

# BUDGETWATCH

## STATE GENERAL REVENUE ESTIMATES INCREASE AGAIN CURRENT YEAR SURPLUS NOW \$8.8 BILLION

The mild recession in the first half of 2023 that was anticipated by the state's last economic forecast did not materialize, helping Florida's General Revenue (GR) collections to continue to exceed expectations. And while the state's economists say the economy is not out of the woods yet, conditions have stabilized, mitigating some of the uncertainty that forecasters have been facing. December also marks the end of the first half of the current state fiscal year (FY2022-23) and collections are now \$1.629 billion (8.1 percent) over the estimate in the first six months.

The August 18, 2023 General Revenue Estimating Conference (REC) increased Florida's general revenue projections by \$1.567 billion (3.6 percent) in the current budget year and \$1.203 billion (2.6 percent) in FY2024-25—a two-year total of \$2.770 billion.<sup>1</sup> Add in the \$1.084 billion that actual collections exceeded the previous estimate in the last four months of FY2022-23, and the Legislature has an additional \$3.854 billion available for the next state budget. The new estimate accounts for the \$1 billion reduction in revenues from 2023 tax relief and other 2023 legislative changes.

While the estimate was increased, total GR collections for FY2023-24 are expected to decrease by 3.5 percent from the FY2022-23 level, halting the unsustainable growth of 50.9 percent in the three years since the pandemic reduced state revenues by 6.1 percent in FY2019-20 (see Table 1). GR growth is expected to resume in FY2024-25 with a 3.9 percent increase.

### Table 1. Change in Estimates

\$ millions - March 2023 to August 2023

FY	March 2023	August 2023	Change in Estimate		New	
	Estimate	Estimate	\$ (million)	%	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	-	0.0%	7,754.8	21.4%
2022-23*	46,243.8	47,327.8	1,083.9	2.3%	3,292.1	7.5%
2023-24	44,097.3	45,664.4	1,567.1	3.6%	(1,663.4)	-3.5%
2024-25	46,221.6	47,424.2	1,202.6	2.6%	1,759.8	3.9%
2025-26	47,632.9	48,586.8	953.9	2.0%	1,162.6	2.5%
2026-27	49,015.2	49,934.8	919.6	1.9%	1,348.0	2.8%
2027-28	50,532.8	51,451.3	918.5	1.8%	1,516.5	3.0%
2028-29	N/A	52,924.5	N/A	N/A	1,473.2	2.9%

\*Actual collections

\*\*March 2023 collections were adjusted for 2023 legislative changes

<sup>1</sup> Revenue Estimating Conference, General Revenue Fund, August 18, 2023.  
<http://edr.state.fl.us/Content/conferences/generalrevenue/index.cfm>

**Table 2. Change in Estimates by General Revenue Source**

\$ millions - change from March 2023 to August 2023 estimates

Revenue Source	Change	Change	Two-Year	Actual Collections	Total
	FY 2023-24	FY 2024-25	Change in Est.	Over Estimate	Additional GR
<i>Increased Estimates</i>					
Sales Tax	907.6	189.7	1,522.7	419.4	1,942.1
Corporate Income Tax	188.5	160.3	378.2	349.1	727.3
Documentary Stamp Tax	256.8	107.9	417.1	120.4	537.5
Earnings on Investments	172.8	48.0	280.7	146.5	427.2
Intangibles Tax	99.1	48.7	147.1	39.2	186.3
Insurance Premium Tax	26.6	48.7	75.3	(42.4)	32.9
GR Refunds*	(74.9)	59.3	(15.6)	44.1	28.5
GR Services Charges	2.8	5.0	7.8	14.9	22.7
Nonop. Revenue	7.5	7.5	15.0	3.0	18.0
Highway Safety License and Fees	4.9	3.7	8.6	(0.9)	7.7
Other Taxes and Fees	0.2	0.2	0.4	3.3	3.7
Article V (Court) Fees	(1.3)	1.4	0.1	1.5	1.6
Pari-mutuels Tax	0.5	0.5	1.0	0.4	1.4
<i>Decreased Estimates</i>					
Severance Tax	(0.9)	(0.8)	(1.7)	(0.1)	(1.8)
Corporate Filing Fees	(2.3)	(0.9)	(3.2)	(3.5)	(6.7)
Tobacco Taxes	(2.8)	(4.4)	(7.2)	(0.4)	(7.6)
Counties Medicaid Share	-	(20.7)	(20.7)	1.5	(19.2)
Beverage Tax & License	(18.0)	(17.9)	(35.9)	(12.1)	(48.0)
<b>Total Net General Revenue</b>	<b>1,567.1</b>	<b>1,202.6</b>	<b>2,769.7</b>	<b>1,083.9</b>	<b>3,853.6</b>

**SALES TAX AND REAL ESTATE TRANSFER TAXES ARE BIG GAINERS**

**Sales Tax** - As usual, the state’s largest revenue source--the sales tax--was the big gainer, providing \$1.523 billion of the total two-year estimate increase of \$2.770 billion. The estimates for all six sales categories were increased—led by auto sales and business investment. Tourism and recreation was given a modest increase (less than 1 percent). Inflation had a significant impact on sales tax collections as higher prices mean more sales taxes. But as inflation persists, higher prices restrict family budgets and there is less money available for discretionary purchases.

With savings being depleted, Floridians have increasingly used credit to maintain purchasing, but this will not continue, and the estimators believe we have reached the “tipping point.” Unfortunately, they believe inflation will remain elevated through mid-2025 before it returns to the Federal Reserve’s target of two percent.

**Doc Stamp and Intangibles Taxes** - The housing market slowdown does not appear to be as severe as previously forecasted. Taxes on real estate sales (documentary stamp and intangibles taxes) saw the next largest estimate increase--\$564.2 million. This wipes out much of the large reduction adopted in the previous forecast.

**Corporate Income Tax** - These tax collections continue to swell, and the estimate for corporate income taxes (CIT) was increased by \$378.2 million over the two years. Taxes paid by Florida corporations have increased significantly since Florida adopted most of the tax base expansion provisions of federal tax reform (without a corresponding permanent reduction in the tax rate). The temporary refunds and rate reductions passed by the Legislature lessened only some of the impact. Now, there are no more refunds, and the tax rate has returned to the original 5.5 percent (applied to the larger base). It is now estimated that corporate income taxes will total \$5.3 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 triple what it was ten years ago.

More revenue and an estimated higher rate of return also increased the projected earnings on investments by \$280.7 million over the two years. Five of the 18 GR sources had their estimates reduced, including alcoholic beverage taxes (\$35.9 million) and tobacco taxes (\$7.2 million).

## THE FY 2024-25 BUDGET OUTLOOK

Florida’s remarkable fiscal run continues. Since the pandemic caused a short-lived reduction in state revenues, actual GR collections have topped estimates for 35 consecutive months. This has occurred despite numerous significant increases in the GR estimates. This latest estimating conference produced the seventh straight rosier forecast.

All this revenue has naturally resulted in increased spending (along with significant tax relief). The state budget has increased by \$26.4 billion (28.6 percent) in just three years.<sup>2</sup> And this does not tell the whole spending story. There have been billions more in federal pandemic recovery funds and other state spending that is not included in these budget totals. The current budget is no exception. The state ended FY2022-23 with unobligated GR (cash reserves) of \$19.8 billion. Much of those leftover funds are being spent in the current budget. The FY2023-24 budget appropriated \$5.1 billion in GR for the previous fiscal year, including \$4.0 billion for the Moving Florida Forward Transportation program and \$850 million for land acquisition for the state’s wildlife corridor. Another \$2.5 billion in GR was transferred to other funds.

The 2023 Legislature estimated that the new budget and tax relief would leave \$5.3 billion in unobligated GR, down from a \$19.8 billion surplus at the end of FY2022-23. When sales tax and corporate income taxes came in slightly under estimate in May 2023 (although total GR beat the estimate), it raised some concern. But GR collections rebounded the following month, and the new forecast adds to available revenue. It is now estimated that FY2023-24 will end with an \$8.8 billion surplus.<sup>3</sup>

<sup>2</sup> Florida TaxWatch, The Taxpayers’ Guide to Florida’s FY2023-24 State Budget, July 2023.  
<https://floridatxwatch.org/Research/Budget-Hub>

<sup>3</sup> Office of Economic and Demographic Research, General Revenue Fund Financial Outlook Statement, August 18, 2023.  
[http://edr.state.fl.us/Content/revenues/outlook-statements/general-revenue/230818\\_GRoutl.pdf](http://edr.state.fl.us/Content/revenues/outlook-statements/general-revenue/230818_GRoutl.pdf)

**Table 3. FY2023-24 Budget Outlook**

(\$ millions)			
<i>GR Available in FY 2023-24</i>			
	<b>Recurring</b>	<b>Non-Recurring</b>	<b>Total</b>
FY2022-23 Ending Balance	-	19,800.4	19,800.4
Estimated Revenues	46,104.8	(440.4)	45,664.4
Trust Fund Transfers (2023 Budget)	0.0	51.8	51.8
Unused Appropriations/Reversions		96.0	
BP Settlement Agreement Payment	26.7	0.0	26.7
FEMA Reimbursements (COVID & Hurricanes)	0.0	4.9	4.9
Other	(11.3)	0.2	(11.1)
<b>Total GR Available in FY 2023-24</b>	<b>46,120.2</b>	<b>19,512.9</b>	<b>65,633.1</b>
<i>FY2023-24 Appropriations</i>			
2023-24 Appropriations	41,649.9	5,552.4	47,202.3
Reappropriations		1,321.5	1,321.5
Transfer to State Transportation Trust Fund		4,000.0	4,000.0
Transfer to Emergency Preparedness & Response Fund		500.0	500.0
Transfer to Budget Stabilization Fund		1,000.0	1,000.0
Transfer to State Employees' Health Insurance		200.0	200.0
Transfer to Division of Bond Finance		200.0	200.0
Transfer to Housing Trust Funds		110.0	110.0
Local Gov. Emergency Revolving Loan Program		88.1	88.1
Reserve for Reinsurance Assistance to Policyholders		1,204.1	1,204.1
Reserve for Optional Reinsurance Program		1,004.0	1,004.0
Other Adjustments		2.0	2.0
<b>Total FY2023-24 Effective Appropriations</b>	<b>41,649.9</b>	<b>15,182.1</b>	<b>56,832.0</b>
<i>GR Available in FY2024-25</i>			
Balance Forward from 2023-24		8,800.9	8,800.9
Estimated Revenues	47,338.2	86.0	47,424.2
BP Settlement Agreement	26.7	0.0	26.7
Unused Appropriations/Reversions/ Other	-8.3	114.2	105.9
<b>Total GR Available for Next Budget</b>	<b>47,356.6</b>	<b>9,001.1</b>	<b>56,357.6</b>

The 2024 Legislature is now expected to have \$56.358 billion in GR available for the next budget. This is slightly less than total appropriations for this year, but this is due to the large amount of non-recurring spending in FY2023-24. Available recurring GR is estimated to be \$47.4 billion -- \$5.7 billion over current recurring spending.

Although the REC believes economic conditions have stabilized somewhat, it notes there are still factors that bring risk to the forecast, especially for the sales tax. These include continued high inflation, the depletion of savings and the increased use of credit, and spending returning to non-taxable services and away from taxable goods.

This cycle of estimating conferences is also predicting some deficits in state programs. A deficit of \$560 million is now estimated in Medicaid in the current year,<sup>4</sup> followed by a \$916 million deficit next year. These deficits include \$430 million in GR. Sizable deficits are also projected for KidCare<sup>5</sup> and the State Employees Health Insurance Trust Fund.<sup>6</sup> Florida TaxWatch reiterates its recommendation that the Legislature remember these and other risks and continues to be prudent in handling these revenue windfalls. Florida TaxWatch will continue to monitor and analyze budget developments and ensure that taxpayers' best interests are being served and promote improved budgeting such as reigning in spending on member projects.<sup>7</sup>

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4 Social Services Estimating Conference, Medicaid Caseload and Expenditures, July 19 and August 14, 2023. Available at <http://edr.state.fl.us/Content/conferences/index.cfm>.

5 Social Services Estimating Conference, KidCare Caseload and Expenditures, July 18 and August 7, 2023. Available at <http://edr.state.fl.us/Content/conferences/index.cfm>.

6 Self-Insurance Estimating Conference, State Employees' Health Insurance Trust Fund, August 10, 2023. Available at <http://edr.state.fl.us/Content/conferences/index.cfm>.

7 Florida TaxWatch, 2023 Budget Turkey Watch Report, June 6, 2023. <https://floridataxwatch.org/Research/Full-Library/2023-budget-turkey-watch-report>

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