

*Prepared remarks for Florida TaxWatch Chairman George S. LeMieux, Florida TaxWatch State of the Taxpayer, 2022 – AC Hotel Tallahassee Universities at the Capitol, January 12, 2022*

## **Welcome, Introduction & Why TaxWatch**

My name is George LeMieux and I serve as the Chairman of Florida TaxWatch as well as the Chairman of the Board of the Gunster Law Firm.

As you know, Florida TaxWatch is an independent, nonpartisan, nonprofit that serves as the eyes and ears of Florida's Taxpayers.

I am engaged with Florida TaxWatch because of its mission to provide Florida government officials and taxpayers with high-quality, independent research and analysis of important policy issues.

You were introduced to a number of our recent reports at the start of tonight's program and there are more reports, commentaries, and resources available 24/7 on our website, [FloridaTaxWatch.org](https://FloridaTaxWatch.org).

## **The State of the Taxpayer Event is...**

Thank you for joining us in person this year. While we produced this program virtually last year, there is something about being here together, just blocks from the Capitol, to keep an eye on things.

The State of the Taxpayer event is held annually, the second day of legislative session, and is important because it provides a forum for refocusing attention on the important issues impacting the taxpayers. It helps state and local officials frame and focus their deliberations.

## **Interesting times**

It's especially essential in the very interesting times we are in, where COVID initially ushered in a great degree of uncertainty and then a great many federal relief dollars...

And then, thanks to the vision and focus of some great Florida leaders- especially Governor DeSantis, Senate President Simpson, and House Speaker Sprowls- as well as the strength and resilience of Floridians- individuals and businesses alike- our state has led the nation in recovery through the pandemic.

We can't ignore that there have been more than a few challenges that individuals, communities, and leaders have had to deal with but a focus on facts, fiscal prudence, families, and the economy, coupled with strategic decisions and investments to address critical issues with statewide impact, has left Florida in an enviable fiscal position.

The state's current budget is record in size, as are our budget reserves. Revenue collections are back above pre-pandemic levels, and this Legislature will have even more money available for the next budget cycle, made possible by both strong economic performance as well as billions in unappropriated federal funds.

## **Build on success**

[As our President, Dominic Calabro, emphasized earlier,] the 2021 Legislative Session was filled with many strong policy victories Florida TaxWatch championed, including:

- COVID liability protections and support for innovations that helped us address the health, education, and workforce challenges;
- creative and important strategies that replenished a decimated Reemployment Trust Fund, leveled the playing field for Florida businesses that were hamstrung by a lack of E-fairness, and finally started us down the path of eliminating the business rent tax; and
- a thoughtful and thorough focus on the budget, especially a much-appreciated restraint by Senate and House leadership, which found us meeting critical funding needs, establishing larger reserves, and holding several billion dollars unallocated, pending consideration this session.

Make no mistake, there is a very real concern about the impact the various stimulus packages will have on the national deficit, just like there are legitimate questions about whether Florida received its fair share of these funds, but this is where we are, and the state has an opportunity to focus investments into targeted strategies that position Florida for future growth.

This is an opportunity we cannot shy away from.

Last year we collaborated with leaders from across the state and the Florida Council of 100 in efforts to prioritize investments that would build economic resiliency and strengthen recovering communities. We look forward to working with the Governor and legislators, and state and local leaders that are ready to focus on visionary ideas to secure economic growth and protect taxpayer's interests.

## **Florida's performance**

Before we go any further, let's reflect on where Florida currently stands.

During the pandemic's earliest months, Florida lost 1.1 million jobs. By the end of 2020, the state regained more than one-half of the jobs lost. As of this past November- the last complete reporting period- Florida has since gained back 91.2 percent of the jobs lost.

Florida's labor force has grown to 10,632,000—an increase of about 607,000 over the year. This is a positive sign that some workers may be re-entering the workforce. It should be cautioned, however, that the pandemic is still keeping some potential workers on the sidelines due to health risks and other factors such as childcare.

The unemployment rate in Florida is currently 4.5 percent, down significantly from a high of 13.8 percent in April 2020.

While that translates into some 483,000 Floridians looking for work, maybe a more concerning statistic is that there are 513,000 jobs looking for Floridians, right now.

You have probably heard about this “Great Resignation” wave we are in and I am particularly proud of the work the researchers at TaxWatch are doing to understand this better. You can review some of our work at our website, [FloridaTaxWatch.org](http://FloridaTaxWatch.org), and find some interesting facts and policy questions, for example:

- Did you know that Florida has been averaging about 269,000 job quits a month since last summer...
- Or that the resignation rates appear highest among mid-career employees between the ages of 30 and 45 (contrary to the commonly held belief that turnover is highest among the youngest employees).

At first blush, this general employment question may not sound like a typical tax watchdog issue, but, without us, who would be paying attention to all the critical programs that support and protect those at risk, which now find themselves at risk as employment shortages and a spike in wages leave caregiver and safety and security organizations in a precarious position?

There are many important investments that need to be made this year and the Legislature shouldn’t forget to make appropriate investments that support and address challenges faced by workforce shortages in critical areas such as health and elder care, childcare, services for vulnerable children and families, education, and corrections.

## **Florida Recovering**

Workforce shortages in private and public settings, and other evolving state and federal issues, are not foreign to a state like ours that is used to leading.

There are many tough choices ahead but despite the dark days warned of by those that don’t really understand Florida and our leadership, there are many more bright days ahead.

Well before any other state could stand up and say it, Florida was open and growing again.

After falling 30 percent in the 2<sup>nd</sup> quarter of 2020, Florida’s gross state product rose 33.4% in the very next quarter, and grew quarter after quarter since then, up 7.5 percent in the first quarter of 2021 and 6.7 percent in the second quarter.

And general revenue collections kept pace with that growth. Each quarter, the estimating conference reports better than expected revenue collections. Just last month, the estimating conference released the November 2021 revenue collection numbers and reported that we earned \$398.8 million over projected estimates, which means that revenue collections over the budgeted estimates for the last four months alone is more than \$1.6 Billion.

This puts even more money in the hands of legislators who we hope will continue to be prudent in their investments.

Last year, Florida made good decisions and paid down long-term debt.

In Fiscal Year 2021, Florida's debt ratio of 4.3 percent represented a decrease from the 5.5 percent ratio of the preceding year. By refraining from debt-based funding, direct debt decreased by \$825 million from the previous fiscal year.

By the way, this continues a downward trend that began in FY 2011, totaling savings of more than \$9.8 billion.

And the markets notice such things. Standard & Poor awarded Florida a "triple A" credit rating in 2021, placing Florida above the nation's average rating of AA+ and outranking other high population states like California (AA-) and New York (AA+).

And in the court of public opinion, people are still voting with their feet. According to the U.S. Census Bureau, Florida's population grew by 211,196 individuals between July 2020 and July 2021, reaching 21.8 million.

### **Confidence took a hit, but coming back**

Florida consumers, though, believe that there are bumps ahead. After increasing steadily from its low point in April 2020, Florida consumer confidence fell sharply in 2021. Consumer confidence has dipped to its lowest level since 2011 (according to UF Consumer Sentiment Index), perhaps signaling the effects of growing inflation and other consumer-related difficulties.

Confidence has declined the most for women, those over the age of 60, and those making less than \$50,000 in annual income.

Despite waning confidence, though, consumer spending has increased 26.5 percent relative to January 2020, a product of improving conditions and an influx of stimulus funds throughout the past year.

### **The Path Forward**

So where do we go from here? We truly believe that this next legislative session has the potential for answering this question for decades to come.

Years of fiscal restraint by the Governor and the Legislature, a relatively low state debt and substantial reserves, and Floridians that created one of the most robust and evolving economies- the 15<sup>th</sup> largest economy on the planet- meant Florida began the pandemic in much better shape than most other states.

While we know that there is an infrastructure bill that will help us make smart investments in needed areas, this legislature has a once-in-a-generation opportunity to invest in our future even before those dollars are added to our state.

This is an excellent chance to modernize and put Florida in an even more stable position moving forward, and we should not squander it.

## **Headwinds in 2022**

We know that there are a good number of challenges to deal with.

- Inflation, which rose nearly 7 percent from a year ago, erodes purchasing power and puts a strain on Florida families.
- Supply chain bottlenecks which make issues such as inflation and product shortages a persisting challenge. Though, Florida-based manufacturing and ports are helping us address these.
- And, of course, the continuing uncertainty looming over the course of the pandemic and the strains it places on communities, healthcare, businesses, schools, and families, made worse if we fail to renew the liability protections for responsible businesses and caregivers.

Even in the best of days, taxes have a huge impact on families and businesses. Paying federal, state, and local taxes takes nearly one-third of Floridians' personal income and is a family's biggest expense.

In the Covid era, taxes and taxpayer value matter even more.

Florida TaxWatch urges legislative leaders to recommit to the concerns and need of taxpayers, today's payers and tomorrows.

## **State of the Taxpayer**

Let me close with this...the state of the state is strong and Florida's Taxpayer has reason to hope.

There is a renewed post-pandemic hope for the future of Florida because our state's fundamentals are strong.

We appreciate each of you that joined us today in recognition that the taxpayer matters. As it has been since 1979, Florida TaxWatch is on the job, to provide recommendations, to ensure transparency and accountability, and to help Florida Taxpayers. Thank you for being our partners in this mission.