

NEW GENERAL REVENUE ESTIMATES ADD \$7 BILLION FOR THE NEXT BUDGET

In what has been a regular occurrence, the Florida General Revenue (GR) Estimating Conference significantly increased the estimate of the amount of GR that will be collected. This is the sixth conference in a row that has produced a rosier revenue forecast. The last reduced estimate came at the August 2020 conference, just as the coronavirus pandemic began its relatively short-lived slowdown of Florida’s revenue collections.

The latest estimating conference, held March 13, increased the estimate for FY2022-23 and FY2023-24 by a total of \$7.06 billion. This is more good news for legislators who are currently in the process of developing the next state budget (FY2023-24.)

Despite a gloomier new national and state economic forecast, which includes a mild recession and continued worries including inflation and housing, GR collections have exceeded expectations by almost \$3 billion in the first six months since the August 2022 estimates. Actual collections have now bested estimates for 30 consecutive months. The forecast continues this through the last four months of the current fiscal year. As a result, the GR estimate for FY 2022-23 was increased by \$4.27 billion. And while the conference is predicting a “downshift” next year that will reduce collections from this year’s windfall level, the new estimate for FY2023-24 was still increased by \$2.78 billion from the August estimate.

This extends a period of remarkable revenue growth for Florida. In just three years since the pandemic-reduced collections of FY 2019-20, revenues have increased by almost \$15 billion to an estimated \$46.3 billion in FY 2022-23--growth of 47.5 percent. Anticipated collections for this year are 38.4 percent higher than pre-pandemic levels.

The state’s estimators note that economic disruption is evident and warn of considerable downside risk to the forecast. Collections have been far exceeding expectations based on economic fundamentals, “confounding” the ability to predict a turning point.¹ The conference is predicting next year will produce a slight drop in GR from this year’s high point, but collections are expected to be better than previously anticipated. Growth rates are expected to settle in at a more normal rate (between 2.9 percent and 3.4 percent) through the rest of the forecast horizon, surpassing the \$50 billion mark in FY 2027-28 (Table 1).

Table 1. Change in Estimates - August 2022 to March 2023 (\$ Millions)

Fiscal Year	August 2022 Estimate	March 2022 Estimate	Change in Estimate	%	March Estimates	
					Change from Prior Year	
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*	44,035.7	44,035.7	-	0.08%	7,754.8	21.4%
2022-23	41,998.2	46,264.1	4,265.9	10.2%	2,228.4	5.1%
2023-24	42,508.4	45,300.6	2,792.2	6.6%	(963.5)	-2.1%
2024-25	43,838.3	46,836.0	2,997.7	6.8%	1,535.4	3.4%
2025-26	44,682.8	48,205.3	3,522.5	7.9%	1,369.3	2.9%
2026-27	45,880.7	49,588.3	3,707.6	8.1%	1,383.0	2.9%
2027-28	47,170.3	51,109.5	3,939.2	8.4%	1,521.2	3.1%

*Actual Collections

¹ Florida General Revenue Estimating Conference, Executive Summary, Revenue Estimating Conference for the General Revenue Fund, March 13, 2023. <http://edr.state.fl.us/Content/conferences/generalrevenue/grsummary.pdf>

SALES AND CORPORATE INCOME TAXES LEAD THE WAY, BUT REAL ESTATE DAMPENS THE PARTY

Sales Tax

As usual, the sales tax, which provides slightly more than three-fourths of total GR collections, was the big winner, with a two-year increase in the estimate of \$6.39 billion. Sales tax from recovery and rebuilding activities due to Hurricane Ian contributed \$591.7 million of that amount. Collections also benefited from increased spending on taxable goods, increased use of credit, and the initial effects of inflation (higher prices). All six sales tax categories experienced gains, led by Autos & Accessories and Business Investment (based on two-year percentage gain). However, the sales tax forecast carries considerable future risks. Record family savings levels have been depleted, buying will return to a more typical mix away from taxable goods and towards non-taxable services, and the extended effects of inflation could reduce spending.

Corporate Income Tax

The estimate for corporate income taxes (CIT) was increased by \$1.240 billion over the two years. Since Florida adopted most of the tax base expansion provisions of federal tax reform (without a corresponding permanent reduction in the tax rate), taxes paid by Florida corporations have increased significantly in recent years. The temporary refunds and rate reductions passed by the Legislature lessened only some of 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 revenue estimators adopted a series of increased CIT estimates. It is now estimated corporate income taxes will total \$5.1 billion in FY2023-24. This amount would be well more than double the highest amount in any year before Florida expanded the tax base and nearly triple what it was 10 years ago.

Real Estate Transaction Taxes

Another major GR source tempered the new estimate somewhat. A large contraction in the housing market caused documentary stamp tax and intangibles tax estimates to be reduced by a combined \$1.1 billion. Documentary stamp taxes, the much bigger of the two sources, accounted for \$897.0 million of that decrease. Collections in FY 2021-22 of \$5.3 billion shattered the previous one-year record by \$1.3 billion. This was due in part to record low interest rates, which likely spurred prospective buyers to purchase a home sooner than expected. This reduced the number of potential buyers this year, and the end of those low interest rates further dampened sales and are expected to continue to do so. High home prices coupled with higher interest rates is creating affordability challenges. Therefore, total documentary stamp taxes are now forecast to drop a whopping 32.2 percent this year and another 21.3 percent in FY 2023-24. This will cut last year's record high level nearly in half. Documentary stamp taxes are distributed not only to GR (about one-third), but also to several other trust funds. Trust funds pay a "service charge" to the GR fund. Therefore, not only was the estimate for doc stamp revenues reduced, the estimate of the GR service tax they contribute was also reduced by \$110.6 million, propelling service charges to the third largest estimate reduction among GR sources (Table 2).

THE FY 2023-24 BUDGET OUTLOOK

The most recent state Long-Range Financial Outlook (September 2022) predicted the 2023 Legislature would have a \$13.5 billion budget surplus to work with. This was based on an estimated \$56.3 billion in GR being available for the next budget.² In two Special Sessions since the Outlook, the Legislature appropriated \$3.0 billion for a reinsurance fund, disaster relief, adding to the Emergency Preparedness and Response Fund, toll relief, an emergency bridge loan program, and more (Table 3).

Even with that additional spending, the new revenue estimates have boosted GR available for the new budget to \$61.1 billion, \$4.8 billion more than the Outlook was counting on. Of that available revenue, \$45.1 billion is recurring revenue, \$6.1 billion (15.8 percent) more than the state is currently spending on recurring programs. But \$16.0 billion is non-recurring, and we reiterate our caution to not spend any of that on recurring expenses. There will be plenty of competition for that non-recurring revenue. Legislators have filed a record number of local member project requests. House members filed 2300 requests asking for \$5.3 billion. Senators filed more than 2100 requests worth \$4.8 billion.

Both House Speaker Paul Renner and Senate President Kathleen Passidomo have indicated they will show restraint in spending this windfall.

² Florida TaxWatch, Budget Watch – How Will the 2023 Legislature Handle a Record \$13.5 Billion Budget Surplus?, September 27, 2022.

**Table 2. Change in Estimates and Annual Growth by General Revenue Source
Change from August 2022 to March 2023 Estimates (\$ Millions)**

Revenue Source	Change FY 2022-23	Change FY 2023-24	Two-Year Change in Est.	Total Collections Growth from Prior Year	
				FY 2022-23	FY 2023-24
Increased Estimates					
Sales Tax	3,657.5	2,727.2	6,384.7	4.0%	-2.3%
Corporate Income Tax	656.6	583.7	1,240.3	37.4%	6.1%
Insurance Premium Tax	260.8	204.6	465.4	33.8%	-2.0%
Earnings on Investments	91.9	45.7	137.6	91.0%	-11.8%
Nonop. Revenue	63.5	(2.4)	61.1	-39.4%	-7.2%
GR Refunds*	90.2	(39.0)	51.2	5.1%	-2.1%
Highway Safety Licenses & Fees	9.6	2.5	12.1	-6.6%	-4.8%
Article V (Court) Fees	1.1	8.7	9.8	-3.1%	3.8%
Corporate Filing Fees	-	5.8	5.8	5.6%	3.0%
Decreased Estimates					
Documentary Stamp Tax	(427.5)	(469.5)	(897.))	-39.8%	-22.6%
Intangibles Tax	(54.6)	(111.0)	(165.6)	-36.2%	-15.8%
GR Services Charges	(45.0)	(63.4)	(108.4)	-14.0%	-7.5%
Beverage Tax & License	(33.2)	(36.3)	(69.5)	2.9%	3.5%
Counties Medical Share	-	(62.4)	(62.4)	15.3%	37.2%
Tobacco Taxes	(3.0)	(3.1)	(6.1)	-4.3%	-1.9%
Severance Tax	(0.9)	(0.7)	(1.6)	0.0%	-2.0%
Other Taxes and Fees	(1.7)	1.1	(0.6)	5.8%	0.2%
Total Net General Revenue	4,265.9	2,792.2	7,058.1	-4.6%	1.2%

* Estimates of refund were decreased for this year and increased for next year. Decreased refunds increase net revenue.

Note: Due to a court ruling that the new Seminole Compact is invalid, the forecast includes no revenue from Indian Gaming.

THE FY 2023-24 BUDGET OUTLOOK CONTINUED

It is also likely lawmakers will pass considerable tax relief--likely an amount at least as big as the nearly \$1.5 billion recommended by Governor Ron DeSantis.

Florida's hardworking taxpayers have numerous challenges impacting their pocketbooks--inflation, housing costs, and skyrocketing insurance premiums. Florida TaxWatch will continue to monitor and analyze budget developments and ensure that taxpayers' best interests are being served. We will continue to work closely with elected officials to ensure that some of these tax dollars are returned to those that paid them, help avoid wasteful spending, and improve the process for selecting member projects.

Table 3. FY 2023-24 Budget Outlook (\$ Millions)

GR Available in FY 2022-23	Recurring	Non-Recurring	Total
FY 2021-22 Ending Balance*	-	22,803.1	22,803.1
Estimated Revenues	46,586.4	(322.3)	46,264.1
Trust Fund Transfers	0.0	46.8	46.8
BP Settlement Agreement Payment	26.7	0.0	26.7
Medicaid Managed Care Savings Rebate		101.5	
FEMA Reimbursement (COVID & Hurricanes)	0.0	342.9	342.9
Revisions/Other	(0.7)	0.2	(0.5)
			0.0
Total GR Available in FY 2021-22	46,612.4	22,972.2	69,584.6
FY 2022-23 Appropriations (General Session)			
2022-23 Appropriations	38,962.6	3,015.0	41,977.6
Reappropriations		1,357.3	1,357.3
Fed Aid (ARP) - State Fiscal Recovery Fund	-	4,377.3	4,377.3
Motor Fuel Tax Relief		200.0	200.0
Transfer to Budget Stabilization Fund	-	410.0	410.0
Transfer to State Employees' Health Ins TF		200.0	200.0
Other Adjustments	-	18.7	18.7
FY 2022-23 Appropriations (Special Session A,B,D)			
Insurance Contingency Reserve		1,204.5	1,204.5
Resinsurance Assistance to Policyholders		800.5	800.5
Optional Reinsurance Program		1,006.0	1,006.0
Transfer to Emergency Preparedness & Resp Fund		1,010.0	1,020.0
Transfer to STTF for Toll Relief		500.0	500.0
Disaster Relief		751.5	751.5
Emergency Bridge Loan Program		50.0	50.0
Unauthorized Alien Transport Program		10.0	10.0
Total FY 2022-23 Appropriations	38,962.6	14,910.8	53,873.4
FY 2022-23 Ending Balance	7,649.8	8,061.4	15,711.2
GR Available in FY 2023-24			
Balance Forward from 2022-23		15,711.2	15,711.2
Estimated Revenues	45,091.8	208.8	45,300.6
BP Settlement Agreement	26.7	0.0	26.7
Unused Appropriations/Reversions/Other	(11.3)	114.2	102.9
Total GR Available for Next Budget	45,107.2	16,034.2	61,141.4

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