

BUDGETWATCH

WITH ONE MONTH OF COLLECTIONS LEFT IN THIS FISCAL YEAR, GENERAL REVENUE IS \$1.455 BILLION BELOW ESTIMATE

General Revenue (GR) collections for the month of May came in \$779.6 million (26.4 percent) below estimate. This news comes from the new Monthly Revenue Report, just released by the Office of Economic and Demographic Research.¹ It is somewhat surprising that the amount by which May GR collections fell short of the previous estimates is less than that of April (\$878.1 million). May collections largely reflect sales activity in April, a month that was almost entirely under the statewide 'Safer at Home' order.

The loss in May sales tax collections (\$695.4 million or 32 percent) is nearly \$100 million more than in April, but losses in non-sales tax GR sources were smaller than they were last month. This was expected because \$323.1 million of the amount of the April underestimate was due to state orders delaying required payments for three GR sources: corporate income taxes, corporate filing fees, and highway safety taxes and

fees. Some of that amount was recovered in May. In addition, changes in taxpayers' estimated payments of sales taxes in May had the effect of spreading sales tax losses over several months.

The last two months of GR collections are a combined \$1.658 billion under estimate; however, prior to the pandemic, collections were running a bit above estimate. **With one month of collections left in this fiscal year (FY2019-20), year-to-date GR collections are \$1.455 billion less than the estimate made in January.** That was the estimate the 2020 Legislature used to develop the next budget (FY2020-21), which will take effect on July 1, 2020.

Most GR sources came in below estimate in May (see table on p.3). After the sales tax, the largest dollar losses were corporate income taxes (\$55.1 million), corporate filing fees (\$35.3 million, and highway safety fees (\$34.1 million).

¹ Office of Economic and Demographic Research, Monthly Revenue Report, Volume 40, Number 11, May 2020, released May 26, 2020. <http://www.edr.state.fl.us/Content/revenues/reports/monthly-revenue-report/newsletters/nlmay20.pdf>

As was the case last month, some of these losses will be recaptured in June and early next fiscal year. Insurance premium, intangibles, and tobacco taxes all exceeded estimates by a total of \$30.1 million (12.6 percent).

With the exception of building-related industries, all sales tax sectors came in below estimate. The largest loss was in tourism and hospitality, with actual collections falling short of the estimate by almost two-thirds (\$379.3 million).

When the last revenue estimates were adopted, it was forecast that the state would have \$1.933 billion in cash reserves at the end of this fiscal year (ending June 30, 2020). That would be enough to cover the \$1.455 billion in year-to-date collections below the estimate with one month to go. The state has spent additional unbudgeted dollars combating COVID-19, but much of that has been reimbursed by the federal government. Uncle Sam has also increased the federal share on Medicaid funding, which is expected to result in an estimated \$590 million reduction in general revenues needed for Medicaid funding in the current fiscal year budget.

Therefore, it appears the state will avoid a budget deficit this fiscal year, even without considering the \$4.6 billion in federal funds received by the Florida from the CARES Act. Exactly how this money can be used and whether more federal aid is coming is still unknown.

These factors, coupled with the extent to which the pandemic continues to decrease Florida's revenue collections, will determine if there will be a budget crisis next year and how big it will be. Recovering from the economic damages of the virus and getting 1.4 million unemployed Floridians back to work will take some time.

CONCLUSION

Two straight months of declining revenue have placed Florida nearly \$1.5 billion under estimates for the year. These losses, while anticipated, underscore the need to consider the *policy proposals* and *Budget Turkey Watch Report* veto recommendations recently offered by Florida TaxWatch to ensure Florida's strong financial future.

General Revenue Collections - Actual vs. Estimate

MAY 2020 // \$ in millions

GR SOURCE	MAY				YEAR-TO-DATE	
	Actual	Estimate	Over/(Under)	Percent	Over/(Under)	Percent
Sales Tax	\$1,495.5	\$2,190.9	\$(695.4)	-31.7%	\$(1,266.3)	-5.3%
Corporate Income Tax	\$159.6	\$214.7	\$(55.1)	-25.7%	\$(270.6)	-11.6%
Doc Stamp Tax	\$62.4	\$79.4	\$(17.0)	-21.4%	\$16.4	1.9%
Insurance Premium Tax	\$213.7	\$192.4	\$21.3	11.1%	\$16.7	2.1%
Highway Safety Fees	\$27.1	\$61.2	\$(34.1)	-55.7%	\$(48.6)	-10.9%
GR Service Charges	\$45.7	\$32.4	\$13.3	41.0%	\$4.1	0.9%
Corporate Filing Fees	\$36.4	\$71.7	\$(35.3)	-49.2%	\$(81.2)	-20.6%
Intangibles Tax	\$38.9	\$30.2	\$8.7	28.8%	\$48.4	12.1%
Counties Medicaid Share	\$25.1	\$25.3	\$(0.2)	-0.8%	\$(0.6)	-0.2%
Beverage Taxes	\$27.8	\$30.8	\$(3.0)	-9.7%	\$7.4	2.9%
Earnings on Investments	\$21.9	\$18.7	\$3.2	17.1%	\$68.5	24.6%
Tobacco Tax	\$17.2	\$17.1	\$0.1	0.6%	\$0.7	0.5%
Non-Operating Revenues	\$7.3	\$10.7	\$(3.4)	-31.8%	\$7.1	4.7%
Court Fees	\$4.2	\$8.7	\$(4.5)	-51.7%	\$(5.2)	-4.9%
Other Taxes and Licenses	\$1.8	\$3.1	\$(1.3)	-41.9%	\$(1.4)	-4.0%
Parimutuel Tax	\$0.0	\$2.4	\$(2.4)	-100.0%	\$(6.0)	-29.0%
Severance Tax	\$2.1	\$2.2	\$(0.1)	-4.5%	\$0.8	8.3%
Total General Revenue	\$2,186.9	\$2,991.9	\$(805.2)	-26.9%	\$(1509.7)	-4.9%
Less Refunds	\$10.1	\$35.6	\$(25.6)	-71.9%	\$(54.4)	-5.7%
Net General Revenue	\$2,176.8	\$2,956.3	\$(779.6)	-26.4%	\$(1455.3)	-4.8%

Source: Florida Legislature, Office of Economic and Demographic Research, June 2020.

The monthly Budget Watch is written by **Kurt Wenner**, VP of Research

Robert Weissert, Executive VP & General Counsel

Chris Barry, Director of Communications & External Affairs

Senator Pat Neal, Chairman of the Board of Trustees, Florida TaxWatch

Dominic M. Calabro, President and CEO, Publisher & Editor

Florida TaxWatch Research Institute, Inc.

www.floridataxwatch.org

Copyright © Florida TaxWatch