	\$410.00	\$410.00
Transfer to State Employee Health Ins. TF		-	\$200.00	\$200.00
Insurance Contingency Reserve (Special Session)			\$2,000.00	\$2,000.00
Other Adjustments		-	\$12.90	\$12.90
<b>Total FY2022-23 Appropriations</b>		<b>\$38,962.60</b>	<b>\$11,383.40</b>	<b>\$50,346.00</b>
<b>FY2022-23 Ending Balance</b>		<b>\$4,123.30</b>	<b>\$9,596.10</b>	<b>\$13,719.40</b>
<i>GR Available in FY2023-24</i>				
Balance Forward from 2022-23		-	\$13,719.40	\$13,719.40
Estimated Revenues		\$42,541.20	\$(32.80)	\$42,508.40
BP Settlement Agreement		\$26.70	\$-	\$26.70
Unused Appropriations/Reversions/Other		\$(1.00)	\$114.80	\$113.80
<b>Total GR Available for Next Budget</b>		<b>\$42,566.9</b>	<b>\$13,801.4</b>	<b>\$56,368.2</b>

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.

Still, Florida's overheated revenue machine is showing signs of cooling off and unstable economic times add considerable downside risk to the new GR forecast.

There will likely be two more GR estimate revisions before the 2023 Legislature finishes the next budget. Much can change. Florida TaxWatch cautioned local officials to not spend all of the property tax windfall they may be experiencing in our previous Budget Watch. We repeat that caution for legislators.

Moving forward, Florida TaxWatch will continue to monitor and analyze these developments, working closely with elected officials to avoid wasteful spending, improve the process for selecting member projects, and ensure taxpayers' best interests are being served, particularly now, when record inflation, housing challenges, and much more are directly impacting their pocketbooks.

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