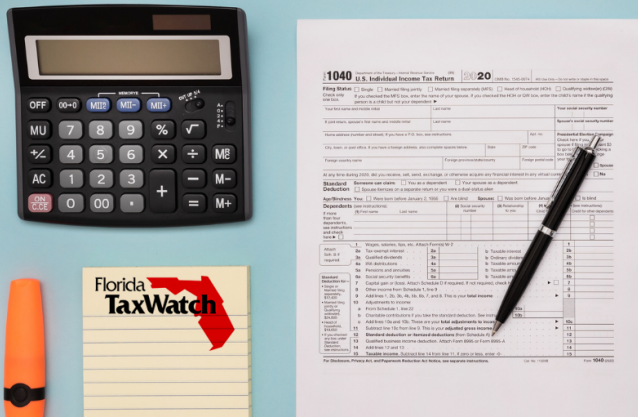


# Despite Uncertainty and Significant Downside Risk, Florida's New General Revenue Forecast Adds \$1.3 Billion to the Money Available for the New Budget

March 2025



As the Florida TaxWatch Budget Watch reports have been detailing, the state has become accustomed to each new General Revenue (GR) forecast resulting in an increase in the estimate of dollars being collected. It has been a truly remarkable run. Even with ever-rising estimates, actual collections topped the estimate for 54 consecutive months.

In January, the streak was broken, as collections came in \$31.4 million below the estimate for the month.<sup>1</sup> However, even with January's shortage, GR collections through the first four months of this fiscal year (FY2024-25) were still \$595.7 million over the estimate. This revenue performance, even after state estimators adopted slightly weaker state and national economic forecasts and acknowledging significant uncertainty and risk, the latest GR Estimating Conference (March 14) became the 10th in a row to up the estimates. These estimates are the ones the 2025 Legislature will use in building the new state budget.

This Conference added \$768.3 million to the current year estimate and \$503.5 million in FY2025-26, meaning Legislators have an additional 1.272.8 billion available.<sup>2</sup> Despite the increased estimates, year to year revenue growth is modest, with expected increases 1.9 percent in both year year. Growth is predicted to jump to 3.5 percent in FY2026-27 and annual growth of at least 2.3 percent is predicted through the forecast horizon (FY2029-30). Since the pandemic-induced revenue drop in FY2019-20, collections have risen an incredible 57.1 percent (See Table 1.)

FY	August 2024	March 2025	Change in Estimate		New	Change from Prior Year
	Estimate	Estimate	\$ million	%		
2019-20*	31,366.2	31,366.2	-	-	(2,047.6)	-6.1%
2020-21*	36,280.9	36,280.9	-	-	4,914.7	15.7%
2021-22*	44,035.7	44,035.7	-	-	7,754.8	21.4%
2022-23*	47,327.8	47,327.8	-	-	3,292.1	7.5%
2023-24*	48,342.0	48,342.0	-	0.0%	1,014.2	2.1%
2024-25	48,515.9	49,284.2	768.3	1.6%	942.2	1.9%
2025-26	49,697.1	50,200.6	503.5	1.0%	916.4	1.9%
2026-27	51,829.0	51,968.3	139.3	0.3%	1,767.7	3.5%
2027-28	53,000.5	53,187.9	187.4	0.4%	1,219.6	2.3%
2028-29	54,336.2	54,668.2	332.0	0.6%	1,480.3	2.8%
2029-30	55,754.4	56,180.1	425.7	0.8%	1,511.9	2.8%

\*Actual collections.

Source: Florida TaxWatch from data from the Office of Economic and Demographic Research.

<sup>1</sup> Office of Economic and Demographic Research, *January 2025 Detailed Revenue Report*, February 28, 2025.  
<sup>2</sup> Office of Economic and Demographic Research, *Changes to the Estimate, General Revenue Fund*, March 14, 2025. <http://edr.state.fl.us/Content/conferences/generalrevenue/grchnng.pdf>

<b>Table 2.</b>			
<b>Change in General Revenue Estimates by Source</b>			
\$ millions - change from August 2024 to March 2025 estimates			
	<b>Change</b>	<b>Change</b>	<b>Two-Year</b>
<b>Revenue Source</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>Change in Est.</b>
<b><i>Increased Estimates</i></b>			
Sales Tax	510.0	385.4	895.4
Earnings on Investments	399.5	236.1	635.6
Intangibles Tax	20.1	18.9	39.0
Nonop. Revenue	23.3	-	23.3
Insurance Premium Tax	11.2	12.1	23.3
Counties Medicaid Share	-	13.6	13.6
GR Services Charges	8.8	1.5	10.3
Beverage Tax & License	(1.8)	9.7	7.9
Indian Gaming	2.0	2.7	4.7
Highway Safety Licenses & Fees	6.7	(6.0)	0.7
<b><i>Decreased Estimates</i></b>			
Pari-mutuels Tax	(0.3)	(0.3)	(0.6)
Severance Tax	(0.7)	(0.7)	(1.4)
Tobacco Taxes	(1.6)	(1.3)	(2.9)
Other Taxes and Fees	(1.9)	(2.0)	(3.9)
Corporate Filing Fees	(3.4)	(5.0)	(8.4)
Article V (Court) Fees	(16.2)	(4.4)	(20.6)
Documentary Stamp Tax	(20.9)	(55.9)	(76.8)
Corporate Income Tax	(135.8)	(86.0)	(221.8)
			-
GR Refunds**	(30.7)	(14.9)	(45.6)
<b>Total Net General Revenue</b>	<b>768.3</b>	<b>503.5</b>	<b>1,271.8</b>
**Estimates of refund amounts were increased. Increased refunds decrease net revenue.			



## SALES TAXES AND INVESTMENT EARNINGS ARE THE BIG GAINERS, CORPORATE INCOME TAX REVERSES ITS UPWARD TREND

The results for individual revenue sources were mixed. Ten of the 18 General Revenue sources had their estimates increased, while eight sources were reduced (see Table 2). The \$1.272 billion two-year increase in the forecast is due to two sources—the sales tax and earnings on investments. These two big gainers were increased by \$1.531 billion. The other sixteen sources (both gainers and losers) totaled a reduction of \$213.6 million. Increased refunds, which reduced net GR, lowered the total estimate by another \$45.6 million. The largest downward adjustment by far was in corporate income taxes, which reversed their upward trend and had its estimate reduced by \$221.8 million.

**Sales Tax** - The state's largest revenue source—the sales tax—was the biggest gainer, with an increased two-year estimate of \$895.4 million. During the first seven months of the current fiscal year (July 2024-January 2025) actual collections exceeded the previous monthly estimates by \$350.3 million (1.7 percent), although collections fell slightly short in January. Even while citing “strong headwinds” facing consumers, the new forecast added \$510.0 million this year and \$385.4 million next year. Despite the increased estimates, the Conference is still expecting a slight reduction in actual collections in the current year (-0.6 percent), but it is a smaller drop than anticipated in the previous forecast. The sales tax contribution to GR had grown by nearly 50 percent over the three years from FY2019-20 to FY2022-23, but in FY2023-24, growth was almost flat. Collections are expected to rebound next year (2.7 percent).

**Earnings on Investments** - The Division of Treasury manages a largely short-term, fixed-income investment portfolio for the state that includes GR and trust fund balances. Investment earnings from GR and some trust funds accrue to the General Revenue Fund. Favorable interest rates and historically high balances in the state's accounts produced a two-year increase in the investment earnings estimate of just over \$635.6 million. This is the second consecutive big increase in the estimates. Two conferences ago (January 2024) the total estimate for earnings in FY2024-25 and FY2025-26 was \$941 million. That estimate has now grown to \$2.6 billion. While the large investment pool should continue in the coming years, the high level of risk led the Conference to anticipate falling earnings through the remainder of the forecast (FY2029-30).

**Corporate Income Tax** - The state's second largest contributor to GR has been by far the fastest growing major tax revenue source. Collections have more than doubled since Florida adopted most of the tax base expansion provisions of the federal Tax Cuts and Jobs Act of 2017 (without a corresponding permanent reduction in the tax rate). The temporary refunds and rate reductions passed by the Legislature lessened only some of the impact. Now, there are no more refunds, and the tax rate has returned to the original 5.5 percent (applied to the larger base). Collections have repeatedly beat expectations, despite the estimates being significantly increased in each conference since December 2020.

This trend may be reversing. Actual collections this year have been falling slightly short of monthly estimates this fiscal year. Along with lowered corporate profit growth, the estimates for corporate income taxes has the largest reduction, with a two-year drop of \$221.8 million.

## The FY 2025-26 Budget Outlook

Better than anticipated revenue collections have continued unabated in Florida for more than four years. This has led to rapid growth in state spending, along with significant tax relief. The state budget increased by \$26.4 billion (28.6 percent) in just three years, from FY2020-21 to FY2023-24. The new FY2024-25 budget has been promoted as a reduction from the previous year, but that is largely due to \$3.0 billion less in federal funds. Looking at only state GR spending, FY2024-25 appropriations were a \$2.6 billion (5.5 percent) spending increase over the previous budget.

Florida has been enjoying record GR reserves in recent years and while they are still larger than normal, this increased spending is depleting them. The state ended FY2022-23 with \$21.3 billion in unobligated GR reserves, which fell to \$16.4 billion at the end of FY2023-24. Spending by the 2024 Legislature further reduced those reserves to an estimated \$8.9 billion at the end of the current fiscal year—including the revenue from the new estimates.<sup>3</sup>

Back in September, Florida's *Long-Range Fiscal Outlook*<sup>4</sup> was released, warning legislators that while there was enough money to fund a "business as usual budget" for the upcoming fiscal year, doing so would result in budget shortfalls of \$2.8 billion in FY2026-27, ballooning to \$6.9 billion the following year. It was recommended that the Legislature begin cutting spending this session or it will be even harder to balance the budget during the next two years.

Factoring in the additional revenue from the new estimate, the 2025 Legislature is now expected to have \$59.3 billion in GR available for the next state budget (FY2025-26). This includes \$50.3 billion in recurring revenue—\$5.2 billion (11.6 percent) more than what was appropriated in the current year. (See Table 3).

Florida is still in good fiscal shape for this new budget. But the added revenue does not really change the warning about looming budget shortfalls.

The Legislature must also keep in mind that this forecast carries considerable risk—and it is mostly downside risk. Last month, the Economic Estimating Conference adopted state and national forecasts that were modestly weaker than the ones adopted in February 2025. The impact of tariffs, inflation, the depletion of savings and increased use of credit, a volatile stock market, and geopolitical tensions all contribute to a less stable fiscal future.

The state's leadership understands this. In their opening remarks to kick off the 2025 Session, Governor DeSantis, Speaker Perez, and President Albritton all mentioned increasing efficiency and reducing spending. The Speaker's remarks about finding real savings in recurring spending and promoting accountability were especially encouraging. He admitted that just as local governments have let escalating property taxes drive their spending, the Legislature has "every new dime of recurring revenue." He has challenged his budget subcommittee chairs to find some reductions.<sup>5</sup>

There have been earlier comments that the leadership will begin to rein in proliferating member projects. As Florida TaxWatch has highlighted in our annual *Budget Turkey Watch* report, the number of appropriations (member) projects—both requested and funded—has gotten out of control. Before vetoes, more than 1,600 projects were funded in last year's budget at a cost of \$2.8 billion—a total reached in each of the last three years. This year, the total number of House and Senate requests is down from last year, but still remarkable. The two chambers each requested an average of 2,500 projects at a cost of \$5.5 billion.

Hopefully lawmakers have not become too accustomed to this recent level of spending, or the number of projects they can secure for their districts. Florida TaxWatch is confident that steps will be taken to get spending under control this session.

3 Office of Economic and Demographic Research, General Revenue Fund Financial Outlook Statement, March 14, 2025. [http://edr.state.fl.us/Content/revenues/outlook-statements/general-revenue/240814\\_GRoutl.pdf](http://edr.state.fl.us/Content/revenues/outlook-statements/general-revenue/240814_GRoutl.pdf)

4 Florida Legislature, Long-Range Financial Outlook, FY2025-26 through FY2027-28, September 6, 2024. Available at [http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan\\_Fall-2024\\_2026-2028.pdf](http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan_Fall-2024_2026-2028.pdf)

5 Florida House of Representatives, Florida House Speaker Perez's Opening Day Address: Remarks as Prepared for Delivery, March 4, 2025.



**Table 3.  
FY2025-26 Budget Outlook**

(\$ millions)			
<b>GR Available in FY 2024-25</b>	<b>Recurring</b>	<b>Non-Rec.</b>	<b>Total</b>
FY2023-24 Ending Balance	\$-	\$16,405.3	\$16,405.3
Estimated Revenues	49,515.8	(231.6)	49,284.2
Trust Fund Transfers (2024 Budget)	-	118.4	118.4
Unused Appropriations/Reversions	-	83.5	83.5
BP Settlement Agreement Payment	26.7	-	26.7
FEMA Reimburse (Hurricane Michael, Irma)	-	7.8	7.8
Federal Funds Interest Earnings Rebate	(10.4)	-	(10.4)
<b>Total GR Available in FY2024-25</b>	<b>49,532.1</b>	<b>16,383.4</b>	<b>65,915.5</b>
<b>FY2024-25 Appropriations</b>			
2024-25 Appropriations	<b>45,026.9</b>	<b>4,810.7</b>	<b>49,837.6</b>
Reappropriations	-	3,200.5	3,200.5
Transfer to State Employees' Health Insurance	-	424.4	424.4
Transfer to Budget Stabilization Fund	-	300.0	300.0
Transfer to State Board of Admin (debt reduction)	-	245.0	245.0
Transfer to Housing - Hometown Heroes Program	-	100.0	100.0
Transfer to Dept. of Health Revolving Loan Program	-	50.0	50.0
Interest for Hillsborough Sales Tax Settlement	-	47.5	47.5
Budget Amendment - DOT	-	234.8	234.8
Budget Amendment - Service Member Death Benefit	-	0.6	0.6
Special Session 2025B - Restored Vetoes	54.2	-	54.2
Special Session 2025C - Appropriations in Bills	13.20	285.6	298.8
Reserve for Reinsurance Assistance to Policyholders	-	1,186.1	1,186.1
Reserve for Optional Reinsurance Program	-	1,004.0	1,004.0
<b>Total FY2024-25 Effective Appropriations</b>	<b>45,094.3</b>	<b>11,889.2</b>	<b>56,983.5</b>

<b>FY2024-25 Ending Balance</b>	<b>4,437.8</b>	<b>4,494.2</b>	<b>8,932.0</b>
<b>GR Available in FY2025-26</b>			
Balance Forward from FY2024-25	-	8,932.0	8,932.0
Estimated Revenues	50,314.6	(114.0)	50,200.6
BP Settlement Agreement	26.7	-	26.7
Unused Appropriations/Reversions/Other	-	138.6	138.6
Federal Funds Interest Earnings Rebate	-11.9	-	-
<b>Total GR Available for Next Budget</b>	<b>50,329.4</b>	<b>8,956.6</b>	<b>59,297.9</b>

*Source: Office of Economic and Demographic Research, General Revenue Fund Financial*

*Outlook Statement, March 14, 2025.*



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