



BRINGING THE SUNSHINE STATE BACK

THE IMPACT OF COVID-19 ACROSS FLORIDA'S ECONOMY
& OPTIONS FOR RECOVERY

Florida  TaxWatch



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Dear Fellow Taxpayer

The recent COVID-19 pandemic has had a devastating effect on Florida's economy and the health and well-being of its 21 million residents. Once the initial cases were reported in early March, the economic impacts of COVID-19 began to manifest themselves immediately. As businesses closed, tens of thousands of Floridians (including many workers in low-wage positions in Florida's tourism and hospitality industries) lost their jobs. Florida's unemployment rate, which had remained steady at 2.8 percent prior to the pandemic had increased to 14.5 percent as of May 2020. To date, more than 4.9 million reemployment assistance (unemployment insurance) claims have been filed.

Florida TaxWatch undertakes this independent analysis to better understand the impacts of the COVID-19 pandemic on each sector that makes up Florida's economy, and to offer industry-specific recommendations and options to help Florida recovery and ease the burdens created by the pandemic on Florida taxpayers. The recommendations contained in this report are by no means an exhaustive list. I recommend policymakers also consider the recommendations contained in the August 2020 *TaxWatch COVID-19 Taxpayer Task Force Final Report*, and the November 2020 Final Report of the Restore Economic Strength through Employment & Tourism (RESET) Task Force, entitled *Working Together for a Better Florida*.

Florida TaxWatch is pleased to present this report and its findings and looks forward to engaging policymakers in discussion during the next legislative session and beyond.

Sincerely,


Dominic M. Calabro
President & CEO

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EXECUTIVE SUMMARY

As Florida continues to deal with the constantly changing COVID-19 pandemic, questions remain as to how the state will reverse one of the worst recessions in history while at the same time maintaining prudent public health and safety measures. The difficulty lies in the unequal manner in which the virus has wreaked havoc on the state's various economic sectors. Due to the varied effects, understanding the nature and scope of each sector's unique pandemic challenges is crucial to providing substantive policy recommendations going forward.

While all economic sectors in Florida have been affected, the Leisure and Hospitality industry has been the state's hardest-hit sector in terms of lost employment and economic activity. In the second quarter of 2020 – April, May, and June – the state reported 60.5 percent fewer tourists compared to the previous year, a decline of around 18.5 million people, as the pandemic led to a standstill in international travel. With fewer tourists, businesses throughout the industry faced plummeting sales and revenue. Hotel demand dropped 77.6 percent year-over-year, leading to hotel revenues falling \$416.5 million. Small businesses in the tourism industry experienced an average of 12.6 missed weeks of business and around 64.5 percent loss in revenue. Between March and April 2020, the sector recorded 482,000 job losses, far outsizing any other impacted industry and corresponding to 41.7 percent fewer jobs than in April 2019.

Due to a rapid decline in international trade and tourism alongside the state's stay-at-home order, Florida's Trade, Transportation, and Utilities sector also experienced profound impacts during the pandemic. Economic data suggest total enplanements to Florida's airports numbered 3.1 million between April and June, down 87.7 percent from the same period in 2019. A reduction in cargo and cruise passengers led to a loss of \$22.2 billion in total economic activity to the state's seaports. Waning consumer confidence coupled with large store closures meant total consumer spending in the state decreased 31 percent in April 2020 compared to January.

Elsewhere in the state's economy, businesses in other economic sectors faced differing impacts due to a variety of factors. Florida's real estate market, part of the state's Financial Activities sector, encountered a significant rebound by July 2020 when home sales rose 11.5 percent compared to July 2019 and homebuyers from

across the nation began to relocate to Florida. Other industries, such as Professional and Business Services and Information transitioned more easily to remote work, partially offsetting some downward pressure in employment but disadvantaging some workers without telework capabilities.

Challenges with maintaining safety for workers while also mitigating economic losses were rather pronounced in the Education and Health Services industry. Florida hospitals lost around \$8 billion through August 2020 due to increased costs from treatment, protective gear, and non-reimbursed costs. Outside hospital settings, the state halted elective surgeries and visitation to long-term care facilities, which ushered in a subsequent shift toward telemedicine visits. Across the education spectrum, K-12 schools, colleges, and universities face continued difficulty with expanding remote instruction while also dealing with falling revenues from reduced enrollment, costs from acquiring personal protective equipment (PPE) and uncertain government aid.

The Construction and Manufacturing sectors, Florida's two goods-producing sectors, experienced contrasting outcomes. The Construction sector was the one industry in the state that seemed to benefit from the state-wide stay-at-home order, which reduced traffic and accelerated critical infrastructure projects valued above \$2.1 billion. As a whole, the sector only witnessed a 1,400 decrease in employment. The Manufacturing sector, on the other hand, faced unique challenges when the pandemic disrupted international supply chains. At the pandemic's peak, the Manufacturing sector lost around 33,700 jobs, and over 78.3 percent of companies anticipated major financial impacts.

Florida's Government and Agriculture sectors were likewise not immune to the economic effects stemming from the ongoing pandemic. The state government reported general revenue collections were down nearly \$1.9 billion when the state finished its fiscal year on June 30, 2020. For local governments in cities like Orlando, Miami, and Tallahassee, tourist development tax revenues dropped nearly 95 percent in some areas while taxable sales fell anywhere from 17 to 27 percent lower than in 2019. In the Agriculture industry, producers dealt with an estimated \$522.5 million in crop losses through April 2020 as demand fell from large-scale buyers, including restaurants, school districts, and processing facilities.

To offset the pandemic's economic blow and encourage a robust recovery, policymakers from around the state should consider adopting various policy recommendations tailored to specific economic industries. Policy recommendations, such as continuing public investment in Florida's tourism marketing industry, will prove critical to the Leisure and Hospitality industry's recovery over the coming years. Likewise, targeted investment in the state's Manufacturing sector can help to diversify Florida's economy while at the same time boosting employment in high-wage, high-skill jobs. For the Retail Trade industry, enacting E-fairness legislation will help prevent unfair competitive disadvantages for physical retailers and small businesses already struggling under the pandemic.

Other policy recommendations, such as enacting a limited COVID-19 liability shield, would be overarching across economic sectors and would help businesses in various industries to reopen and resume operations. Such a policy measure would safeguard businesses, their agents, and individuals from predatory litigation resulting from alleged exposure to COVID-19 while also ensuring customers have proper recourse in the event of gross negligence.

The pandemic has once again exposed a fundamental problem at the root of the state's economy: the heavy reliance on tourism and real estate development to foster economic activity. A diversified economy will be imperative in launching Florida's economy beyond the pandemic's end and lessening the likelihood of a future economic recession of the same magnitude. The first of many steps to accomplish this goal of economic diversification will be to understand the complicated way in which the virus has affected Florida's different sectors and provide relevant policy remedies in response.

INTRODUCTION

In the months since Florida reported its first positive COVID-19 case, Florida has faced an economic recession never before seen in the state's history. Public officials responded to the evolving public health emergency by issuing stay-at-home orders and shuttering non-essential businesses during the month of April. Though necessary to stem the exponential rise in COVID-19 cases, the resulting economic fallout affected businesses and workers across the state, creating a precarious path forward to recovery.

Nationally, the U.S. Real Gross Domestic Product (GDP) fell by a historic 32.9 percent in the second quarter of 2020 (April-June),¹ and estimates in Florida predicted an even greater decline around 36.9 percent in the second quarter.² Unemployment quickly followed suit as Florida's unemployment skyrocketed to 1.3 million persons in May 2020, corresponding to an unemployment rate around 13.7 percent.³ For a state economy largely dependent on tourism, only 12.8 million visitors traveled to Florida during the second quarter, a decline around 60.5 percent from the 32.4 million visitors during the same time in 2019.⁴ The subsequent loss in economic activity left a notable impact on the state's revenue with General Revenue (GR) collections falling \$1.9 billion short of expectations for the fiscal year ending on June 30, 2020.⁵

Even as businesses begin to re-open and reemployment assistance claims begin to taper off, challenges remain for Florida's recovering economy. Experts predict that the state's economy will not return to pre-pandemic levels until the end of 2021 or later due to the state's large emphasis on tourism,⁶ and the state government will continue to grapple with largely fluctuating revenues over the next few years. Of course, the exact timing of a full economic recovery is far from certain and will likely

depend on the course of the disease outbreak and the development of effective treatments and vaccines to combat the virus. Yet at present, much more must be done to analyze the current economic situation and come up with innovative solutions to spearhead recovery efforts in the years to come.

On the aggregate, the pandemic's statewide effects are clear; however, in recent months, there has been less attention toward the industry-specific effects for Florida's different economic sectors. Certainly, some industries have faced far larger economic contractions than other industries whose impacts were not as severe, yet still consequential.

In line with the industry classification system used by the Florida Department of Economic Opportunity (DEO) and U.S. Bureau of Labor Statistics (BLS), this report looks at the top ten major economic sectors in Florida along with the agricultural sector to determine the industry-specific effects and compare their overall magnitudes. The chosen list of economic sectors for this analysis is not exhaustive but simply follows similar classification standards by the Florida DEO and the U.S. BLS. The economic sectors are also presented according to their relative contributions to state GDP, with sectors contributing more in total output appearing first in the report.

Florida TaxWatch undertakes this independent analysis to analyze the specific ways the pandemic has affected the different sectors that make up Florida's economy in hopes of discovering the subtleties underneath the statewide economic impact. Additionally, TaxWatch provides industry-specific recommendations to guide policymakers in tailoring recovery measures to specific economic sectors. These measures include policy, regulatory, and tax-oriented actions. By seeking to shine a light on the economic picture for various industries, the hope is to help the Sunshine State recover in an efficient, cost-effective way while also ensuring the safety and well-being of all taxpayers.

1 U.S. Bureau of Economic Analysis, Gross Domestic Product, 2nd Quarter 2020 (Advance Estimate) and Annual Update, July 30, 2020. <https://www.bea.gov/news/2020/gross-domestic-product-2nd-quarter-2020-advance-estimate-and-annual-update>.

2 Florida Office of Economic and Demographic Research, Florida Economic Estimating Conference, July 17, 2020. <http://www.edr.state.fl.us/Content/conferences/fleconomic/floridaeconomicsummary.pdf>.

3 U.S. Bureau of Labor Statistics, Florida Economy at a Glance, July 31, 2020. <https://www.bls.gov/eag/eag.fl.htm>.

4 VISIT Florida, Florida Visitor Estimates and Travel Industry Trend Indicators, August 15, 2020. <https://visitflorida.app.box.com/s/yybwlayqp5ul95851p1vobhwjpsxr2cr>.

5 Florida Office of Economic and Demographic Research, Revenue Estimating Conference, August 14, 2020. <http://edr.state.fl.us/Content/conferences/generalrevenue/grsummary.pdf>.

6 UCF Institute for Economic Forecasting, Florida Metro Economic Forecast 2020-2023, August 12, 2020. https://issuu.com/ucfbusiness/docs/ucf_fm metro_forecast-q2-2020-final.

FINANCIAL ACTIVITIES

INDUSTRY PROFILE

The Financial Activities sector is part of the service-providing industries group and consists of two specific sub-sectors:

- Finance and Insurance (NAICS 52) --- includes establishments primarily engaged in financial transactions (creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions. Entities include banks, credit unions, monetary authorities, financial investment companies, and insurance carriers.
- Real Estate and Rental and Leasing (NAICS 53) --- includes establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets. The assets may be tangible, as in the case of real estate and equipment, or intangible, as is the case with patents and trademarks.⁷

As shown in Table 1, the Financial Activities sector contributes more than \$206 billion in total output to the state of Florida, with a large portion of the total coming from real estate and rentals. Comparatively, the Real Estate industry contributes around 16.1 percent of total state GDP, whereas the Finance and Insurance industry comprises 5.7 percent.⁸ Despite the lower output, the Finance and Insurance industry employs 391,000 workers, or about 4.4 percent of the state's total employment. Alternatively, the Real Estate industry employs just under 200,000 workers, or about 2.2 percent of the state's total employment.

Annual wages for workers in the Real Estate industry are just on par with the state's average around \$51,700. For those working in the Finance and Insurance industry, the average annual wage hovers just under \$90,000,

well above the state average.⁹ Future employment growth is promising. Both the Finance and Real Estate industries are predicted to grow employment by 6.9 and 8.4 percent, respectively, by 2027.¹⁰ No other sector contributes more to Florida's economy than the Financial Activities sector.

EFFECTS OF COVID-19 ON THE SECTOR

Florida's housing market experienced a tremendous comeback from April 2020, when economic uncertainty was at its peak, to July 2020, when the housing market seemed to outperform itself a year ago. In April, when business shutdowns and unemployment permeated markets, Florida reported lower level of closed sales, pending sales, and new listings. According to data from Florida Realtors, April saw closed sales of single-family homes statewide drop 20.7 percent year-over-year, numbering 21,400 total sales for the month. New pending sales were 35.1 percent lower than the previous year, while new listings were 27.2 percent lower than April 2019. In addition, condo-townhouse sales declined by 36.5 percent, for a total of only 7,500 sales during the month. The only category to not experience downward trends during this time was median housing prices, which held a statewide median price of \$275,000; up six percent from 2019.¹¹

Despite these downward trends, Florida experienced a significant rebound in its housing market by July 2020, a mere few months since the pandemic's worst moments. Single-family existing home sales rose 11.5 percent compared to July 2019 to a total of 31,400 sales --- the best monthly performance since January 2020 before the pandemic. Pending sales also showed large increases with gains about 21.7 percent higher than 2019. For Florida's condo-townhouses, closed sales rose 19 percent higher when compared to July 2019.

TABLE 1. GDP, EMPLOYMENT, AND WAGES IN THE FINANCIAL ACTIVITIES SECTOR (2019)

Sub-Sector	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Finance and insurance	\$53,947	5.70%	391,457	4.41%	\$89,560
Real estate and rental and leasing	\$153,036	16.10%	197,606	2.23%	\$51,981
Sector Total	\$206,983	21.80%	589,063	6.64%	\$70,771

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

7 Definition comes from Bureau of Labor Statistics, Industries at a Glance: Financial Activities. For further enumeration, visit the NAICS Code Manual 2017.

8 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Appendix 1.

9 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Appendix 2.

10 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Appendix 3.

11 Florida Realtors, Monthly Market Detail - April 2020, <https://archive.floridarealtors.org/ResearchAndStatistics/Florida-Market-Reports/Index.cfm>.

Both single-family homes and condo-townhouse properties experienced increases in their statewide median sales price for the 103rd consecutive month.¹²

Recent reports also show Florida has become a popular destination for homebuyers across the nation, especially from areas such as New York, Chicago, and Boston.¹³ Fueled in part by the lower mortgage rates wrought on by the pandemic and the state's historic lack of an income tax, families are flocking to Florida despite the pandemic. New contracts for single-family homes and condominiums continue to rise in five south and central west coast counties. From Palm Beach County to Hillsborough County, sales continue to rise, outpacing trends in the Real Estate industry as a whole.¹⁴

Due to a robust housing market, and growing prominence among out-of-state homebuyers, Florida's Documentary Stamp Tax collections have been above estimates in recent months. The tax, which is routinely assessed on documents used in real estate transactions, came in \$27 million above estimates in October 2020.¹⁵ Compared to the previous year, the collections were 32 percent above October 2019. These above-estimate collections not only evidence the amount of economic activity in the state's housing market, but also underscore the importance of the real estate market to the state's tax base.

Despite the tremendous rebound in the housing market over recent months, some experts are cautioning that the upward climb may not last. According to researchers at Florida Atlantic University (FAU) and Florida International University (FIU), eight out of ten key metro areas in Florida – including Tampa, Miami, and Orlando – are significantly overpriced compared to past long-term trends and may be arriving at their respective peaks.¹⁶ Similar warnings come from Zillow where data suggest a seasonal slowdown may arrive in Florida over coming months with growth expected to resume next spring.¹⁷ Exactly how the housing market will perform in 2021 will depend largely on changing patterns in the broader macroeconomy.

The other portion of the Financial Activities sector, Finance and Insurance, faced a daunting test from the pandemic due to the large-scale rise in unemployment across the state and nation. Without jobs, many people were unable to pay back loans in full, creating a precarious situation for many financial institutions. Bank of America, the largest bank by deposit in Florida, saw profits fall by 45 percent in the first quarter. JPMorgan Chase, the fourth largest in Florida, saw earnings fall nearly 70 percent. Overall, the state's banking sector took a significant hit with a posted combined loss of \$281 million in the first quarter of 2020, according to data from the Federal Deposit Insurance Corp. This figure compares to profits of over \$467 million only one year earlier.¹⁸ Despite these losses, however, analysts do not predict widespread closures since the recession is not tied to a housing market crash like in 2008.

In addition, many banks and credit unions have positioned themselves to be important facilitators for the federal Paycheck Protection Program (PPP) which, in the first round, saw over 88,997 loans totaling \$17.8 billion in Florida.¹⁹ For Florida's insurance companies, much uncertainty exists whether business interruptions from COVID-19 are covered under many business insurance plans. Despite the ongoing litigation and uncertainty, many health insurance companies have taken proactive steps to aid their customers and assist the local communities. Florida Blue, for example, extended its premium due date for customers who needed extra time to pay premiums and also tripled its COVID-19 community investments to over \$7 million.²⁰

In total, the Financial Activities sector faced 14,100 job losses in Florida from February to July 2020, according to the Bureau of Labor Statistics.²¹ In the month of April, total employment averaged 573,000 --- about 2.6 percent lower than April 2019. Between the two industries, the Real Estate industry possessed a higher risk of losing jobs than the Finance and Insurance industry. The Real Estate industry had 116,500 potential jobs at risk compared to only 47,000 in the Finance and Insurance industry.²² This observation can be explained in part to the fact that many banks and financial institutions convert-

12 Florida Realtors, Monthly Market Detail – July 2020. <https://archive.floridarealtors.org/ResearchAndStatistics/Florida-Market-Reports/Index.cfm>.

13 The New York Times, "Florida Attracts More Northerners" Published Sept. 4, 2020.

14 Ibid.

15 Florida Office of Economic & Demographic Research, Monthly Revenue Report: October, Oct. 2020. <http://edr.state.fl.us/Content/revenues/reports/monthly-revenue-report/newsletters/nloct20.pdf>

16 Florida Atlantic University, "Florida's Housing Markets Overpriced as Buyers Stay Busy During Pandemic," September 17, 2020. <http://www.fau.edu/newsdesk/articles/florida-home-prices.php>.

17 Zillow, "Zillow Weekly Market Report, Data Through Oct. 31," Nov. 5, 2020. <https://www.zillow.com/research/zillow-weekly-market-report-27151/>.

18 News Chief, "Florida Banks Skid to Loss," Jun. 22, 2020. <https://www.newschief.com/story/business/2020/06/22/florida-banks-skid-to-loss/41983255/>.

19 Herald-Tribune, "Florida financial companies face new test from coronavirus," Published May 28, 2020.

20 America's Health Insurance Plans, Health Insurance Providers Respond to Coronavirus, September 10, 2020, <https://www.ahip.org/health-insurance-providers-respond-to-coronavirus-covid-19/#f>.

21 See Bureau of Labor Statistics Economy at a Glance: Financial Activities.

22 Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis' Re-Open Florida Task Force on April 20, 2020.

ed to remote work or drive-thru only, making it more bearable to weather the pandemic's initial effects. Despite the greater potential jobs loss for the Real Estate industry, recent trends indicate that Florida's housing market remains a robust seller's market as inventory falls and demand increases throughout a delayed homebuying season.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Reduce and ultimately eliminate the Business Rent Tax (BRT).

Florida is the only state in the nation that imposes a statewide sales tax to leases on commercial property. This tax creates a government-mandated increase of up to eight percent in occupancy costs for businesses that rent. Over the last several legislative sessions, the Legislature has slowly reduced the state tax from 6.0 to 5.5 percent; however, more must be done to eliminate the competitive disadvantage that many Florida businesses face. Policymakers should consider phasing out the BRT to lower costs for businesses already struggling under the strain of the COVID-19 pandemic to pay rent payments.

Recommendation 3

Relax state and local restrictions on vacation rentals while also providing unified guidance for all counties.

As part of the state's response to the virus in early March, short-term vacation rentals were ordered to cease operations to limit the number visitors from virus hotspots around the U.S. In late May, Governor DeSantis lifted the ban on vacation rentals for counties outside of South Florida with an important condition: counties had to individually submit proposed rental procedures and attain approval from the state Department of Business & Professional Regulation (DBPR). As of early October, 55 of the state's 67 counties had received approval to resume bookings.²³ Even with a majority of counties resuming vacation rentals, many owners and companies face conflicting guidance between various counties. At present, the patchwork of county rules and restrictions make it difficult for vacation rental owners with properties in multiple counties to adhere to special guidelines. Florida TaxWatch recommends state policymakers provide unified guidance on reopening vacation rentals with particular focus toward conflicting measures between counties.

²³ Department of Business & Professional Regulation, Status of Vacation Rental Operations By County, <http://www.myfloridalicense.com/DBPR/vacation-rental-status/>.

TRADE, TRANSPORTATION & UTILITIES

INDUSTRY PROFILE

The Trade, Transportation, and Utilities sector is one of several service-providing industries and is comprised of four primary sub-sectors:

- Wholesale Trade (NAICS 42) --- includes establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.
- Retail Trade (NAICS 44-45) --- includes establishments engaged in retailing merchandise at the end of the distribution process. Retailers are organized to sell merchandise in small quantities to the general public for personal or household consumption.
- Transportation and Warehousing (NAICS 48-49) --- includes establishments that provide transportation of passengers and cargo, warehousing and storage for goods, or scenic and sightseeing transportation.
- Utilities (NAICS 22) --- includes establishments which provide utility services, such as electric, water, and sewage.

As shown in Table 2, of the four sub-sectors that comprise the Trade, Transportation, and Utilities sector, Retail Trade and Wholesale Trade combined for a total output around \$140.9 billion in 2019, around 15 percent of total state GDP. These two sub-sectors combined accounted for around 1.5 million jobs in Florida, or about 16.5 percent of total jobs in 2019. Annual wages for Wholesale Trade were higher than the state average, whereas workers in the Retail Trade industry had lower average annual wages around \$32,500.

Transportation and Warehousing was the next highest GDP contributor of the four sub-sectors with an annual output around \$30.9 billion in 2019. Employment was around 358,000 ---slightly above that of Wholesale Trade. Average annual wages hovered around \$54,500 in 2019. Finally, for the Utilities sub-sector, there was a GDP contribution around \$15.4 billion, or about 1.6 percent of total state GDP. Utilities only accounted for a small portion of total state employment with just over 28,500 jobs; however, average annual wages were the highest in the group with wages being around \$94,000 --- well above any other category in the sector.

EFFECTS OF COVID-19 ON THE SECTOR

Compared to most other economic sectors, the Trade, Transportation, and Utilities sector is perhaps the most dynamically impacted by COVID-19 due to the constantly shifting nature of supply chains, state and local legislation, and consumer demand. In particular, sensitivity to diminished international trade and lower global/domestic tourism meant businesses such as airports, seaports, and other transportation hubs faced falling traffic. Furthermore, stay-at-home orders and other executive actions designed to stem the flow of COVID-19 forced many retailers to close doors, resorting to online sales only. At the same time, however, increased need for essential services, such as grocery stores and pharmacies, offset some of the decline in sales. In total, the pandemic's effect on this industry is complicated in scope, yet several aspects are highlighted in this section.

Due to the rapid decline in international trade and tourism, Florida's airports and seaports were some of the first to feel the effects of the virus. Between April and June, total enplanements to Florida's airports numbered 3.1 million, down 87.7 percent from the same period in 2019. Some airports, such as Fort Lauderdale International and Miami International faced 90 percent reductions in enplanements compared to the previous year.²⁴

TABLE 2. GDP, EMPLOYMENT, AND WAGES IN THE TRADE, TRANSPORTATION, AND UTILITIES SECTOR (2019)

Sub-Sector	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Utilities	\$15,414	1.60%	28,689	0.32%	\$93,983
Wholesale Trade	\$67,535	7.10%	352,529	3.97%	\$79,733
Retail Trade	\$73,335	7.70%	1,112,165	12.53%	\$32,549
Transportation	\$30,878	3.20%	357,898	4.03%	\$54,534
Sector Total	\$186,162	19.60%	1,851,281	20.85%	\$65,200

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

²⁴ VISIT Florida, Florida Visitor Estimates and Travel Industry Trend Indicators, August 15, 2020.

With virus concerns keeping potential visitors at home, and many governments from around the world instituting travel restrictions to and from certain locations, Florida felt the immediate effects when fewer flights led to fewer domestic and international tourists visiting the state.

A similar story occurs when considering the state's seaports --- major hubs for cargo containments carrying traded goods and cruises carrying passengers. According to an economic analysis study by the Florida Ports Council, the virus led to a loss of 5.6 million tons of liquid bulk cargo, 1.6 million tons of dry bulk cargo, and over 4.9 million cruise passengers. These impacts led to a loss of \$22.2 billion in total economic activity to the state, consisting of \$5.1 billion in direct revenue loss and \$1.2 billion in lower responding and local consumption.²⁵ These economic impacts are expected to continue well into 2021, especially in light of a November 3, 2020 decision by members of the Cruise Lines International Association to force cruise lines to shut down their U.S. offerings for the remainder of 2020.²⁶

Under the directive of many state and local government measures, retailers and wholesalers across the state experienced drastic reductions in sales as people avoided large stores and opted for shopping online instead. By the middle of April, total consumer spending in Florida decreased by 31 percent compared to January 1, 2020, following a general attrition of consumer confidence among the population.²⁷ These trends were witnessed across the nation as retail spending dropped a record 16.4 percent in April compared to March. Online retailers were the only ones to experience gains in spending with a 8.4 percent increase compared to March.²⁸ Companies such as J.C. Penney, Pier One Imports, and GNC were among some of the larger retailers to declare bankruptcy as a result of falling revenues. In Florida, gradual re-opening plans were met with enhanced cleaning and safety protocols to reduce the transmission in many stores. Mandatory masks, reduced capacity, and regular cleaning typified most store instructions.

Even as the state concludes the holiday season, there are signs that the usual uptick in sales was not as sizable this time around. After posting a strong surge in consumer optimism in September, Floridians' consumer confidence slumped from October to December according to the University of Florida's Consumer Sentiment Index.²⁹ Respondents signaled their growing pessimism as expectations about economic conditions meddled with rising COVID-19 cases across the nation. Especially for those making less annual income, expectations are that personal financial situations may not improve any time soon. For businesses, these trends may be a worrisome sign of continued impacts to retail trade in Florida.

For the Utilities sector, the pandemic has created a contentious battleground between certain electricity companies and customers. During the pandemic's early months in the spring, major utilities companies suspended disconnections for customers who were unable to make timely payments. As the downturn dragged on, some municipal and private power companies, such as Duke Energy, Tampa Electric Co., and Florida Power & Light resumed disconnections. These companies maintained that resuming disconnections was necessary to recover unpaid costs from roughly 1.25 million residential customers throughout the state. Duke Energy, for example, reported it had around \$18 million in deficits between April and June compared to the same period in 2019.³⁰ The decision to resume disconnects was met with stiff resistance as legal petitions were filed in court to impose a 90-day moratorium on behalf of customers. The challenges remain wrapped up in court and represent a tense standoff between energy companies, customers, and utility regulators.

Altogether, the Trade, Transportation, and Utilities economic sector experienced a 160,000 reduction in its labor force from March to April 2020. By June, employment totaled 1.7 million in the state, about 3.5 percent lower than at the same time in 2019. According to analysis by the Florida Chamber of Commerce, the Retail industry has 736,000 vulnerable jobs, second only to those jobs in the tourism industry.³¹ Seventy-three percent of these total vulnerable jobs centered in large-size firms with over 500 employees. The Transportation in-

25 Florida Ports Council, Economic Impacts of COVID-19 on Florida Ports and the State's Economy, August 2020, <http://scdn.flaports.org/wp-content/uploads/Economic-Impact-of-COVID-on-FlaPorts-2020-v5-web.pdf>.

26 Cruise Lines International Association, "CLIA Ocean-Going Cruise Line Members - Reaffirming Commitment to Stringent Protocols - Voluntarily Extend Suspension of U.S. Operations," Nov. 3, 2020. <https://cruising.org/en/news-and-research/press-room/2020/november/clia-cruise-line-members-voluntarily-extend-suspension-of-us-operations>.

27 Harvard University, Opportunity Insights: Economic Tracker, Percent Change in All Consumer Spending: Florida, Retrieved on Nov. 12, 2020.

28 U.S. Census Bureau, Monthly Retail Trade, April 2020 Report.

29 Bureau of Economic and Business Research, University of Florida, Florida Consumer Sentiment Index in October.

30 Tampa Bay Times, "Florida Power Companies Face Legal Challenge on Disconnections During Pandemic," Sept. 22, 2020. <https://www.tampabay.com/news/business/2020/09/22/florida-power-companies-face-legal-challenge-on-disconnections-during-pandemic/>.

31 Definition comes from Bureau of Labor Statistics, Industries at a Glance: Trade, Transportation, and Utilities.

dustry was the next most vulnerable in this sector and had around 118,000 potential jobs at risk due to proximity to the public and other employees. Utilities and Wholesale Trade were considered medium-risk for having fewer total vulnerable jobs at risk of being lost throughout the pandemic. Nevertheless, these two industries faced layoffs numbering around 101,000 total workers.³²

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Enact E-Fairness legislation similar to bills filed in 2019.

As it stands today, Florida does not currently collect sales tax on sales to Florida customers by remote (out-of-state) sellers. Remote vendors sell their personalized products to Florida consumers by internet, telephone, or by mail. By not collecting sales tax on these remote sales, Florida's state and local government miss out on legally owned revenue. Non-collection also creates a competitive disadvantage for many of Florida's brick-and-mortar retailers already struggling under the weight of the pandemic.

³² Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis.

To date, Florida is one of only two states (out of 45 that levy sales taxes) that have not implemented a remote sales tax following a U.S. Supreme Court decision³³ indicating its constitutionality for states. The Florida Revenue Estimating Conference found that not collecting sales tax on remote sales tax costs Florida state and local governments around \$612 million a year, a figure that will grow to \$870 million annually in five years.³⁴ With the virus leading to a surge in online sales, the estimate from 2019 likely underestimates the true value of missed remote sales tax revenue. Florida should enact legislation to require marketplace vendors without a physical presence in Florida to collect sales tax and provide it to respective state and local government entities. Past legislation, such as SB 126 and HB 159 in 2020, are frameworks for instituting such legislation.

Recommendation 3

Support sales tax holidays which are important to many businesses in the Retail industry.

Sales Tax Holidays, specifically Back to School days, have become important to many consumers in Florida. These holidays are crucial to the Retail industry and have made the Back-to-School Holiday the second biggest shopping weekend in Florida behind only Black Friday. In the past, Florida taxpayers have been found to save nearly \$543 million in state and local sales taxes from the exemptions.³⁵ For retailers, the sales tax holidays lead to higher gross sales and greater purchases of particular items. Continuing these holidays will be essential for retailers and small businesses already struggling to maintain consistent sales during the pandemic. Of course, proper safety measures should be prioritized for any sales tax holiday. Florida TaxWatch recommends policymakers continue supporting sales tax holidays due to their cost-saving, revenue boosting properties for consumers and businesses alike.

Recommendation 4

Invest in the expansion of the state's transportation infrastructure network, including airports, seaports, spaceports, highways, and railways part of the State Intermodal System (SIS).

The population growth and economic expansion that will inevitably follow the pandemic's end will require a resilient transportation network well-equipped to handle the increased traffic and trade. In recent years, Flor-

³³ South Dakota v. Wayfair, Inc., 585 U.S. ___ (2018)

³⁴ Florida Revenue Estimating Conference, results from Impact Conference, page 159-176, December 20, 2019.

³⁵ Florida TaxWatch, Supporting Sunshine State Shoppers, February 2017.

ida's infrastructure spending has been inadequate to meet growing needs, hampered by falling transportation funding. By 2040, it is estimated that Florida's will face a \$161 billion shortfall between transportation needs and projected revenues. For airports and seaports, two groups especially hard hit by the pandemic, unmet funding is around \$10 billion.³⁶ To remedy this issue, policy-makers must prioritize strategic investments in crucial infrastructure vital to facilitating the movement of people, goods, and services across the state. Targeted investments will have clear economic implications for the entire state as transportation infrastructure supports more than 210,000 jobs, creates \$7.2 billion in economic activity, and contributes more than \$1.3 billion in taxes—not to mention the importance to attracting new businesses and tourists.³⁷

³⁶ Florida TaxWatch, Meeting Florida's Transportation Investment Needs, February 2016.

³⁷ Id.

PROFESSIONAL AND BUSINESS SERVICES

INDUSTRY PROFILE

The Professional and Business Services sector is part of the service-providing industries group and includes three principal sub-sectors:

- Professional, Scientific, and Technical Services (NAICS 54) --- include establishments that specialize in providing technical expertise for others. Activities include legal advice, accounting, payroll services, engineering, computer services, consulting, and more.
- Management of Companies and Enterprises (NAICS 55) --- include establishments that administer the strategic or organization planning for another company or enterprise.
- Administrative and Support and Waste Management (NAICS 56) --- includes establishments that perform routine support activities for the day-to-day operations of other organizations. Examples include office administration, clerical services, security and surveillance, janitorial services, and waste disposal services.³⁸

As shown in Table 3, Florida's Professional and Business Services sector contributed around \$132.1 billion in total output to the state's GDP in 2019, equating to 14 percent of total state GDP. Within this category, Professional, Scientific, and Technical Services contributed the most to GDP with around \$73.9 billion in total output. The sector employed 597,000 workers with wages around \$81,000.

Despite only maintaining an average employment of 115,000 workers and contributing \$19.6 billion in total output, the Management of Companies and Enterprises sub-sector boasted the highest annual wages of all three groups with an annual wage of about \$115,000. Lastly, Administrative and Support and Waste Management contributed \$38.6 billion to state output and employed just over 682,000 workers, or about 7.7 percent of the state's total work force. Wages were well below the state average, however, with annual wages just under \$40,000. Future employment growth for each industry just mentioned was among the highest of all sectors in Florida. Ranging from 10.6 to 14.1 percent employment growth by 2027, the Professional and Business Services sector is predicted to add about 170,000 new jobs in the span of seven years.³⁹

EFFECTS OF COVID-19 ON THE SECTOR

Across the broad sector, the rapid transition to remote work platforms has perhaps been the most profound change brought on by the COVID-19 pandemic. Due to the nature of work, many companies within the Professional and Business Services sector were able to adapt to stay-at-home orders and office closings to ensure business continuation. Compared to other major sectors, the Professional and Business Services sector had the third highest ability to telework rate of 70 percent, behind only Information and Financial Activities.⁴⁰ The Bureau of Labor Statistics states: "[Telework] feasibility is high in the information, financial activities, professional and business services, and public administration industries; it is low in the leisure and hospitality, agriculture, and construction industries."⁴¹

TABLE 3. GDP, EMPLOYMENT, AND WAGES IN THE PROFESSIONAL AND BUSINESS SERVICES SECTOR (2019)

Sub-Sector	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Professional, scientific, and technical services	\$73,845	7.80%	597,355	6.73%	\$81,192
Management of companies and enterprises	\$19,606	2.10%	115,213	1.30%	\$114,803
Administrative and support and waste management	\$38,625	4.10%	682,248	7.68%	\$39,979
Sector Total	\$132,076	14.0%	1,394,816	15.71%	\$78,658

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

38 For a more detailed explanation of the specific components within the industry, visit the Bureau of Labor Statistics Industries at a Glance: Professional and Business Services.

39 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Table in Appendix 3.

40 Bureau of Labor Statistics, Ability to Work From Home: Evidence From Two Surveys and Implications, <https://www.bls.gov/opub/mlr/2020/article/ability-to-work-from-home.htm>.

41 Id.

Due to higher telework feasibility, employment losses have not been as pronounced compared to other sectors. Employment losses were much smaller for non-critical workers in remote-work feasible sectors, such as Professional, Scientific, and Technical Services, compared to those in hotel and entertainment industries.⁴² Nationally, industries where remote work was feasible, such as Professional and Business Services, experienced three percent declines in employment in April 2020 relative to April 2019, whereas non-telework friendly industries like Leisure and Hospitality suffered greater losses in employment.⁴³

Although the sector has been able to adapt to remote work in many settings, many exceptions still exist, and certain pockets of the population are disadvantaged in the transition. Those workers who have been able to make the switch primarily include higher-wage, high-skilled workers with adequate access to Internet platforms. At a disadvantage are low-income, largely ethnic minority workers without remote work capabilities. The Economic Policy Institute estimates that the Professional and Business Services industry has a 53.4 percent share of workers who can telework, but less than one-in-five Black workers and roughly one in six Hispanic workers are able to work from home. Additionally, higher-wage workers are six times as likely to be able to work from home as lower-wage workers.⁴⁴

For those workers in the Administrative and Support and Waste Management sector, inability to switch to remote work for some workers (e.g., janitorial services or trash collectors) led to employment difficulties for those with particularly lower wages compared to the rest of the sector as a whole. These disparities are reflected in Florida's employment figures throughout the pandemic.

According to the Bureau of Labor Statistics, between February and July 2020, employment in Florida's Professional and Business Services sector fell from 1.4 million to 1.3 million in the span of a few months. The decline represented a 6.2 percent contraction with the employment figures in July being eight percent lower than the same time in the previous year.⁴⁵ Breaking the Professional and Business Services sector down into its three components, most job losses occurred in the Adminis-

trative and Waste Services industry. The year-to-date change hovered around 74,700 fewer jobs, signifying a 10.8 percent reduction over the year. For Professional and Technical Services, the over the year change in jobs actually increased by 1,100 or 0.2 percent. Finally, the over the year change for the Management of Companies and Enterprises employment fell by only 1,700 or 1.5 percent.⁴⁶ Based on analysis by the Florida Chamber of Commerce, those jobs in the professional services industry face a total of 76,000 vulnerable jobs with most impacts centering in companies with fewer than 99 employees.⁴⁷

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Provide disaster relief for commercial and non-homestead residential properties.

The Florida Legislature should put in statute a disaster/calamity provision to specifically address economic damages resulting from the impact of loss of access to, or use of, commercial and non-residential real property.

42 MIT Sloan School of Management, Telecommuting exposes fault lines in COVID-19 economy, Jun 25, 2020.

43 Id.

44 Economic Policy Institute, Not everybody can work from home: Black and Hispanic workers are much less likely to be able to telework, March 19, 2020.

45 Bureau of Labor Statistics, US Department of Labor: Florida's Economy at a Glance.

46 Department of Economic Opportunity, July Data Release – Florida's July Employment Figures. August 2020.

47 Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis' Re-Open Florida Task Force on April 20, 2020.

In the past, the Florida Legislature passed similar measures in response to real property damaged by Hurricanes Hermine, Matthew, and Irma (§197.318, Fla. Stat.). The relief would be equivalent to the annualized value of economic damage, which could be a specified amount determined by the Florida Legislature and Department of Revenue. The economic damage could form the basis for an adjustment to the 2020 taxable value, or if action were not attainable in 2020, then it could become a direct adjustment to the 2020 ad valorem taxes. The priority, however, should be for 2020 relief for specified taxpayers.

GOVERNMENT

INDUSTRY PROFILE

The Government sector (NAICS 91)⁴⁸ comprises establishments of federal, state, and local government agencies that administer, oversee, and manage public programs and have executive, legislative, or judicial authority. These agencies set policy, adjudicate legal cases, and provide for public safety and national defense. These governmental entities oversee programs that are not typically performed in the private sector. Examples of establishments within this sector would include legislative bodies, judicial courts, police departments, correctional institutions, and space research.⁴⁹ County and municipal administration or law enforcement entities are one of the ten largest employers in every county except one. In addition, the military and public corrections facilities are among the top three employers in at least thirteen counties.⁵⁰

As shown in Table 4, there are almost 458,000 employed government workers in the state of Florida, constituting 5.2 percent of total state employment. For these workers, average annual wages typically average around \$60,232 --- higher than the state average.⁵¹ The state's government sector—when considering federal, state, county, and municipal governments—contributes around \$98.8 billion to the state's economy, around 10.4 percent of state GDP.⁵²

EFFECTS OF COVID-19 ON THE SECTOR

For Florida's state, county, and municipal governments, the economic downturn resulting from the pandemic created an uncertain situation for many localities as tax revenues fell and made budget shortfalls inevitable. According to the August 2020 Revenue Estimating Conference report, Florida's general revenue collections were down by nearly \$1.9 billion when the state finished its fiscal year (FY) 2019-2020 on June 30, 2020. Anticipated revenues were also revised downward by \$3.4 billion in FY 2020-2021 with the bulk of the adjustment coming from a projected \$2.8 billion decrease in sales tax revenue over the fiscal year.⁵³ When the Conference met again in late December, there were sizable adjustments made to the forecast adopted in August to reflect the higher-than-expected revenue collections over the previous few months. The Conference revised anticipated revenues upward by around \$1.5 billion in FY 2020-2021 and by \$623 million in FY 2021-2022.⁵⁴ Driving these upward revisions was a large adjustment to the forecast in Sales Tax revenue over the coming fiscal year. Yet even with these more favorable revenue forecasts in place, there remains a great deal of uncertainty as revenue collections tend to follow fluctuations in Florida's tourism-sensitive economy.

A similar story played out among many of the state's counties and cities. In tourism-reliant cities such as Orlando and Miami, taxable sales in August 2020 were anywhere from 17.0 percent to 27.3 percent lower than the same time in August 2019.⁵⁵ Throughout the summer months, local tourist development taxes (TDT) hit historic lows when revenue dropped nearly 95 percent in large cities like Orlando.⁵⁶ Even in smaller cities, such as Tallahassee, there was a predicted \$2.09 million re-

TABLE 4. GDP, EMPLOYMENT, AND WAGES IN THE GOVERNMENT SECTOR (2019)

	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Government	\$98,751	10.40%	457,782	5.16%	\$60,232

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

48 Some government resources will refer to this sector as the "Public Administration" sector. The terms are interchangeable in this case.
 49 For an exhaustive list of government entities and a more thorough explanation of the sector, reference the NAICS Code Manual 2017. https://www.census.gov/eos/www/naics/2017NAICS/2017_NAICS_Manual.pdf.
 50 Florida TaxWatch, Florida's Top Public Employers by County, April 2020.
 51 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Table 2.
 52 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Table 1.

53 Florida Office of Economic and Demographic Research, Revenue Estimating Conference for the General Revenue Fund & Financial Outlook Statement, August 14, 2020. <http://edr.state.fl.us/Content/conferences/generalrevenue/grsummary.pdf>.
 54 Florida Office of Economic and Demographic Research, Revenue Estimating Conference for the General Revenue Fund, December 21, 2020. <http://edr.state.fl.us/Content/conferences/generalrevenue/grsummary.pdf>.
 55 Florida Office of Economic and Demographic Research, Regional Economic Activity, August 2020 over August 2019 – Taxable Sales by Major Category, Aug. 2020. <http://edr.state.fl.us/Content/revenues/reports/taxable-sales-and-index-of-regional-economic-activity/regionalsales2008.pdf>.
 56 Channel 6 News, Orange County tourism taxes improved in June, but collections remain 'historically low', Published on August 6, 2020. <https://www.clickorlando.com/news/local/2020/08/06/will-june-orange-county-hotel-tax-dollars-show-improvement/>.

duction in TDT revenues in 2020.⁵⁷ With such a large drop in local revenue, many areas have had to cut funds to many local development projects, including performing arts and convention centers, while also dealing with rising public health costs.

As part of the federal CARES Act, state and local governments from around the country vied for \$150 billion in aid money to be used for supplying public health equipment, reimbursing costs of business interruptions, and providing rent assistance;⁵⁸ however, the manner in which this money was disbursed across Florida's local governments was hampered by time delays and lack of consistent guidance. Twelve of Florida's largest counties were the first to receive CARES Act funds, totaling around \$2.5 billion. More than two months after this initial disbursement, the state began providing the remaining amount to the state's smaller counties and municipal governments. Yet even with these funds now disbursed, many local governments continued to navigate the complex web of federal/state stipulations, complicated further by the tremendous demand for aid.

Comparable to businesses and workers in the private industry, many within the Government sector likewise experienced numerous challenges in dealing with the pandemic's spread, yet unlike their private sector counterparts, many state employees faced inconsistent, and at times, unclear guidance on telework and return-to-work instructions. In late March, the Department of Management Services (DMS), which oversees state personnel, issued options for sick leave and remote work, but state workers still faced an unclear patchwork of telework policies that sometimes varied among departments within the same agency. The lack of a consistent telework policy across the entire state government has led to confusion for many of the state's employees. Even as the state gradually reopened in early May, many departments had not outlined return-to-work policies for their employees.

Elsewhere in the Government sector, correctional facilities garnered much attention throughout the course of the pandemic as it drew criticism for the rapid spread of COVID-19 among inmates and correctional officers. As of late-December 2020, the Florida Department of Corrections reported that there have been nearly 17,200 positive cases among inmates and 4,100 positive cases

among officers.⁵⁹ The close proximity to other inmates potentially fuels the rapid transmission. As a result, the surge in prison cases provoked public criticism for the lack of precautionary steps to curb the spread of COVID-19 behind bars, leading some groups to advocate for releasing certain subsets of the prison population more susceptible to the disease. Other states, such as New York, Massachusetts, Missouri, and Oklahoma, have all taken steps to release elderly, non-violent offenders from their prison populations; however, it remains to be seen whether the state of Florida will follow suit.

Analysis by the Florida Chamber of Commerce has found that among those in the government, there are about 13.4 percent of total jobs at risk due to the ongoing pandemic. It is unclear whether the pandemic will have more of an adverse effect on employees at the state or local level; nevertheless, governments at all levels are contending with falling revenues and tightening budget constraints, likely causing recovery efforts to linger for years to come.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

57 Tallahassee Reports, "Leon County Plans for Decrease in Tourist Development Tax Revenue, Proposes Cuts" Published on April 14, 2020. <https://tallahasseeireports.com/2020/04/14/leon-county-plans-for-decrease-in-tourist-development-tax-revenue-proposes-cuts/>.

58 Florida TaxWatch Blog, Time Delays and Lack of Guidance Complicating Local CARES Act Relief, Aug 13, 2020.

59 Florida Department of Corrections, COVID-19 Information, <http://www.dc.state.fl.us/comm/covid-19.html>.

Recommendation 2

Ensure there is a consistent, statewide telework policy for state employees. Promote similar measures for Florida's county and local governments.

Similar to workers in the private sector, many state government workers transitioned to remote work when in-person work became unsafe and unfeasible during the state's stay-at-home order. Although Florida Statutes (Section 110.171(2), Florida Statutes) already address telecommuting, inconsistencies still exist. Wide disparities in telecommuting policies across agencies and sometimes within departments created confusion for many state employees.

Research suggests that telework can result in improved productivity and cost savings. Costs that can be avoided or reduced include overtime payments, property leasing, janitorial/cleaning services, utilities, office equipment and supplies, and office furniture, among others. A January 2010 report by the Office of Program Policy Analysis and Government Accountability (OPPAGA) examined this issue alongside hoteling and other alternative work arrangements and found that alternative work arrangements can reduce agency costs and provide personnel related benefits (e.g., improved morale and reduced turnover).⁶⁰ The Department of Management Services should develop a comprehensive, statewide telework policy for state employees, thereby improving personnel benefits and promoting consistency across agencies and departments.

Recommendation 3

Florida can reduce its overall prison costs and better protect at-risk inmates from COVID-19 through the supervised release of certain non-violent elderly inmates.

Florida's elderly inmate population is particularly vulnerable to the COVID-19 virus. Even before the pandemic, Florida's elderly inmates bore a disproportionate share of the state's prison healthcare costs. According to The National Institute of Corrections, states spend on average \$70,000 per year to incarcerate someone age 50 and older, nearly three times what it costs for younger inmates.⁶¹ Coupled with the health risks associated with contracting COVID-19, the potential health care costs are even higher. Florida should identify low-risk, elderly

inmates to receive conditional medical release. The action would follow other states, such as Illinois, Pennsylvania, and California, which have already lowered their prison populations through similar measures. By releasing elderly inmates, Florida can protect especially at-risk inmates while also lowering long-term costs associated with housing elderly inmates.

⁶⁰ Office of Program Policy Analysis and Government Accountability, "Some Alternative Work Arrangements Can Reduce Costs and Provide Employee Benefits," Report No. 10-04, January 2010.

⁶¹ Florida TaxWatch, Florida's Aging Prisoner Problem, Sept. 2014

EDUCATION & HEALTH SERVICES

INDUSTRY PROFILE

The Education and Health Services sector is a part of the service-providing industries group and consists of two primary sub-sectors:

- Educational Services (NAICS 61) --- includes establishments that provide instruction and training on a wide variety of subjects. Examples include schools, colleges, universities, test training centers, and more.⁶²
- Health Care and Social Assistance (NAICS 62) --- includes establishments providing health care, such as hospitals and residential care facilities, and social assistance, such as child services and community housing services. Although industries in the Health Care and Social Assistance sector may differ in the degree to which they provide medical care exclusively, all industries share the commonality of including trained health practitioners with sufficient medical expertise.⁶³

As shown in Table 5, Florida's Educational Services industry employs around 613,700 workers (or 6.9 percent of the state's labor force) and contributes around \$9.2 billion in total output, only about one percent of total state GDP. Average annual wages in this sector are just under \$47,000, which is below the state average. For the Health Care and Social Assistance industry, employment is more than double that of its Educational Services partner with employment at 1.2 million workers (or about 14 percent of the state's labor force). The sector contributes \$85.2 billion in total output, equating to nine percent of Florida's total GDP. For those in the Health Care industry, average annual wages are around \$54,500 in a year—about \$3,000 above the state's average. According to the Florida DEO, the entire sector is

expected to grow by 197,000 workers by 2027 with 87 percent of the expected growth coming from the Health Care industry and 13 percent of the predicted growth coming from the Educational Services industry.⁶⁴

EFFECTS OF COVID-19 ON THE SECTOR

Ever since the COVID-19 pandemic emerged as a global threat, no industry has experienced the direct risks of exposure to the virus more than the Health Care industry. For health care professionals across the state and around the globe, the inherent dangers associated with treating COVID patients have consistently been met with steadfast courage and noble heroism, warranting noteworthy praise and a renewed commitment to supporting our frontline workers.

As of late-December 2020, the state of Florida reported more than 1.3 million positive COVID-19 cases and around 21,000 deaths to date. Data by the Agency for Health Care Administration also show that the number of COVID-19 positive patients in hospitals was steadily rising with around 5,300 hospitalizations. Florida's positivity rate averaged eight percent in December after hovering below five percent for most of the late-summer.⁶⁵ Mirroring the uptick in cases across the nation, Florida looks poised to experience a rise in COVID-19 cases as the winter months approach.

According to the Florida Hospital Association, Florida hospitals were estimated to lose up to \$8 billion between March and August 2020 from reduced revenues and increased costs related to COVID-19, even after accounting for compensation from federal relief funds. Financial losses are associated with lost revenue due to canceled outpatient services, elective services, and increased operational costs from securing personal protective equipment and other gear. Throughout the pandemic, hospitals have also incurred additional reimbursed costs through purchase of Remdesivir and hiring additional clinical staff to meet case surges in the

TABLE 5. GDP, EMPLOYMENT, AND WAGES IN THE EDUCATION & HEALTH SERVICES SECTOR (2019)

Sub-Sector	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Educational services	\$9,238	1.00%	613,755	6.91%	\$46,824
Health care and social assistance	\$85,178	9.00%	1,241,601	13.98%	\$54,510
Sector Total	\$94,416	10.00%	1,855,356	20.90%	\$50,667

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

62 These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated.

63 Bureau of Labor Statistics Industries at a Glance: Education and Health Services.

64 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Table 3.

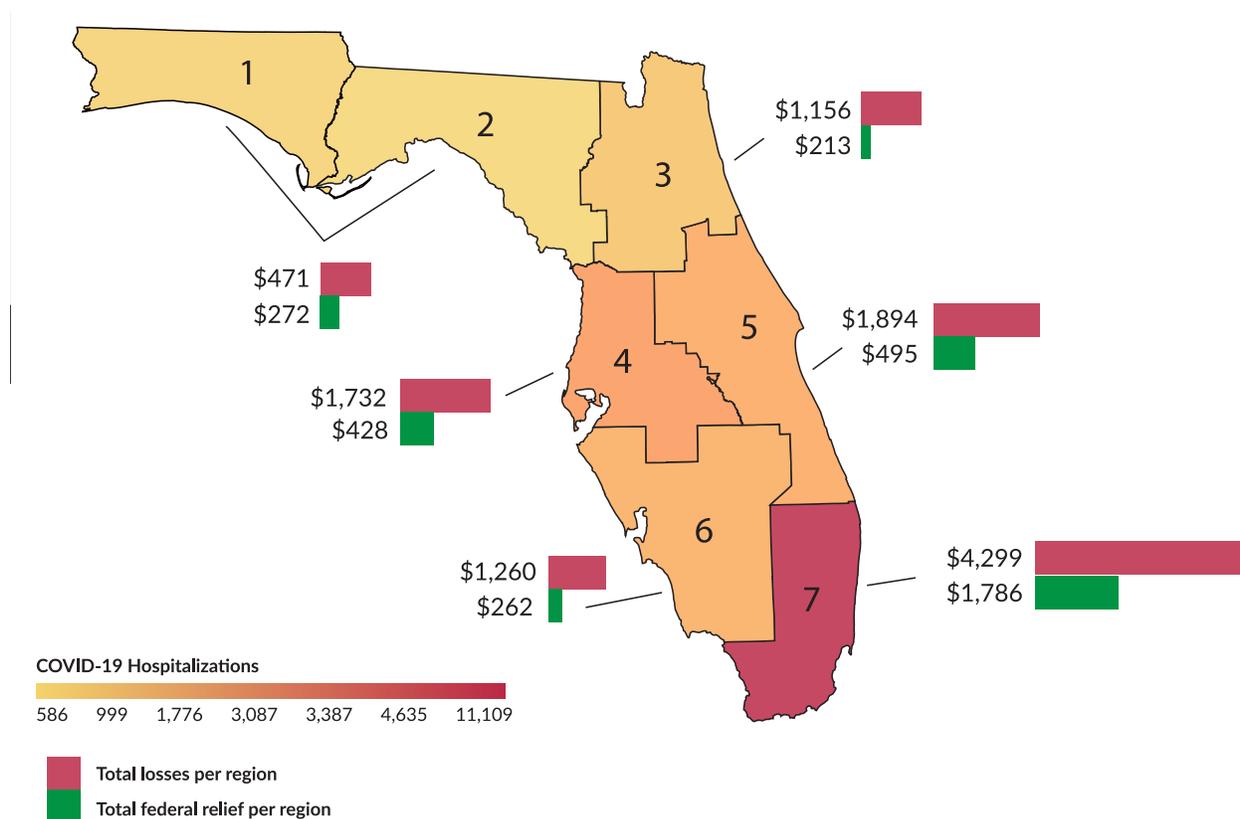
65 Florida Department of Health, COVID-19 Dashboard, <https://floridahealthcovid19.gov/>.

early summer. The financial impact on hospitals across the state have ranged by region with most revenue losses centering in south Florida, where losses exceeded \$4.3 billion. A breakdown by region is provided in Figure 1 below.⁶⁶

Outside hospital settings, the COVID-19 pandemic also changed the landscape for many outpatient clinics and long-term care facilities, ushering in a subsequent shift toward telehealth and implementation of strict protocols to protect the state's most vulnerable populations. Early on during the pandemic, the governor suspended elective surgeries to divert much needed medical focus to hospitals. As a result, elective surgeries in outpatient settings decreased tremendously—a feature mirroring trends across the southeast. By some estimates, the number of visits to ambulatory practices declined by 57 percent in southern states, Florida included.

Around the same time, the number of telemedicine visits as a percentage of total visits rose rapidly across the nation with some estimates supporting a nationwide 14 percent increase compared to normal.⁶⁷ In some places, such as Memorial Healthcare System in Broward County, telehealth visits through March and April skyrocketed by over 662 percent over all of 2019.⁶⁸ During the 2019 legislative session, Florida passed a law which enabled out-of-state health care professionals to provide telehealth services for patients in Florida after meeting certain eligibility requirements.⁶⁹ By expanding access to more timely telehealth services, the state positioned itself to respond to the surging demand in telemedicine during the pandemic. The governor also suspended visitation to Florida's long-term care facilities and instituted strict screening protocols for medical workers since most COVID-related deaths focused on elderly populations in these settings; however, by early September, the

FIGURE 1. ESTIMATED 6-MONTH HOSPITAL LOSSES AND FEDERAL RELIEF



66 Florida Hospital Association, COVID-19 Financial Impact on Florida Hospitals, Sept. 4, 2020. <https://fha.informz.net/FHA/data/images/AmyA/FHA%20Infographic%208.6.pdf>.

67 Figures from both the number of outpatient visits and telehealth visits come from Ateev Mehrotra et al., The Impact of the COVID-19 Pandemic on Outpatient Visits: Practices are Adapting to the New Normal. June 2020. <https://www.commonwealthfund.org/publications/2020/jun/impact-covid-19-pandemic-outpatient-visits-practices-adapting-new-normal>

68 Health News Florida, Virtual Visits: How Telehealth in Florida During COVID-19 is Being Used, Covered by Insurance, May 21, 2020.

69 On April 29, 2019, the Florida Legislature passed HB 23, a law which provided additional guidelines to the use of telehealth in Florida and expanded the number of out-of-state health care professionals.

state began to allow family members to visit their loved ones in long-term care facilities in a safe, socially-distanced way. For workers at these facilities, strict testing protocols were put in place to substantially reduce the possibility of asymptomatic transmission.

The continued need for healthcare workers to combat the virus outbreak meant healthcare jobs did not face the steep falloff in employment as some other industries did. Nonetheless, heightened health risk from close contact with infected patients and state-mandated reductions in elective surgeries meant some jobs were lost since the pandemic began. In February 2020, employment in the industry stood at around 1.19 million workers. By April when the pandemic worsened, employment reduced to 1.08 million workers (a 9.1 percent reduction). By July 2020, employment rose again to 1.15 million employees, regaining some momentum as various outpatient settings resumed services at the state's direction.⁷⁰ According to the Florida Chamber of Commerce, in total, the Health Care industry has 211,00 total jobs at risk with these vulnerable jobs coming from primarily small (fewer than 100 employees) and large (over 500 employees) sized firms.⁷¹

Across the education spectrum, from K-12 to higher education, students, teachers, and administrators are facing the unique challenges associated with adapting to primarily remote platforms. With cases mounting in early March, many schools decided to discontinue in-person instruction in favor of online teaching to reduce transmission. The online-learning approach continued well into the summer and with a majority of the schools returning to in-person teaching last fall, the primary concern continued to be whether schools had the necessary safety measures in place to prevent transmission between teacher and students.

For schools in the K-12 setting, early spring 2020 presented a tremendous difficulty in expanding remote instruction for the state's more than 2.8 million K-12 public students. By summer, the difficulty seemed to be conflicting and ambiguous state direction in desiring physical re-openings for schools come fall, a position that eventually permitted schools to implement online-only options for the beginning of semesters. Due to the gradual return of students to classrooms across the state, some schools have been temporarily closed due

to outbreaks, with infections among school-aged children rising by almost 35 percent.⁷² By mid-November 2020, eight Florida counties had 100 or more COVID-19 cases in public and private K-12 schools. The data show Miami-Dade and Broward lead other counties with more than 250 cases each.⁷³ As the academic year advances, K-12 schools around Florida will continue to face numerous challenges in keeping students and teachers safe, ensuring equal access to education for all students, and maintaining the instructional capacity online for families opting to forego in-person teaching this year.

For public and private colleges and universities, the COVID-19 pandemic has led to falling revenues due to heightened safety measures, room and board refunds, and numerous students foregoing enrollment during the 2020-2021 academic school year. To recoup these losses, some universities have looked to federal aid, but the aid has been largely insufficient to cover all incurred costs. According to estimates, Florida's public universities and colleges received over \$252 million in aid money from the federal CARES Act, with the University of Central Florida receiving the largest amount at \$51 million.⁷⁴ The Independent Colleges and Universities of Florida (ICUF), consisting of 30 Florida based non-profit institutions, have faced close to \$1 billion in collective losses to date with only a portion of that amount covered by federal aid.⁷⁵ Among private institutions, Keiser University received the largest CARES Act allocation around \$21 million.⁷⁶ With courses resuming in the spring semester and university-related cases rising, it remains to be seen how colleges and universities will maintain safety measures for a younger subset of the population that in recent months has been the impetus for new COVID-19 cases.

In total, employment in the Education and Health Services sector fell by 127,300 jobs between March and April 2020. Since then, employment has gradually regained some steam as August's employment figures are

70 Florida Department of Economic Opportunity, Current Employment Survey (CES), 13-month data.

71 Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis' Re-Open Florida Task Force on April 20, 2020.

72 The Washington Post, "Coronavirus cases spike among school-age children in Florida, while state orders some counties to keep data hidden," September 9, 2020.

73 Florida Phoenix, "Nearly 3000 more COVID-19 cases related to FL schools; at least 100 infections in each of eight counties," Nov. 11, 2020. <https://www.floridaphoenix.com/2020/11/11/nearly-3000-more-covid-19-cases-related-to-fl-schools-at-least-100-infections-in-each-of-eight-counties/>

74 Tallahassee Democrat, "CARES Act Brings Millions in Relief to FSU, FAMU, but Revenue Losses are Mounting," Apr. 19, 2020. <https://www.tallahassee.com/story/news/2020/04/19/cares-act-brings-relief-fsu-famu-but-revenue-losses-mounting/5156874002/>

75 Florida's Restore Economic Strength through Employment & Tourism (RESET) Taskforce Final Report, Nov. 2020. <http://aif.com/reset/RESET-Final-Report-11-19-20.pdf>

76 U.S. Department of Education, Allocations for Section 18004(a)(1) of the CARES Act, <https://www2.ed.gov/about/offices/list/ope/allocationforsection18004a1ofcaresact.pdf>

only 1.2 percent lower than the previous year.⁷⁷ The prospect for short and long-term recovery depend on a variety of factors including how well schools can adapt to increased demand for online schooling, reduced revenue flows, and hampered prospects for future employment. Some of these uncertainties can likely be ameliorated by additional state and federal aid money in successive legislative sessions over coming years.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect healthcare workers who must make extremely difficult medical decisions under trying and uncertain circumstances and educators who must look for creative ways to manage the risk and ensure the health and safety of students and others who enter school grounds from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, healthcare and educational facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Expand telehealth opportunities in the state of Florida by ensuring rural and remote areas have adequate broadband capabilities and by addressing regulatory barriers to reimbursements for telehealth providers.

77 Florida Department of Economic Opportunity, Current Employment Survey (CES), 13-month data and July data release showing seasonally adjusted nonagricultural employment in Florida.

Telehealth and virtual care have become important avenues for patients to receive medical care while keeping physicians, staff, and other patients safe from the COVID-19 virus. By 2030, it is estimated that more than 50 percent of health care services will be consumed virtually.⁷⁸ Despite these trends, seamless telehealth delivery cannot be achieved without improvements in broadband internet, digital readiness, and reimbursement regulation.

Based on prior Florida TaxWatch analysis, there are more than 464,000 people without access to wired connection in rural and remote areas. Another 280,000 people are without any available wired internet providers in their areas.⁷⁹ Without these digital connections, residents in more remote or rural areas will be without the same telehealth capabilities as those in more urban areas. Additionally, another challenge deals with barriers to reimbursements for providers. Even as many commercial insurance companies have provided updated guidelines in response to the COVID-19 pandemic, much more must be done to ensure providers are able to react to an increase in telehealth demand and guidelines persist for the foreseeable future.

Due to the ongoing COVID-19 pandemic, states such as Florida need adequate telehealth technology in place. Florida TaxWatch believes that by addressing the challenges to accessing and delivering telehealth services, Florida will have a robust system to serve millions of Floridians both during and after the pandemic. To accomplish this, policymakers should enact new telehealth insurance coverage and payment parity laws or amend current laws to adapt to the evolving nature of telehealth services.⁸⁰

Recommendation 3

The Florida Legislature should permit Florida pharmacists with the proper safety and storage equipment to administer COVID-19 vaccines when they become available.

From the perspective of many patients, the pharmacist is the most accessible and trusted medical professional. Implementing point-of-care treatment for COVID-19 (or

78 American Telemedicine Association, "Health Care Consumerization," ATA Action Briefs, retrieved from https://info.americantelemed.org/ata-action-briefs_healthcare-consumerization, May 19, 2020.

79 Florida TaxWatch, Briefing: Telehealth in Florida: Where We Are and What is Next, May 2020.

80 To read more about Florida TaxWatch's telehealth recommendations, read the recent report, Telehealth in Florida: Where We Are and What is Next: <https://floridatxwatch.org/Research/Full-Library/ArtMID/34407/ArticleID/18878/Telehealth-in-Florida-Where-We-Are-and-What-is-Next>

administering vaccines for other types of pandemics) in community pharmacies will improve access to care for patients who do not have a primary physician or who are only able to access healthcare clinics after normal business hours. Pharmacists are able to see patients after the initial treatment to assess patient status and the need for further intervention. The 2020 Legislature passed, and the Governor signed into law, HB 389, which allows pharmacists to test and treat patients for the flu and strep throat.

TaxWatch thinks this innovation is worthy of consideration by the Legislature as a way to improve access to health care, reduce its costs, and improve patient outcomes. TaxWatch recommends the Legislature more fully evaluate the pros and cons of point-of-care vaccine administration and identify ways to overcome the identified barriers to successful implementation.

Recommendation 4

Include K-12 and higher education teachers and employees who are in direct contact with students on the list of frontline workers to receive the COVID-19 vaccine.

Schools, colleges, and universities represent a potential major source of community spread. As students return to the classrooms in increasing numbers, making sure that teachers and employees who come into direct contact with students receive the COVID-19 vaccine will reduce community spread and permit school districts, colleges, and universities to continue providing quality instruction for students.

Recommendation 5

The Florida Legislature should commit to supporting higher education institutions from both public and private settings and should specifically fund the Effective Access to Student Education (EASE) grant program for independent colleges and universities.

The Independent Colleges and Universities of Florida (ICUF) consist of 30 Florida based not-for-profit, regionally accredited institutions. All 30 ICUF institutions closed on-campus instruction for the Spring and Summer 2020 semesters and shifted to online learning. To date, ICUF institutions have lost more than \$60 million in revenue for room and board refunds, \$90 million in loss of earnings and refunds due to summer program cancellations (including summer camps), and tremen-

dous uncertainty in those schools fortunate to have endowment investments. Once these costs are added, Florida's 30 independent institutions face close to \$1 billion in collective losses.⁸¹ The Florida Legislature cut EASE 18.8%, or \$22.9 million, in the 2019 session and did not replace those funds in the 2020 session.⁸²

81 Restore Economic Strength Through Employment & Tourism (RESET) Task Force, "Working Together for a Better Florida," November 2020.

82 Restore Economic Strength Through Employment & Tourism (RESET) Task Force, "Working Together for a Better Florida," November 2020.

LEISURE & HOSPITALITY

INDUSTRY PROFILE

According to the North American Industry Classification System (NAICS), the Leisure and Hospitality sector is one of several service-providing industries and is comprised of two sub-sectors:

- Arts, Entertainment, and Recreation (NAICS 71) --- includes a wide range of establishments that provide services to meet cultural, entertainment, and recreation interests of their patrons. Examples include theme parks, bowling alleys, golf courses, and spectator sports; and
- Accommodation and Food Services (NAICS 72) --- includes establishments providing customers with lodging and/or prepared meals, snacks, beverages for consumption. Examples include hotels, motels, full-service restaurants, and bars.⁸³

As shown in Table 6, the Leisure and Hospitality industry contributed around \$53.6 billion to the state's GDP (after adjusting for inflation) in 2019. The total contribution from the sector equated to around 5.7 percent of the state's total GDP when taking into account all the other sectors in the economy.⁸⁴ Furthermore, in 2019, the Leisure and Hospitality industry averaged a monthly employment of 1.02 million (11.5 percent of total state employment) for its Accommodation and Food Services sub-sector and a monthly employment of nearly 250,000 (2.8 percent of total state employment) for its Arts, Entertainment, and Recreation sub-sector.⁸⁵ Prior to COVID-19, the Accommodation and Food Services sub-sector was predicted to grow by 125,000 additional jobs, or around 12.2 percent, by 2027. For the Arts and Entertainment sub-sector, employment was expected to climb 23,000 jobs by 2027, or about 9.8 percent.⁸⁶

EFFECTS OF COVID-19 ON THE SECTOR

Florida's Leisure and Hospitality industry has been the most visibly affected during the course of the COVID-19 pandemic. Known for the millions of tourists who usually flock to the state during the summer months, Florida has felt the immediate impact of reduced air travel around the world as theme parks, beaches, and other attractions have faced tremendous drops in attendance. For a state so largely dependent on tourism, it is natural that the most pronounced effects of the ongoing COVID-19 outbreak would center on this particular economic sector.

According to VISIT Florida, the state's principal tourism marketing agency, year-over-year change in hotel demand hit a low-point in April 2020 when hotel demand plummeted 77.6 percent lower than the same time in 2019. The drop in demand corresponded to a \$416 million decline in hotel revenue. Although hotel demand and revenue have made slight improvements since April, the state still faces lower than average numbers.⁸⁷ Preliminary estimates suggest that only 12.8 million visitors visited the state between April and June, a decrease of around 60.5 percent from the previous year. Domestic visitors accounted for most of these visitors as international travel only numbered around 235,000 visitors, marking a 91.1 percent decrease compared to 2019.⁸⁸

Due to the large-scale reduction in out-of-state and international visitors, businesses that usually cater to tourists faced a huge plunge in customer revenue. In an average year, tourism generates around \$94 billion in local spending between lodging, food and beverage, shopping, transportation, and entertainment.⁸⁹ With the pandemic, however, the amount of tourism spending is expected to fall far below previous years. The state's large theme parks, such as Disney, Universal, and Sea-

TABLE 6. GDP, EMPLOYMENT, AND WAGES IN THE LEISURE & HOSPITALITY SECTOR (2019)

Sub-Sector	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Arts, entertainment, & recreation	\$15,057	1.60%	249,128	2.81%	\$39,856
Accommodation & food services	\$38,547	4.10%	1,024,668	11.54%	\$23,677
Sector Total	\$53,604	5.70%	1,273,796	14.35%	\$31,767

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

83 To learn more about the specific businesses within the Leisure and Hospitality sector, visit the NAICS 2017 Manual: https://www.census.gov/eos/www/naics/2017NAICS/2017_NAICS_Manual.
 84 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Appendix 1.
 85 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Appendix 2.
 86 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Table 3 in Appendix.

87 VISIT Florida, COVID-19 FL Tourism Impacts. <https://www.visitflorida.org/resources/crisis-preparation/covid-19-resources-and-information-for-businesses/covid-19-fl-tourism-impacts/>.
 88 VISIT Florida, Florida Visitor Estimates and Travel Industry Trend Indicators, August 15, 2020. <https://visitflorida.app.box.com/s/yybwlqyp5ul95851p1vobhwjpsxr2cr>.
 89 Rockport Analytics, Picking up the Pace: Florida's Tourism Performance Jumps into a Higher Gear, 2019. <https://www.visitflorida.org/media/30679/florida-visitor-economic-impact-study.pdf>.

World did not re-open until June and July, leading to thousands of employee furloughs and eventual layoffs. As gatherings, events, and activities were shut down throughout the pandemic, Florida's small businesses were especially hard hit from the loss in tourism activity. Data from the Florida Chamber of Commerce suggest that small businesses in the Leisure and Hospitality industry suffered the highest number of closed business weeks compared to small businesses in all other economic sectors in Florida. For the Arts, Entertainment, and Recreation industry, there was around 14 missed weeks of business and around 66.3 percent revenue loss. For the Accommodation and Food Services industry, there was about 12.6 missed weeks and 64.5 percent revenue lost among small businesses.⁹⁰

Between March 2020 and April 2020, the state's Leisure and Hospitality industry suffered 481,900 job losses, representing a 39.8 percent one-month drop. Among all of Florida's economic industries, the Leisure and Hospitality industry faced the largest decline in employment. In the middle of the state's April shutdown, the industry had 41.7 percent fewer jobs than it did in April 2019.⁹¹ When considering the total jobs at risk based on proximity to others, the Florida Chamber of Commerce found that the Leisure and Hospitality industry had 913,000 total vulnerable jobs in Florida, far outpacing the next largest industry, Retail Trade. By company size, the same report found that:

- 45 percent of the total vulnerable jobs were in large-sized companies with 500+ employees;
- 13 percent of the vulnerable jobs were in medium-sized companies with 100-499 employees; and
- 42 percent of vulnerable jobs were in small-sized companies with fewer than 99 employees.⁹²

Finally, a drop in the state's tourism minimized potential tax revenue generated. According to a 2018 report by Rockport Analytics, Florida tourism generates about \$14.1 billion in federal tax revenue and around \$12 billion in state and local tax revenue in a typical year.⁹³ Most localities fund numerous development projects and marketing efforts through the use of tourist development taxes levied on visitors. Local government took

a hit when these revenue sources faced surging declines during the pandemic's worst months. In some places such as Orlando, home to the state's major theme parks and attractions, the county government saw a record 95 percent drop in tourism tax dollars in April, equating to a loss of \$765,900 that would have funded local development projects.⁹⁴ The loss in tax revenue is a trend shared by local governments of varying sizes all throughout Florida.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Florida TaxWatch research shows that continuous, targeted investment into Florida's tourism industry is critical to our state's success. While diversifying the economy is important, tourism will remain a key component of Florida's economic strength. The Legislature must continue to fund tourism marketing and promotion at a level sufficient to move Florida forward.

90 Florida Chamber of Commerce, The Impact of COVID-19 Pandemic on Florida's Small Businesses, Oct. 2020. http://www.flchamber.com/wp-content/uploads/2020/10/COVID-Impact-Survey_October.pdf

91 Bureau of Labor Statistics, US Department of Labor, Florida Economy at a Glance. <https://www.bls.gov/eag/eag.fl.htm>.

92 Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis' Re-Open Florida Task Force on April 20, 2020.

93 Rockport Analytics, Picking up the Pace: Florida's Tourism Performance Jumps into a Higher Gear, 2019.

94 Florida Politics, Orange County tourist tax disappears almost entirely, June 3, 2020.

Marketing Florida's attractions and natural destinations will be essential to recovering Florida's economy in coming years. By making strategic investments in Florida's marketing tourism wing, the state can mitigate against the negative perception that Florida is an unsafe destination during and following the pandemic. Prior to the pandemic, the Florida Office of Economic and Demographic Research (EDR) estimated a positive return on investment (ROI) around 2.15 for VISIT Florida's marketing efforts in 2018, meaning for every dollar spent on the state's marketing efforts, the state received \$2.15 in tax revenue. The positive ROI took into account the goods purchased by tourists, from hotel rooms and meals to souvenir shops and gasoline.⁹⁵ By reminding tourists, both international and domestic, that Florida is "open for business" and safe to visit, tourism and revenue can hopefully return to pre-COVID levels.

Recommendation 3

Expand the Rural and Urban Jobs Tax Credit programs to include restaurants, bars, and retail establishments in both programs.

The Rural Job Tax Credit and Urban Job Tax Credit programs offer incentives for eligible business within one of 36 designated Qualified Rural Areas or one of 13 urban areas to create new jobs. The current structure of the two programs currently excludes restaurants, bars, and retail establishments—businesses most impacted by the pandemic. Both programs are capped at \$5 million in total tax credits annually. Policymakers should expand both programs by increasing the annual caps on tax credits and including restaurants, bars, and retail establishments as qualified recipients.

Recommendation 4

Stop the diversion of Tourist Development Tax (TDT) funds for purposes other than the marketing and promotion of tourism.

In 1977, the Legislature passed the Local Option Tourist Development Act, which allows counties to levy additional sales tax on "transient rentals" (hotels, motels, resorts, or any other living accommodation) for a term of six months or less for the sole and specific purpose of funding the promotion and marketing of Florida tourism. Sixty-three of Florida's 67 counties levy some combination of TDTs.⁹⁶

Since then, the authorized uses of TDT revenue have also expanded. In addition to the original three uses, TDTs can now be used for: zoos; beach park facilities; beach, channel, estuary, or lagoon improvements; erosion control; restoration of lakes and rivers; fishing piers; nature centers; auditoriums operated by non-profits; emergency medical and law enforcement services (coastal counties); and professional sports franchise and spring training facilities. Counties may also use TDTs for major capital improvements, including land acquisition, for public facilities including transportation, sewer, solid waste, drainage, potable water, and pedestrian facilities, if they are "needed to increase tourist-related business activities." Not all the above uses are available to all counties.

The increasing expansion of the authorized uses of tourist development taxes is troubling. TDTs were created to fund a relatively narrow set of tourism related uses with a focus on promotion and advertising. As more and more uses are allowed, the dollars available for advertising and promotion decrease.

Recommendation 5

Given the significance of Florida's natural resources to its Leisure and Hospitality industries, the state should continue its strategic investment in targeted water quality improvements to achieve significant, meaningful and measurable nutrient reductions in key waterbodies across the state.

The governor's Bolder, Brighter, Better Future budget for FY 2020-2021 calls for \$2.5 billion to be invested over four years for protection of water resources, an increase of \$1 billion over the previous four years. The current budget appropriates more than \$625 million for this purpose, including more than \$322 million for Everglades restoration projects. Continued funding will help to protect these unique natural resources and ensure that all visitors and Florida residents alike have access to these prized properties for future generations.

⁹⁵ Florida Office of Economic and Demographic Research (EDR), Return on Investment for VISIT Florida, Submitted Jan. 1, 2018. <https://www.visitflorida.org/media/46571/visit-florida-edr-roi-report-2018.pdf>.

⁹⁶ Florida TaxWatch, "Diverting Tourist Development Tax Revenue, "Florida Shouldn't "Eat our Seed Corn" by Diverting Tourist Development Tax Revenue," February 25, 2020.

MANUFACTURING

INDUSTRY PROFILE

The Manufacturing sector (NAICS 31-33) is part of the goods-producing group and comprises establishments engaged in mechanical, physical, or chemical transformation of materials, substances, or components into new products. These establishments are most often described as plants, factories, or production mills that incorporate machines and other heavy equipment.⁹⁷ Examples of businesses in this sector are largely diverse and include firms producing goods including food and beverages, aerospace equipment, communications, pharmaceuticals, batteries, and transportation vehicles. Florida is also home to numerous advanced manufacturing companies which specialize in high-skill, high-wage jobs and develop nanotechnology and other digital technologies.

As shown in Table 7, the Manufacturing sector was a key driver in Florida's economy with a total economic output around \$53.6 billion, or about 5.6 percent of total state output in 2019.⁹⁸ With more than 20,000 manufacturing companies, the state boasted over 383,000 jobs (4.3 percent of total jobs in Florida) and average annual wages of \$63,883 in 2019.⁹⁹ Employment in the Manufacturing industry is currently concentrated in the state's southeast, central, and northeastern parts, with counties in these areas contributing nearly 57 percent of Florida manufacturing jobs.¹⁰⁰ Manufacturing jobs are also important to largely rural areas, supplying these areas with abundant opportunities to rapidly grow regional output and provide high paying jobs.

By 2027, the Manufacturing sector is expected to grow by an additional 7,000 jobs, or 1.9 percent.¹⁰¹ In terms of productivity, or gross revenue per employee, Florida currently ranks 32nd among all 50 states and the District

of Columbia with an annual \$142,943 in gross revenue per employee. Even though this represents a significant increase since 2014, Florida still lags behind other states in the southeastern U.S. in terms of productivity. Nevertheless, the industry has made tremendous strides in promoting competitive, high-wage, high-skill jobs in recent years.¹⁰²

EFFECTS OF COVID-19 ON THE SECTOR

Compared to other industries in Florida, the Manufacturing industry has faced a unique set of challenges in response to the COVID-19 pandemic due to the nature of work and the industry's relationship to international markets. In particular, the Manufacturing industry has struggled with supply chain disruptions, workplace safety requirements, and remote work difficulties, resulting in layoffs and ceased operations in some cases. Yet at the same time, many manufacturing companies have transitioned to aid in the production of essential equipment necessary to fight the virus's spread and have proven essential to recovery efforts as a result.

At the pandemic's peak in April 2020, the state witnessed a loss of 33,700 jobs, or about a 7.9 percent reduction, from the same month in 2019. Despite this initial loss, by July 2020, the Manufacturing sector was able to regain nearly 16,000 jobs since the industry's low point in April.¹⁰³ In total, risk analysis suggests that there are up to 89,000 vulnerable manufacturing jobs in Florida due to the close proximity between employees in some firms. Of the total vulnerable jobs, over 46 percent are in firms with 500+ employees, 20 percent are in firms with 100-499 employees, and 34 percent are in firms with fewer than 99 employees.¹⁰⁴

TABLE 7. GDP, EMPLOYMENT, AND WAGES IN THE MANUFACTURING SECTOR (2019)

	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Manufacturing	\$53,601	5.60%	383,583	4.32%	\$63,883

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

97 Definition comes from Bureau of Labor Statistics, Industries at a Glance: Manufacturing.

98 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Appendix 1.

99 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Appendix 2.

100 Florida TaxWatch, From Grease & Grime to Technology & Talent Report, November 2019.

101 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Appendix 3.

102 Florida TaxWatch, From Grease & Grime to Technology & Talent Report, November 2019.

103 Bureau of Labor Statistics, US Department of Labor, Florida Economy at a Glance. <https://www.bls.gov/eag/eag.fl.htm>.

104 Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis' Re-Open Florida Task Force on April 20, 2020.

According to a nationwide survey by the National Association of Manufacturers (NAM), over 78.3 percent of manufacturing companies anticipated a financial impact, 53.1 percent anticipated a change in operations, and 35.5 percent were already facing significant supply chain disruptions.¹⁰⁵ Respondents who commented on their supply chain disruptions noted how timing issues led to parts arriving late and deliveries to customers being delayed as a result. These subsequent time delays resulted in some additional costs as some manufacturers had to identify alternative suppliers. In response to supply disruptions, organizations such as FloridaMakes have provided manufacturers with preparedness checklists and regional networks to mitigate against potential disruptions.¹⁰⁶ In another effort to help with supply and demand imbalances, The Associated Industries of Florida, Space Florida, and FloridaMakes teamed up to develop *Connex Florida*, an online database that connects manufacturers with businesses in need of their products during the pandemic.

The COVID-19 outbreak has also resulted in enhanced cleaning and sanitation protocols for the industry due to the nature of work at many firms. For some manufacturers, enhanced protocols include mandatory use of face masks or face coverings, eliminating common touch points, and repeatedly screening employees for symptoms. These measures seek to reduce the transmission of COVID-19 in spaces where employees are in close proximity. In addition, some employers are staggering work and allowing some employees to work remotely when applicable; however, not all companies are able to provide remote work.

Even with mitigative measures, enhanced cleaning protocols, and innovative new tools in place, Florida's Manufacturing sector will likely still feel the effects of slowed international markets. Yet even as these manufacturers contend with shifting global markets, their basic importance to the overall economy cannot be underscored enough. Whether producing protective medical equipment and ventilators, or advanced technology and rockets, Manufacturing will remain essential to the economy's recovery and future advancement.

105 National Association of Manufacturers, Coronavirus Special Survey, February-March 2020.

106 FloridaMakes, The FloridaMakes Network Urges Importance of Supply Chain Disruption Planning.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Reestablish the Qualified Target Industry (QTI) Tax Refund Program.

In 1994, Florida established the Qualified Target Industry (QTI) Tax Refund program to boost the creation of high-quality, high-wage jobs. The program created a state grant to offset the amount a qualifying business paid in state and local taxes. Despite finding a positive ROI between 4.3:1 and 6.4:1, the state opted to discontinue the QTI program and allowed it to expire on June 30, 2020.¹⁰⁷ By reestablishing the program, the state can create and retain high-paying, high-skilled jobs in the manufacturing industry.

Recommendation 3

Create a tax credit to encourage manufacturers to use Florida suppliers.

Maintaining a resilient, in-state supplier base is important for supplying the state's need for personal protection equipment, ventilator parts, and other necessary components for medical equipment; however, for many

107 Florida Office of Economic and Demographic Research, Economic Evaluation for Select State Economic Development Incentive Programs, January 2020.

companies in the manufacturing sector, supply chain imbalances are not enough to stay on course with growing manufacturing demands. Coupled with the international supply chain disruptions experienced globally, it is now important more than ever to establish a sustainable in-state supply chain. A tax credit taken against a corporate income tax would be useful to help improve state supply-chains and bolster manufacturing.

Recommendation 4

Support advanced manufacturing across the state through continued public investment in initiatives that adapt and deploy Industry 4.0 technology.

The continued growth of Florida's Manufacturing sector will depend in large part on how well Florida manufacturers adopt technology and how technology shapes the future of Manufacturing. Advanced manufacturing is the integration of new technology and techniques to optimize product design and create highly-differentiated, cost-effective, and competitive products. Due to the high-skilled nature of this manufacturing work, advanced manufacturing companies support many high-skill, high-paying jobs in Florida while also generating millions in tax revenue.

The challenge facing manufacturers is "connection." With the Industrial Internet of Things (IIoT) upon us, technologies such as robotics, 3D printing, advanced analytics and Artificial Intelligence (AI) now offer the potential for connected, additive and autonomous manufacturing processes — which is critical for companies looking to extend the lifespan of machines, reduce device breakdowns and increase throughput. By continuing public investment in advanced manufacturing, the state can better position itself to diversify the economy and emerge from the pandemic as a global leader in information technology, research, innovation, and manufacturing.

Recommendation 5

Invest in entrepreneurial second-stage companies with tremendous growth potential through state programs such as the Manufacturers Business Growth Program offered by FloridaMakes, in partnership with GrowFL.

Second-stage companies are firms that have survived start-up phase and now focus on growth, expansion, and job creation. In Florida, there were 181,648 second-stage companies in 2016, representing 11.7 per-

cent of Florida's businesses, 34.3 percent of jobs, and 34.7 percent of total sales.¹⁰⁸ GrowFL is an effective state program that plays an integral part in Florida's entrepreneurial economy. The program identifies companies with the greatest potential to strengthen the state economy and provides them with tools and methods to overcome growth challenges. According to prior Florida TaxWatch analysis, between 2017 and 2026, GrowFL was predicted to generate \$4.72 billion in additional GDP, create 43,700 private sector jobs with average annual salaries of \$97,815, produce \$4.61 billion in additional personal income, and generate \$345 million in additional state tax revenue.¹⁰⁹ In order to improve economic outcomes across the state and offset losses from the pandemic, policymakers should increase funding for FloridaMakes and GrowFL and other programs in the state's economic development toolkit.

Recommendation 6

Consistent with Governor DeSantis's Executive Order 19-31, the Florida Legislature should appropriate funds to promote apprenticeships and other industry specific learning opportunities, and to fund workforce programs within the Florida College System.

Even though Florida's manufacturing industry has grown in recent years, a chronic problem continues to be the lack of appropriate skills in the labor force. Manufacturers argue that skills shortages result when there are new advanced technologies, negative perceptions among students and parents toward the industry, and baby boomer retirements. Manufacturers reported deficiencies in both soft skills (e.g., time management, communication, leadership) and hard skills (e.g., math, information technology, research). Such an incongruence between sought after skills and available skills in the labor force creates difficulty in filling high-wage jobs. By expanding apprenticeships and workforce programs in the Florida College System, the Legislature can improve the talent pool for manufacturing jobs in coming years and lessen the negative perceptions people may hold about the industry.

¹⁰⁸ Florida TaxWatch, A Second Look at Second-Stage Business Development in Florida – The Impact of GrowFL, December 2017.
¹⁰⁹ Id.

INFORMATION

INDUSTRY PROFILE

The Information sector (NAICS 51) is one of the service-providing industries and comprises establishments engaged in the following: (a) producing and distributing information, (b) providing the means to transmit or distribute these products as well as data or communications, (c) processing data.¹¹⁰ Included in this sector are companies that publish material on the Internet, the motion picture and sound industries, broadcasting companies, telecommunications, Web search portals, and information services.

As shown in Table 8, the Information sector contributed \$49.5 billion to Florida's GDP, corresponding to around 5.2 percent of the state's total output in 2019.¹¹¹ There were just under 140,000 workers employed, on average each month in 2019, which was about 1.6 percent of the state's entire labor force. In terms of annual wages, workers had an average of about \$85,700, well above the state average.¹¹² In coming years, the Information sector's employment is expected to grow by a miniscule 0.9 percent by 2027, equating to around 1,220 new jobs.¹¹³

EFFECTS OF COVID-19 ON SECTOR

The widespread availability of information throughout the course of the pandemic has been vital to understanding the virus's nature and scope while also offering a reprieve to many families confined to the indoors during a collection of stay-at-home orders throughout the early summer. Yet, the Information industry has not been immune to the detrimental effects of the COVID-19 crisis. From newspaper outlets and broadcasting companies to motion pictures and booksellers, businesses within the Information industry have faced added strain to economic trends that already seemed perilous prior to the pandemic.

The rapid dissemination of accurate, reliable, and credible information relating to the COVID-19 pandemic has been a priority for print and digital media companies around the nation. According to the Florida Press Association, in a recent survey of Floridians, a majority of those surveyed (53 percent) indicated that they seek COVID-19 related information from newspapers' online editions, with another quarter indicating they receive information from a combination of newspapers' web and print editions.¹¹⁴ The news media business, however, continues to face extraordinary challenges that began before the pandemic in securing enough revenue to continue digital and media print with fewer businesses posting ads and many news companies offering COVID-19-related articles without subscription.

Across the nation, an estimated 36,000 employees of news media companies have been laid off, furloughed, or had pay reduced in response to the virus.¹¹⁵ A similar trend across Florida has unfolded. For the *Tampa Bay Times*, the virus resulted in several journalist layoffs and a ten percent pay cut for full-time staff members. Other media outlets, such as *Orlando Weekly* and Jacksonville's *Florida Times-Union* also announced layoffs in response to the pandemic. The *Miami Herald* cut jobs in its advertising department and closed a publishing subsidiary focused on travel and tourism.¹¹⁶

With many movie theaters closing their doors due to government orders and movie goers resorting to at-home streaming services, the TV and film industry has likewise faced building pressure under the pandemic. Across the nation, reduced attendance and closed theaters resulted in an estimated \$4.4 billion in box office revenue, down 61 percent from 2019.

The pandemic's timing could not be worse as it hit during the peak summer months where annual ticket sales usually account for 40 percent of yearly sales.¹¹⁷

TABLE 8. GDP, EMPLOYMENT, AND WAGES IN THE INFORMATION SECTOR (2019)

	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Information	\$49,508	5.20%	139,938	1.58%	\$85,782

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

110 Definition comes from Bureau of Labor Statistics, *Industries at a Glance: Information*. For more information on what specifically constitutes activities within the Information industry, visit NAICS code manual 2017.

111 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Appendix 1.

112 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Appendix 2.

113 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Appendix 3.

114 Florida Press Association, "Amid Rampant COVID Misinformation, Floridians Turn to Newspapers for Reliable, Accurate News, Survey Finds," September 10, 2020.

115 The New York Times, "News Media Outlets Have Been Ravaged by the Pandemic," May 1, 2020.

116 All these announced media closures come from Pynter. See <https://www.pynter.org/business-work/2020/here-are-the-newsroom-layoffs-furloughs-and-closures-caused-by-the-coronavirus/>.

117 Los Angeles Times, "Movie theaters face 'existential' threat from COVID-19: 'Without new movies, it's over.'" Published on July 11, 2020.

Large cinema companies, such as AMC and Regal Cinema, have reported unsustainable drops in revenue, and during the fall, Regal made the announcement they were potentially closing theater doors permanently due to bankruptcy. Even as some theaters and entertainment venues gradually reopen, many potential consumers still voice their concern over contracting COVID-19 in closely confined spaces with only 16-20 percent of the general public expressing comfort in going to the movies.¹¹⁸

Between February and July 2020, the Information industry in Florida lost around 10,000 jobs, from a high of about 137,900 in February to 127,900 workers in July. Compared to 2019, July's job figures are eight percent lower than the previous year.¹¹⁹ According to the Florida Chamber of Commerce, there are 28,000 potential jobs at risk in the Information sector with about 70 percent of these jobs focusing in large size firms with over 500 employees. The industry is considered to be at medium-risk when considering the potential jobs at risk.¹²⁰ The prospects for recovery are largely dependent on the ongoing nature of the COVID-19 pandemic. With less ad revenue and fewer moviegoers, it can be expected that at least in the short-term, companies in the Information sector will face continued financial hardship.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, healthcare facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure

that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

State-level incentives to stimulate Florida's film and entertainment industry are both necessary and important to remain competitive. If the tax credit incentive program can be recreated to ensure the state makes back its investment, to create jobs for Florida residents, to promote Florida tourism, and to pump additional revenue into local businesses, then it would be in the best interest of the state for the Legislature to consider such revisions.

In 2017, there were more than 4,400 established businesses in Florida's film and entertainment industry (excluding digital media), employing more than 26,000 Floridians. These too are high-quality, high-paying jobs, with average salaries of more than \$81,700. This is almost 69 percent higher than the average annual wage for all Florida industries (\$47,060). The total wages paid to employees in Florida's film and entertainment industry in 2016 were \$2.2 billion.¹²¹

The film and entertainment industry also supports indirect jobs and wages in thousands of companies with which it does business, such as caterers, dry cleaners, hotels, florists, security guards and off-duty law enforcement officers, hardware and lumber suppliers, software, and digital equipment suppliers, as well as jobs in other companies doing business with consumers, such as video retailers and services, theme parks and tourist attractions.

Recommendation 3

Reduce the Communication Services Taxes (CST).

A communications service tax (CST) is imposed on the sale of communication services in Florida, including cable and satellite television, video and music streaming, and telephone and mobile services. Relative to other states, Florida's CST is very high, ranking ninth-highest in the nation. When combined with other local levies, the CST can become highly punitive and disproportionately burden those with lower incomes. In addition, the CST makes the state less competitive and reduces the potential investment in various information network infrastructures. As many workers continue to work from home, addressing the burdensome CST should be a priority for state policymakers moving forward.

118 Morning Consult, "When Will Consumers Feel Safe? Weekly Updates on Consumer's Comfort Levels." <https://morningconsult.com/2020/09/08/tracking-consumer-comfort-with-dining-out-and-other-leisure-activities/>.

119 Bureau of Labor Statistics, U.S. Department of Labor, Economy at a Glance: Florida (Information).

120 Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis' Re-Open Florida Task Force on April 20, 2020.

121 Florida TaxWatch, "Is the Sun Setting on Film in Florida? An Analysis of the State's Film and Television Industry," November 2018.

CONSTRUCTION

INDUSTRY PROFILE

The Construction sector (NAICS 23) is part of the goods-producing group and includes establishments engaged in the construction of buildings or engineering projects, such as highways or utilities. Construction work may include new work, additions, alterations, or maintenance to existing structures both in residential and non-residential settings.¹²² Jobs within the Construction industry include construction managers, landscape architects, contractors, civil engineers, electricians, construction workers, and more.

As shown in Table 9, the Construction sector contributed around \$43.3 billion in total economic output, equating to around 4.6 percent of total state GDP in 2019.¹²³ Additionally, average monthly employment for 2019 was around 567,000 --- 6.4 percent of the total workforce in Florida. Annual wages averaged \$52,900, just slightly above the statewide average of \$51,761.¹²⁴ Compared to the other major industries, the Construction sector is one of the fastest growing in Florida with a predicted employment growth around 59,760 new jobs (10.7 percent growth) by 2027.¹²⁵ When analyzing the total construction spending, private nonresidential spending in Florida totaled \$16.5 billion in 2018, whereas state and local spending totaled \$12.7 billion. Within Florida, there were just over 70,800 construction firms in 2016, of which 92 percent of them were small businesses.¹²⁶

EFFECT OF COVID-19 ON THE SECTOR

On March 28, the governor issued Executive Order 20-91, the “Safer At Home” order,¹²⁷ which among other things closed non-essential businesses around the state of Florida. Alongside healthcare workers, law enforcement, and grocery workers, employees within the Construction industry likewise found themselves listed

among the essential services. As a result, the Construction industry has in some ways benefitted from the reduction in travel around the state, expediting construction projects to completion ahead of schedule and becoming necessary to the state's continued functioning.

Early on during the stay-at-home order, Governor DeSantis directed the Florida Department of Transportation (FDOT) to accelerate critical infrastructure projects around the state due to the reduction in traffic. In total, the projects represented \$2.1 billion in value and included projects such as an \$802 million design build project in Miami-Dade and an \$864 million bridge project in Tampa Bay.¹²⁸ The FDOT also capitalized on reduced traffic in central Florida, where it accelerated construction projects for part of the I-4 Ultimate Project. By early August, more than 50 road projects were sped up at the direction of the state government. There are many other infrastructure projects around the state that could be prioritized and accelerated, such as the \$200 million Tamiami Trail Project, which represents a critical project for Everglades restoration. Overall, shorter timelines and more projects have allowed many workers in the Construction sector held on to their jobs even during the shutdown.

On the residential and commercial side, Construction paints a mixed picture. Early on during the pandemic, Florida only authorized 12,223 building permits for residential units in April, a drop of around 15.8 percent compared to April 2019. This reduction paralleled a drop across the U.S. as nationally, the change in new residential units authorized by building permits dropped 20 percent relative to 2019 with the greatest losses occurring in the country's northeast. By July of 2020, however, a minor rebound occurred. There were 13,053 new residential building permits issued in Florida, only a 0.42 percent decrease from last July.¹²⁹

TABLE 9. GDP, EMPLOYMENT, AND WAGES IN THE CONSTRUCTION SECTOR (2019)

	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Construction	\$43,283	4.60%	567,238	6.39%	\$52,939

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

122 Definition comes from Bureau of Labor Statistics, Industries at a Glance: Construction.

123 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Appendix 1.

124 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Appendix 2.

125 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Appendix 3.

126 The Construction Association, The Economic Impact of Construction in the U.S. and Florida, Sep. 17, 2019.

127 For more information on Executive Order 20-91, visit: https://www.flgov.com/wp-content/uploads/orders/2020/EO_20-91-compressed.pdf.

128 Florida Department of Transportation, FDOT Accelerates Critical Infrastructure Projects Valued at \$2.1 Billion, April 1, 2020.

129 U.S. Census Bureau, Building Permits Survey, Permits by State - Monthly. <https://www.census.gov/construction/bps/>.

Commercially, the COVID-19 pandemic also stalled construction with some metro areas, such as Miami, seeing commercial and multifamily starts fall 16 percent year-to-date through June.¹³⁰ Yet, across the nation, residential and commercial construction is once again on the rise with privately-owned housing starts in July coming in 22.6 percent above the previous month's figure and 23.4 percent above July 2019 rate.¹³¹

In total, the Construction sector in Florida witnessed a minor 1,400 decrease in employment between March and April 2020. During the statewide shutdown in April, the Construction industry maintained around 559,700 jobs, only about 0.1 percent smaller than during the same time in 2019. Compared to all other economic sectors in Florida, the Construction sector was the only one to experience an increase in employment between May and June, adding around 10,000 jobs by June.¹³² In the Construction industry, small businesses are the principal drivers for job creation as data suggest 78.9 percent of jobs created in the sector are by firms with less than 100 employees. This percentage was highest among all economic industries in Florida and may indicate another reason why the Construction sector is experiencing a smoother recovery than other sectors in Florida.¹³³

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, healthcare facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce

130 Dodge Data & Analytics, COVID-10 Crushes Construction Starts in Most Metro Areas During First-Half 2020.

131 U.S. Census Bureau and U.S. Department of Housing and Urban Development, Monthly New Residential Construction, August 18, 2020.

132 Bureau of Labor Statistics, US Department of Labor, Florida Economy at a Glance. <https://www.bls.gov/eag/eag.fl.htm>.

133 Florida Chamber of Commerce, The Impact of COVID-19 Pandemic on Florida's Small Businesses, Oct. 2020. http://www.flchamber.com/wp-content/uploads/2020/10/COVID-Impact-Survey_October.pdf

the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Provide money to the Small County Road Assistance Program (SCRAP) and the Small County Outreach Program (SCOP).

As the FDOT accelerates many large-scale infrastructure projects around the state, there must also be sufficient attention toward the state's smaller counties with infrastructure needs. Both the SCRAP and SCOP programs assist small county governments with resurfacing, reconstructing, repairing, and rehabilitating aging bridges, roads, or drainage components. Directing state funds to critical infrastructure needs in small counties will directly improve infrastructure quality in these areas and will also have the added benefit of bringing jobs and local spending to areas with lower economic activity.

Recommendation 3

Stop diverting funds from the affordable housing trust fund.

Even before the pandemic, Florida faced an affordable housing crisis as home ownership and adequate rental housing for low to moderate-income families became harder. The lack of affordable housing creates societal costs which are linked to poor physical and mental health outcomes for families involved. Over the last ten years, the Florida Legislature has swept nearly \$1.4 billion from the Housing Trust Funds, exceeding the \$882 million appropriated for affordable housing.¹³⁴ For the nearly two million Floridians who pay more than 30 percent of their incomes for housing, these reductions have had detrimental effects on homelessness, health, and educational outcomes.¹³⁵ As the pandemic has led to scores of layoffs, many families now find themselves without an adequate source of income to pay for their housing. The result could be catastrophic if the Legislature continues depleting affordable housing funds. Florida TaxWatch urges the Florida Legislature to stop diverting funds from affordable housing programs to improve family health outcomes and promote economic benefits from increased construction activity.

134 Florida TaxWatch, Briefing: The Legislature Must Stop Diverting Affordable Housing Funding, April 2019.

135 Id.

OTHER SERVICES

INDUSTRY PROFILE

The Other Services (except public administration) sector (NAICS 81) is one of several in the service-providing industries group and includes establishments engaged in providing services not explicitly defined elsewhere in the NAICS classification system. Companies in this sector are primarily engaged in activities such as repairing equipment, promoting religious activity, social advocacy, laundry services, personal care services, and more. As shown in Table 10, the sector contributed around \$23.4 billion to state GDP in 2019, accounting for 2.5 percent of total output.¹³⁶ In addition, the sector employed a total of 282,400 workers across the state, representing 3.2 percent of total state employment. When it came to average annual wages, the sector had one of the lowest wage levels among all economic sectors with annual wages around \$38,000.¹³⁷ By 2027, the sector is expected to add 25,800 jobs at a total employment growth around seven percent.¹³⁸

EFFECTS OF COVID-19 ON SECTOR

Given the diverse collection of service-based businesses that fall under this particular sector, pinpointing overarching effects from COVID-19 proves a difficult task. According to data from the U.S. BLS, the Other Services sector faced around 60,300 job losses from March to April 2020. By April, employment stood at about 288,400 statewide, which was 18.4 percent lower than the same time last year. By July 2020, employment rose again to 320,000 around the state; however, this level was around 9.6 percent lower than July 2019.¹³⁹

Analysis by the Florida Chamber of Commerce shows that a total of 166,000 jobs were considered vulnerable in the Other Services sector due to COVID-19.¹⁴⁰

Personal and laundry-oriented jobs, which include barbershops, faced the highest total vulnerable jobs with 88,000 in total. Over 65 percent of these vulnerable jobs came from small-sized companies with between 0 and 99 employees. Religious and labor union-oriented jobs, which include churches and labor organizations, accounted for 40,000 total vulnerable jobs. When taking firm size into account, nearly 70 percent of the total vulnerable jobs in this category were also in small sized firms with fewer than 99 workers. Lastly, repair and maintenance-oriented jobs, which include automotive repair shops, possessed 38,000 total vulnerable jobs with 71 percent of these jobs being housed in small firms.

Due to the varying landscape of state and local government orders early on in the pandemic, businesses within the Other Services sector faced differing pressures. For example, according to the governor's executive order¹⁴¹ in early April, automobile-related companies were deemed essential businesses and were allowed to remain open during the statewide lockdown. At the same time, barbershops and hair salons across the state were not considered essential businesses.

Despite the difference in government directives, all companies across the sector faced difficulty. Florida's automobile industry, which typically boasts over \$80 billion in sales each year and contributes nearly \$4 billion in state sales tax, has been under strain due to a combination of international supply chains and fewer automobile sales as more people stay home. With many Chinese automotive parts factories closing during the virus, ensuring adequate supply of car parts posed an ongoing issue.¹⁴²

TABLE 10. GDP, EMPLOYMENT, AND WAGES IN THE OTHER SERVICES SECTOR (2019)

	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Other services	\$23,373	2.50%	282,441	3.18%	\$38,023

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

136 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Table 1.

137 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Table 2.

138 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Table 3.

139 Bureau of Labor Statistics, US Department of Labor, Economy at a Glance: Florida.

140 The figure represents the cumulative total from the respective "Religious & Labor Unions," "Repair & Maintenance," and "Personal & Laundry" categories since Other Services was not included as its own category.

141 Executive Order Number 20-91, Signed on March 1, 2020. https://www.flgov.com/wp-content/uploads/orders/2020/EO_20-91-compressed.pdf.

142 Tampa Bay Times, Coronavirus has Florida car dealers bracing for fallout, Mar. 19, <https://www.tampabay.com/news/business/2020/03/19/coronavirus-has-florida-car-dealers-bracing-for-fallout/>.

For Florida's beauty industry, the danger of close contact between workers and patrons meant all salons and barbershop remained closed until May, exacerbating financial woes for many small sized companies in this industry.

Oftentimes overlooked during financial downturns, nonprofit organizations are vital to providing much needed social services in many local communities during times of need. Yet like many other businesses in this economic sector, they too have felt the brunt of the pandemic as revenues have fallen and demand for services has skyrocketed. Many of these organizations make their revenue from hosted events, local partnerships, and membership fees --- all of which have been significantly scaled back due to the pandemic. Based on a statewide survey from the Florida Nonprofit Alliance, almost 80 percent of nonprofits experienced a negative financial impact due to the virus either by canceled events or loss in membership.¹⁴³ At the same time, demand for social services in areas such as health services, youth development, and food provision have all risen to meet growing community needs. Although 73 percent of the reporting nonprofits had a disruption in services, more than one-third recorded largescale increases in demand for services.¹⁴⁴ For nonprofits moving forward, the twin goals of survival and service remain at the forefront as many organizations adapt to budgetary challenges amid surging demand for services.

The examples outlined in this section are to demonstrate only some of the COVID-19 effects on this diverse economic sector and does not represent an exhaustive analysis of every company within the Other Services sector. Nevertheless, the points prove the demonstrable impact of COVID-19 across companies of varying sizes, functions, and locations.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

¹⁴³ Florida Nonprofit Alliance, Looking Forward: How COVID-19 Will Affect Florida Nonprofits, July 2020. <https://flnonprofits.org/page/COVID19EffectsJuly2020>

¹⁴⁴ Ibid.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Clarify the sales tax exemption for environmental cleaning services for health care facilities.

For the most part, Florida does not impose a sales tax on services, but a few, such as nonresidential cleaning services, are actually taxed. The state currently relies on the NAICS code 561720 (janitorial services) to define nonresidential cleaning services as a taxable service, leading to wide inconsistencies and unintended economic consequences. Section 212.08(7) (v), Florida Statutes, provides the exemption for professional services. The Florida Legislature should clarify that environmental cleaning services by professionally trained service firms --- subject to Centers for Disease Controls (CDC) standards for cleaning, disinfecting, and removing pathogens --- are exempt from tax by the associated section in statute and are not liable to pay taxes as janitorial services.

AGRICULTURE

INDUSTRY PROFILE

The Agriculture sector (NAICS 11) comprises establishments involved in growing crops, raising animals, harvesting timber, and harvesting fish from a farm, ranch, or other natural habitats. Examples of establishments in this sector include farms, ranches, greenhouses, nurseries, orchards, and more. Farms may consist of a single tract of land or separate tracts held under different tenures. For example, one tract may be owned and the other rented. The operator of the farm may operate alone or with the assistance of any hired employees or household members; or the farm may be operated by partnership, corporation, or other organization.

As shown in Table 11, Agriculture directly contributed \$7.8 billion in total output to state GDP in 2019, accounting for less than 1 percent of the state's total GDP.¹⁴⁵ The state's more than 47,000 farms are first in the nation for producing oranges, grapefruit, watermelons, and fresh-market snap beans, cucumbers, and fresh-market tomatoes.¹⁴⁶ In terms of total employment, however, the Agriculture sector only employs around 68,600 workers, or about 0.8 percent of the state's total labor force. The sector's employment is the third-lowest behind only the Mining and Utilities industries. For the state's farmers, average annual wages center around \$33,484.¹⁴⁷ In terms of future employment, the Agriculture industry is expected to decline by almost 5,500 jobs by 2027, amounting to an 8.2 percent drop over the next few years.¹⁴⁸

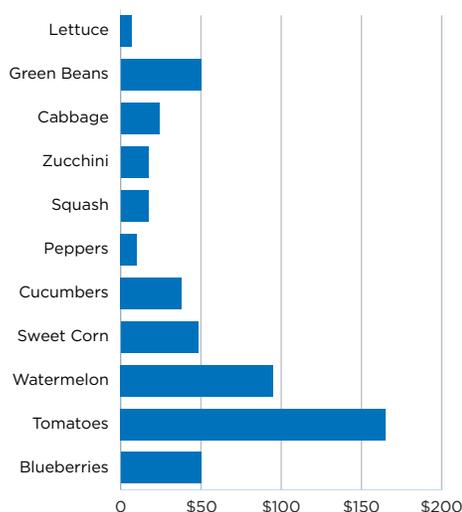
EFFECTS OF COVID-19 ON THE SECTOR

Agricultural Commodities

As the COVID-19 pandemic rippled throughout the entire economy, agricultural crop producers around the state felt the pinch as the statewide stay-at-home order

and ensuing shutdown of the food service industry coincided with the peak of Florida's growing season. Between late October and May, Florida's growers supply enough fruits and vegetables for over 150 million people in the eastern U.S.¹⁴⁹ Yet due to the rapid closure of many large-scale food buyers, including restaurants, school districts, and processing facilities, many agricultural producers were left with fewer outlets to sell their crops. The sudden drop in demand led to immediate economic impacts across the state with estimated crop losses amounting to \$522.5 million through April 2020.¹⁵⁰

FIGURE 2. ESTIMATED CROP LOSSES FOR SELECT SEASONAL CROPS IN FLORIDA



Source: Florida Department of Agriculture and Consumer Services, April 15, 2020.

Within this overall economic impact, various crop industries faced differing losses (See Figure 2). For watermelon producers, statewide sales dropped 50 percent leading to \$95 million in losses, while at the same time, overall demand for Florida cabbage decreased by nearly 100 percent amounting to \$24 million in losses.

TABLE 10. GDP, EMPLOYMENT, AND WAGES IN THE OTHER SERVICES SECTOR (2019)

	GDP Contribution (in millions)	% of Total GDP	Employment	% of Total Employment	Average Annual Wages
Agriculture	\$7,758	0.80%	68,623	0.77%	\$33,484

Source: Bureau of Economic Analysis, U.S. Department of Commerce and Bureau of Labor Statistics, U.S. Department of Labor.

145 Bureau of Economic Analysis, US Department of Commerce, April 2, 2020. See Table 1.

146 UF-IFAS, Florida Agriculture Fast Facts 2018. https://ifas.ufl.edu/media/ifasufledu/ifas-dark-blue/docs/pdf/impact/ICS_FloridaAgFactsBooklet2018.web.pdf.

147 Bureau of Labor Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's Current Employment Statistics (CES) program. See Table 2.

148 Bureau of Workforce Statistics and Economic Research, Florida DEO Employment Projections. See Table 3.

149 Virginia Tech College of Agriculture and Life Sciences, "Florida's Agriculture Faces the Economic Impact of COVID-19." Oct. 2020. <https://globalagriculturalproductivity.org/florida-agriculture-faces-the-economic-impact-of-covid-19/>

150 Florida Department of Agriculture and Consumer Services (FDACS), Florida Seasonal Crop COVID-19 Impact Assessment, May 2020.

Cucumber growers in South Florida saw demand fall nearly 100 percent, equating to around \$38 million in losses. Green beans experienced revenue losses ranging from 50-75 percent and prices per box falling from \$16-18 to \$6-8. In total, those in the green bean growing business faced between \$40-50 million in revenue loss. Blueberry production also took a large hit with prices being down 35 percent, leading to around \$50 million in total losses.¹⁵¹ Closures in the food service industry were particularly difficult for the state's tomato producers. By some estimates, early losses in the tomato market surged to over \$133 million in lost revenue, the highest loss among all seasonal crops in Florida.¹⁵²

Unexpectedly, the citrus industry has been the one area in Florida's agricultural sector where producers have actually benefitted from the pandemic. For years, the citrus industry has dealt with falling revenues due to hurricanes, freezes, and citrus greening --- a bacterial infection spread by insects. But when the pandemic struck Florida's economy, consumers began to purchase more citrus products for their immune boosting properties. By the middle of April, orange juice sales were up 50 percent in Florida as consumers were drinking about 45.6 percent more gallons of orange juice compared to April 2019.¹⁵³ Likewise, during the same time, Floridians were consuming 25 percent more gallons of grape juice compared to the same time in 2019, leading to an uptick in sales around 32.2 percent.¹⁵⁴ Using consumer survey data, researchers at UF found that consumers who were male, younger than 45, higher income, and living in an urban area were more likely to purchase orange juice in response to COVID-19. Additionally, orange juice demand was found to be highly dependent on consumer awareness through media sources.¹⁵⁵

Aquaculture

Aquaculture is another important area within Florida's agriculture industry, bringing in about \$100 million in sales annually from over 1,500 aquatic crops—fish, shellfish, plants, and more.¹⁵⁶ Yet, similar to producers on land, aquaculture producers experienced severe eco-

nomics impacts as consumption for fish, oyster, clam, and other products fell when restaurants and bars closed across the state. To gauge these impacts, researchers at UF conducted a study across 1,500 respondents in aquaculture, commercial fishing, for-hire/charter fishing operations, seafood wholesale, and marine recreation support businesses. Closures were reported for only around nine percent of the aquaculture respondents with reported sales declining around 40 percent, on average.¹⁵⁷

Nowhere were the impacts to aquaculture more noticeable than in the shellfish industry. For an industry that typically receives \$15.5 million in annual sales revenue and accounts for 22 percent of the state's aquaculture sales, shellfish producers lost approximately \$1.85 million in sales from March to mid-May due to the COVID-19 pandemic. Within this total figure, clam producers felt the brunt of the revenue reduction with around \$1.58 million in losses. Oyster producers, on the other hand, faced around \$0.27 million in losses.¹⁵⁸ Most of the impacted producers were in Florida's panhandle and coastal counties where oyster and clam operations are most popular. As consumer demand for seafood products continues to decline, aquaculture producers expect to experience depressed sales and uncertain profitability going forward.

Livestock

Similar to livestock producers across the country, Florida's livestock industry fell victim to many supply chain backups during the pandemic's spring months, worsening the gap between supply and demand for products such as meat, milk, eggs, and more. Florida ranks 13th in the U.S. for cattle production, with around 15,000 beef producers, but when meat-processing plants closed early on due to virus spreading concerns, many cattle farmers were without a channel for their products. At the same time, consumer demand for meat products soared during these months as many families stayed home during lockdown orders. The apparent disconnect became noticeable when many grocery stores began experiencing empty shelves and some restaurants transitioned to chicken-only menus. Although meat prices increased at grocery stores, many meat farmers did not reap the benefit since they had to pay extra to feed ani-

¹⁵¹ Id.

¹⁵² Virginia Tech College of Agriculture and Life Sciences, "Florida's Agriculture Faces the Economic Impact of COVID-19," Oct. 2020. <https://globalagriculturalproductivity.org/florida-agriculture-faces-the-economic-impact-of-covid-19/>.

¹⁵³ Florida Department of Citrus, Nielsen Retail Sales OJ, GJ, and OJ/GJ Beverages: Weeks Ending 4/11/20. <https://app.box.com/embed/s/xkc7lolerh/file/657493456179?showItemFeedActions=true&showParentPath=true>

¹⁵⁴ Ibid.

¹⁵⁵ UF-IFAS, Orange Juice Consumers' Response to the COVID-19 Pandemic, June 2020. <https://edis.ifas.ufl.edu/pdf/FE/FE108200.pdf>

¹⁵⁶ UF-IFAS Extension, Aquaculture Main Page, <https://sfyl.ifas.ufl.edu/agriculture/aquaculture/#:~:text=In%20Florida%2C%20one%20thousand%20aquaculturists,a%20variety%20of%20production%20systems>.

¹⁵⁷ UF-IFAS, Florida's agriculture, marine industries report effects of COVID-19 restrictions, May 18, 2020. <http://blogs.ifas.ufl.edu/news/2020/05/18/floridas-agriculture-marine-industries-report-effects-of-covid-19-restrictions/>

¹⁵⁸ UF-IFAS, Impacts of COVID-19 on the Florida Shellfish Aquaculture Industry, Aug. 27, 2020. https://shellfish.ifas.ufl.edu/wp-content/uploads/FRE_COVID_19_Impacts_Shellfish_Aquaculture_Report_2020_WEB-single-page.pdf

imals for much longer than they normally would. In total, for Florida's meat producers, the pandemic led to around a 36 percent decrease in beef cattle revenue, equating to over \$100 million in estimated losses between March and mid-May.¹⁵⁹ Additionally, there was an estimated 20 percent reduction in revenue for other livestock products, such as milk, honey, and eggs, corresponding to around \$27.2 million in losses during the spring months.¹⁶⁰

Forestry and Logging

Florida has over 17 million acres, or about 26,000 square miles, of forest around the state. In a typical year, around 650 million cubic feet of forest are harvested for products and projects requiring wood.¹⁶¹ Even prior to COVID-19, the state's timber industry, primarily situated in northwest Florida, suffered serious setbacks as the region continued to recover from Hurricane Michael in 2018. When the pandemic hit lumber markets in full force, Florida's producers were met with another problem: surging consumer demand for toilet paper products and home renovation projects. As families were largely confined to their homes in April and May, many took to panic buying of essential household items like toilet paper while also desiring renovations for their homes. The result oftentimes led to shortages and higher prices --- a trend mirroring other parts of the agriculture industry, such as livestock and meat sales. Impacts in the forestry and logging industry had direct effects on other sectors mentioned throughout this report, such as the Retail Trade and Construction sectors. Due to the recent infusion of federal aid money for post-Hurricane Michael relief and ongoing fluctuations in consumption behavior, it is hard to pinpoint an exact financial impact to forestry and logging producers in the state of Florida. However, preliminary estimates from the UF suggest sales revenue for forestry and timber producers between March and mid-May was around 24 percent lower than the same time period in 2019.¹⁶²

Agricultural Chemicals

Finally, for Florida's various fertilizer and pesticide companies, the pandemic has seemed to have a limited im-

pact on the agricultural chemical industry so far. Large fertilizer companies in Florida, such as Mosaic Co., flagged virus outbreaks at its operations in other countries, but did not report significant economic effects at home.¹⁶³ Companies that specialize in agrichemical production have remained essential to many farmers for their provision of pre-harvest fertilizers, a necessary input for most crop production. The issue tends to be downstream when farmers who have paid for pre-harvest inputs cannot recover the costs because of diminished crop sales. As a result, the financial burden ends up falling more on the farmers than it does the fertilizer company. It is important to note, however, that due to data availability limitations, arriving at an exact economic impact for agrichemical businesses is not possible at this moment.

OVERARCHING EFFECTS AND RESPONSES

In an effort to dampen the economic blow to all the agricultural subsectors discussed above, Florida's Department of Agriculture and Consumer Services worked with agriculture producers, the federal government, and major consumers to identify food outlets. The U.S. Department of Agriculture released nearly \$30 billion in aid across the country. Alongside this infusion of federal aid, the Commissioner of Agriculture and Consumer Services has worked with major retailers and state agencies to bolster consumption of Florida-based agriculture. One innovative effort was to create a commodities list, called "Florida Farm to You," which connects potential buyers with farmers and producers of Florida-grown crops, seafood, and poultry.

Of all the economic sectors analyzed in this research report, the Agriculture industry has the fewest number of vulnerable jobs due to the low proximity to the public in general. With around 500 estimated jobs at risk, the Agriculture industry is considered a low-risk industry according to the Florida Chamber of Commerce. The virus would have a sizable impact on agricultural small businesses with around 91 percent of total vulnerable jobs coming from small farms with between 0 and 99 employees.¹⁶⁴ Yet as the previous discussion has shown, to discern the impact of COVID-19 on Florida's agriculture industry, one must distinguish from the various components that comprise the industry. From aquaculture to

159 UF-IFAS, Assessing the Impact of COVID-19 on Florida's Agriculture and Marine Industries Presentation, <https://fred.ifas.ufl.edu/pdf/economic-impact-analysis/COVID-19AgricultureAndMarineLossesSurvey-Round1ResultsFINAL.pdf>

160 Ibid.

161 Florida Today, "Coronavirus keeps Florida forests rolling out toilet paper, Mar. 31, 2020. <https://www.floridatoday.com/story/news/local/environment/2020/03/31/coronavirus-fuels-forestry-florida/5088495002/>

162 In late October, the Florida Department of Agriculture announced the launch of a \$380 million grant program to help farmers and forest landowners impacted by Hurricane Michael in 2018. The funds come from the U.S. Department of Agriculture.

163 S&P Global Market Intelligence, "Fertilizer producer Mosaic flags COVID-19 impact on operations in 3 countries," Mar. 25, 2020. <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/fertilizer-producer-mosaic-flags-covid-19-impact-on-operations-in-3-countries-57756610>.

164 Florida Chamber of Commerce, Re-Open Florida presentation presented to Governor Ron DeSantis' Re-Open Florida Task Force on April 20, 2020.

livestock, crops to forestry, farmers have faced supply and demand shocks to varying degrees with economic implications differing as a result.

POLICY RECOMMENDATIONS

Recommendation 1

The Florida Legislature should establish safeguards to protect agricultural businesses, their agents, and individuals from the threat of opportunistic, predatory, and expensive litigation resulting from alleged exposure to COVID-19 by customers and employees. These safeguards should also ensure that those who contract COVID-19 as a result of gross negligence or intent to harm by others are able to recover for their injuries.

As thousands of Florida businesses struggle to reopen or remain open in light of the COVID-19 pandemic, many are fearful of the threat of litigation resulting from alleged exposure to COVID-19 by their customers. If Florida's economy is to recover and regain its pre-pandemic prosperity, it is important that businesses, health-care facilities, and other entities that are working hard to comply with public health directives or protective measures to reduce the risk of exposure to or transmission of COVID-19 are protected from civil liability. It is also important to make sure that those acting in "bad faith" are held accountable for their negligence while ensuring that those who contract COVID-19 because of the gross negligence of others can recover for their injuries.

Recommendation 2

Urge Florida's congressional delegation to continue advocating for the U.S. Department of Agriculture (USDA) to provide direct support to Florida's farmers and ranchers, and distributors and wholesalers, based on actual losses for agricultural producers where price and market supply imbalances exist.

In early April, 27 members of Florida's congressional delegation, including both U.S. senators, urged the USDA to provide direct relief for Florida's agricultural producers. By late May, the USDA announced it would be providing \$16 billion in direct relief payments as part of the Coronavirus Food Assistance Program (CFAP).¹⁶⁵ To date, Florida farmers have received \$174.1 million in direct aid from the first round of aid.¹⁶⁶ Later again in Sep-

tember of 2020, USDA Secretary Sonny Perdue announced an additional round of payments totaling \$14 billion as part of the CFAP 2.0 program.¹⁶⁷

The newest round of payments includes provisions on price trigger commodities, which are commodities that meet a minimum 5-percent decline over a specified time; flat-rate crops, which do not meet the 5-percent price decline trigger or do not have available data; and sales commodities, which include specialty crops not included in the price trigger and flat-rate categories. Florida's congressional delegation should continue advocating for successive rounds of agricultural aid with specific focus on crops important to Florida's producers, such as citrus, sugarcane, tomatoes, cucumbers, green beans, and more.

Recommendation 3

Extend loan repayment deadlines and waive penalties for late payments to ensure farm loan flexibility. Measures, such as the USDA's disaster set-aside provision, should be extended for COVID-19 related losses.

For many farmers who lost significant revenue as a result of the pandemic, a growing struggle going forward may be the inability to pay existing farm debt. Over the previous months, the USDA has announced several changes to assist farmers dealing with existing debt. One such measure involves the USDA's Farm Service Agency's (FSA) disaster set-aside (DSA) provision, which assists current FSA borrowers who are victims of natural disasters to skip an annual installment payment on any current direct farm loan. The deferred payment is moved to the end of the loan repayment period while still accruing interest. In response to the pandemic, the USDA extended eligibility beyond just natural disasters to include loans affected by COVID-19; however, only the next payment is set aside with some exceptions beyond that.¹⁶⁸

In early August, the USDA also offered a one-time annual installment payment deferral option for Farm Storage Facility Loan (FSFL) borrowers experiencing financial hardship. No fees or prepayment penalties were applied

¹⁶⁵ U.S. Department of Agriculture, USDA Announces Details of Direct Assistance to Farmers through the Coronavirus Food Assistance Program, <https://www.usda.gov/media/press-releases/2020/05/19/usda-announces-details-direct-assistance-farmers-through>

¹⁶⁶ U.S. Department of Agriculture, CFAP 1.0 Dashboard, <https://www.farmers.gov/cfap/data>

¹⁶⁷ U.S. Department of Agriculture, USDA to Provide Additional Direct Assistance to Farmers and Ranchers Impacted by the Coronavirus, <https://www.usda.gov/media/press-releases/2020/09/18/usda-provide-additional-direct-assistance-farmers-and-ranchers>.

¹⁶⁸ For a more thorough explanation, visit the National Sustainable Agricultural Coalition's post. <https://sustainableagriculture.net/blog/disaster-set-aside-covid/>. Also visit the USDA's press release: <https://www.fsa.usda.gov/news-room/news-releases/2020/fsa-expands-set-aside-loan-provision-for-customers-impacted-by-covid-19>

to borrowers who chose this option.¹⁶⁹ Eligible borrowers were able to request a one-time only annual installment payment deferral for loans have terms of three, five, seven, or ten years.

To further assist farmers who struggle with ongoing debt repayments due to COVID-19, policymakers should extend loan repayment deadlines, waive penalties for late payments, and identify additional methods to alleviate debt burden for farmers. Specifically, the government should expand the DSA provision to ensure COVID-19 affected farmers can apply aid toward successive payments beyond just the first one.

Recommendation 4

Maintain a safe and secure food supply chain.

Maintaining a safe and secure food supply chain requires adequate precautions at every step of the process. First, state and local leaders should ensure food supply chain workers are adhering to COVID-19 safety guidelines when handling food. Additionally, leaders should continue working with producers and retailers alike to encourage ongoing consumption of Florida-grown products. Working at every stage of the supply chain will help to prevent the erroneous perception that fresh produce is unsafe to consume while also minimizing potential shortages at grocery stores.

¹⁶⁹ U.S. Department of Agriculture, USDA Offers Annual Installment Deferral Option for Farm Storage Facility Loan Borrowers, Aug. 6, 2020. <https://www.fsa.usda.gov/news-room/news-releases/2020/usda-offers-annual-installment-deferral-option-for-farm-storage-facility-loan-borrowers>.

CONCLUSIONS

As the global COVID-19 pandemic continues to pose a significant public health emergency, governments are increasingly passing measures to minimize both the virus's spread and the ensuing economic contraction. Attainment of both goals need not be cross-cutting as policymakers can pursue public health efforts while also addressing economic conditions to make long-term recovery viable.

For Florida specifically, the surge in COVID-19 cases during the summer, alongside the slew of stay-at-home orders, forced business closures, and social distancing measures created a perilous situation for the state's physical and economic health; however, as this report has shown, the virus's effects had not been equal across all economic sectors with some facing existential threats for the foreseeable future (e.g., Leisure and Hospitality) and others actually benefitting in some ways from reduced statewide traffic (e.g., Construction).

In an effort to address the unique needs specific to each sector, this independent research report analyzed the various economic sectors in the state with an eye toward contribution to state GDP, employment, average wages, future growth and more. The COVID-19-specific effects were then analyzed and quantified to gauge the nature and extent of the pandemic's influence on each particular industry. Finally, policy recommendations were presented to mitigate against the short-term and long-term challenges present for each economic sector. The list of recommendations is not an exhaustive list; rather, it represents a starting point for policymakers at all levels of government to discuss potential policy approaches moving forward.

The report also highlights a long-term goal for Florida as it moves beyond the pandemic: the need for a robust, diversified state economy. Undoubtedly, the pandemic's effects were magnified in Florida due to the heavy reliance on tourism to fuel local economic activity and generate tax dollars. As tourism fell, so too did businesses directly and indirectly related to the Leisure and Hospitality industry. By seeking a comprehensive strategy to create high-skill, high-wage jobs in all economic sectors beyond just tourism, the state can better position itself to weather future economic shocks like the COVID-19 pandemic. Moving forward, Florida TaxWatch recommends that policymakers at all levels of government incorporate these considerations when drafting industry-specific COVID-19 relief measures.

APPENDIX 1.

CONTRIBUTIONS TO FLORIDA REAL GDP BY INDUSTRY

	Florida (millions of current dollars)	Florida (% of Total GDP)
	2019	2019
All industry total	\$950,759	100.00%
Private industries		
Agriculture, forestry, fishing and hunting	\$7,758	0.80%
Mining, quarrying, and oil and gas extraction	\$2,137	0.20%
Utilities	\$15,414	1.60%
Construction	\$43,283	4.60%
Manufacturing	\$53,601	5.60%
Wholesale trade	\$67,535	7.10%
Retail trade	\$73,335	7.70%
Transportation and warehousing	\$30,878	3.20%
Information	\$49,508	5.20%
Finance and insurance	\$53,947	5.70%
Real estate and rental and leasing	\$153,036	16.10%
Professional, scientific, and technical services	\$73,845	7.80%
Management of companies and enterprises	\$19,606	2.10%
Administrative and support and waste management	\$38,625	4.10%
Educational services	\$9,238	1.00%
Health care and social assistance	\$85,178	9.00%
Arts, entertainment, and recreation	\$15,057	1.60%
Accommodation and food services	\$38,547	4.10%
Other services (except government)	\$23,373	2.50%
Government and government enterprises	\$98,751	10.40%

Source: Bureau of Economic Analysis, U.S. Department of Commerce

APPENDIX 2.

EMPLOYMENT AND WAGES BY INDUSTRY

	Average Monthly Employment	Employment (% of Total)	Average Annual Wages
	2019	2019	2019
All industry total	8,878,680	100.00%	\$51,761
Private industries			
Agriculture, forestry, fishing and hunting	68,623	0.77%	\$33,484
Mining, quarrying, and oil and gas extraction	4,056	0.05%	\$71,399
Utilities	28,689	0.32%	\$93,983
Construction	567,238	6.39%	\$52,939
Manufacturing	383,583	4.32%	\$63,883
Wholesale trade	352,529	3.97%	\$79,733
Retail trade	1,112,165	12.53%	\$32,549
Transportation and warehousing	357,898	4.03%	\$54,534
Information	139,938	1.58%	\$85,782
Finance and insurance	391,457	4.41%	\$89,560
Real estate and rental and leasing	197,606	2.23%	\$51,981
Professional, scientific, and technical services	597,355	6.73%	\$81,192
Management of companies and enterprises	115,213	1.30%	\$114,803
Administrative and support and waste management	682,248	7.68%	\$39,979
Educational services	613,755	6.91%	\$46,824
Health care and social assistance	1,241,601	13.98%	\$54,510
Arts, entertainment, and recreation	249,128	2.81%	\$39,856
Accommodation and food services	1,024,668	11.54%	\$23,677
Other services (except government)	282,441	3.18%	\$38,023
Government and government enterprises	457,782	5.16%	\$60,232

Source: Bureau of Statistics, US Department of Labor, 2019. Retrieved from Florida DEO's QCEW Program

APPENDIX 3

PROJECTED EMPLOYMENT BY INDUSTRY

	2019	2027	Growth	% Growth
All industry total	9,655,245	10,520,379	865,134	9.0
Private industries				
Agriculture, forestry, fishing and hunting	66,924	61,426	-5,498	-8.2
Mining, quarrying, and oil and gas extraction	4,100	3,955	-145	-3.5
Utilities	23,270	23,309	39	0.2
Construction	559,484	619,244	59,760	10.7
Manufacturing	378,164	385,232	7,068	1.9
Wholesale trade	349,806	365,699	15,893	4.5
Retail trade	1,138,504	1,200,142	61,638	5.4
Transportation and warehousing	291,784	316,990	25,206	8.6
Information	139,533	140,754	1,221	0.9
Finance and insurance	394,864	422,141	27,277	6.9
Real estate and rental and leasing	191,291	207,412	16,121	8.4
Professional, scientific, and technical services	587,589	668,412	80,823	13.8
Management of companies and enterprises	110,629	126,234	15,605	14.1
Administrative and support and waste management	701,569	775,825	74,256	10.6
Educational services	178,492	204,191	25,699	14.4
Health care and social assistance	1,176,858	1,348,050	171,192	14.6
Arts, entertainment, and recreation	237,280	260,464	23,184	9.8
Accommodation and food services	1,010,391	1,134,096	123,705	12.2
Other services (except government)	357,213	383,015	25,802	7.2
Government and government enterprises	1,119,822	1,178,181	58,359	5.2

Source: Bureau of Workforce Statistics and Economic Research, Florida Department of Economic Opportunity, Employment Projections



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As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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