



# FLORIDA REVENUE ESTIMATORS INCREASE FORECAST FOR THE NINTH CONSECUTIVE TIME, ADDING \$2 BILLION TO STATE COFFERS

Despite relatively unchanged state and national economic forecasts and a revenue estimating environment that has “greatly stabilized,”<sup>1</sup> Florida’s revenue collections continue to exceed expectations. For nearly four years (47 months), General Revenue (GR) collections have surpassed estimates every month. In the last seven months of FY2023-24 (ending June 30, 2024), collections came in \$1.086 billion over the previous estimate made in January 2024. Past forecasts were predicting that as revenue growth slowed from historic levels, total collection in FY2023-24 would be slightly lower than the previous year. However, actual collections increased by 2.1 percent for the year.

This led the latest General Revenue (GR) Estimating Conference to add another \$2.0 billion to the GR estimates for the current and next years. This includes \$934.3 million in FY2024-25 and \$1.1 billion in FY2025-26.<sup>2</sup> When the additional \$1.1 billion from actual collections in FY2023-24 is included, the Legislature will have \$3.1 billion more in GR for the next budget than previously anticipated. (See Table 1.) Year to year revenue growth is now expected to increase 0.4 percent in the current year and 2.4 percent next year. Annual growth of at least 2.3 percent is predicted through the forecast horizon (FY 2029-30). This would produce ten-year growth of 77.8 percent. Over the last four years, collections have risen an incredible 54.1 percent.

**TABLE 1. CHANGE IN ESTIMATES - GENERAL REVENUE FUND (\$ MILLIONS)**

FY	January 2024	August 2024	Change in Estimate		New	
	Estimate**	Estimate	\$ million	%	Change from Prior Year	
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*	47,256.3	48,342.0	1,085.7	2.3%	1,014.2	2.1%
2024-25	47,581.6	48,515.9	934.3	2.0%	173.9	0.4%
2025-26	48,596.9	49,697.1	1,100.2	2.3%	1,181.2	2.4%
2026-27	50,405.0	51,829.0	1,424.0	2.8%	2,131.9	4.3%
2027-28	51,797.9	53,000.5	1,202.6	2.3%	1,171.5	2.3%
2028-29	53,253.2	54,336.2	1,083.0	2.0%	1,335.7	2.5%
2029-30	NA	55,754.4	NA	NA	1,418.2	2.6%

\* Actual collection.

\*\* March 2024 estimates were adjusted for 2024 legislative changes.

<sup>1</sup> Office of Economic and Demographic Research, Executive Summary, Revenue Estimating Conference for the General Revenue Fund, August 14, 2024. [grsummary.pdf \(state.fl.us\)](http://edr.state.fl.us/Content/conferences/grsummary.pdf)  
<sup>2</sup> Office of Economic and Demographic Research, *Changes to the Estimate, General Revenue Fund*, August 14, 2024. <http://edr.state.fl.us/Content/conferences/generalrevenue/grchng.pdf>

## MOST OF THE INCREASED ESTIMATES COME FOR THREE REVENUE SOURCES; INVESTMENT EARNINGS LEAD THE WAY

Although most of the 18 General Revenue sources had their estimates increased (see Table 2), three revenue sources accounted for 98 percent of the \$2.0 billion jump in the estimate—earnings on investments, sales taxes, and corporate income taxes.

**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. The new estimates are more than double those made last January. 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 \$1.0 billion—accounting for half of the total increase. For the first time, earnings accruing to GR exceeded \$1 billion in FY2023-24 and are expected to reach that level again in FY2024-25. The previous high was \$493.8 million.

The Conference reports that future interest rates and the larger size of the investment pool may sustain higher than normal earnings over the longer term, but it notes that there remains considerable risk for this source. The forecast moves toward more traditional conditions over the coming years.

**SALES TAX** - The state's largest revenue source—the sales tax—was the second biggest gainer, providing \$504.7 million of the total \$2.0 billion two-year estimate increase. The sales tax contribution to GR has grown by 46.5 percent over the past four years, despite the Legislature enacting sales tax-focused tax relief. Past conferences have generally increased the estimates for all six sales categories. This time, auto sales and business investment continue to lead the way, but two categories (durables and building investment) had reduced estimates. Tourism and recreation saw a modest increase (1.2 percent). Inflation has had an impact as higher prices mean more sales taxes. But as inflation persists, higher prices restrict family budgets and there is less money available for discretionary purchases. With savings being depleted, Floridians have increasingly used credit to maintain purchasing, but will not continue indefinitely. The current economic forecast predicts inflation continue to slow, dropping from 3.3 percent in 2024 to 2.4 percent in 2025 and 2.1 percent by 2028.<sup>3</sup>

**CORPORATE INCOME TAX** - These tax collections continue to swell, and the estimate for corporate income taxes (CIT) was increased by \$462.5 million over the two years. Taxes paid by Florida corporations have increased significantly since Florida adopted most of the tax base expansion provisions of federal tax reform (without a corresponding permanent reduction in the tax rate). The temporary refunds and rate reductions passed by the Legislature lessened only some of the impact. Now, there are no more refunds, and the tax rate has returned to the original 5.5 percent (applied to the larger base). It is now estimated that net corporate income tax collections will total \$5.7 billion in FY2024-25. This amount would be two and a half times more than the highest amount in any year before Florida expanded the tax base and almost triple what it was ten years ago.

<sup>3</sup> Office of Economic and Demographic Research, Results of the Economic Estimating Conference, National Forecast Long-Run Tables, July 12, 2024.



**TABLE 2. CHANGE IN GENERAL REVENUE ESTIMATES BY SOURCE**

\$ millions - change from January 2024 to August 2024 estimates				FY 2023-24	
	Change	Change	Two-Year	Actual Collections	Total
Revenue Source	FY 2024-25	FY 2025-26	Change in Est.	Over Estimate	Additional GR
<b>Increased Estimates</b>					
Earnings on Investments	546.4	478.1	1,024.5	305.0	1,329.5
Sales Tax	96.6	408.1	504.7	260.4	765.1
Corporate Income Tax	283.0	179.5	462.5	363.6	826.1
Nonop. Revenue	84.9	29.7	114.6	68.4	183.0
Documentary Stamp Tax	31.2	37.0	68.2	49.9	118.1
Indian Gaming*	30.4	32.1	62.5	-	62.5
Beverage Tax & License	38.0	22.6	60.6	51.6	112.2
Intangibles Tax	12.8	15.2	28.0	13.0	41.0
GR Services Charges	10.6	6.5	17.1	4.2	21.3
Other Taxes and Fees	7.2	7.2	14.4	13.4	27.8
Article V (Court) Fees	12.9	0.5	13.4	(3.2)	10.2
Highway Safety Fees	3.0	1.4	4.4	(5.2)	(0.8)
Pari-mutuels Tax	0.2	0.2	0.4	0.2	0.6
<b>No Change</b>					
Corporate Filing Fees	-	-	-	0.2	0.2
Counties Medicaid Share	-	-	-	(1.6)	(1.6)
<b>Decreased Estimates</b>					
Severance Tax	(0.5)	(0.6)	(1.1)	(0.6)	(1.7)
Tobacco Taxes	(2.4)	(8.1)	(10.5)	(10.1)	(20.6)
Insurance Premium Tax	2.3	(85.5)	(83.2)	15.0	(68.2)
GR Refunds**	(222.3)	(23.7)	(246.0)	(38.7)	(284.7)
<b>Total Net General Revenue</b>	<b>934.3</b>	<b>1,100.2</b>	<b>2,034.5</b>	<b>1,085.7</b>	<b>3,120.2</b>
* Due to a court ruling on the Seminole Compact, the previous forecast included no revenue from Indian Gaming. The Tribe is again sharing revenue with the state. 2024 legislation (SB 1638) directs four percent of that revenue to GR, 96 percent to environmental trust funds.					
** Estimates of refund amounts were increased. Increased refunds decrease net revenue.					

## THE FY 2025-26 BUDGET OUTLOOK

Since the pandemic-fueled downward adjustment of the revenue estimates in December 2020, collections have exceeded estimates for 47 consecutive months. This has happened even though the August 2024 GR Estimating Conference marks the ninth straight conference that has significantly increased revenue estimates. Over the last four years, GR collections have risen 54.1 percent.

Of course, all this revenue has naturally resulted in increased 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.<sup>4</sup> The new FY2024-25 budget has been promoted as a reduction from the previous year, but it really is not. After including appropriations in general bills and considering that the budget contains \$3.0 billion less in federal funds, FY2024-25 GR appropriations reflect a \$2.6 billion (5.5 percent) spending increase.

And this does not tell the whole spending story. The Legislature routinely appropriates funds in the General Appropriations Act (GAA) for the previous fiscal year that are not included in the GAA total. The last two budgets have included \$8.8 billion in these appropriations, \$6.8 billion of which came from GR.

Florida has been enjoying record GR reserves in recent years and while they are still larger than normal, they are depleting. The state ended FY2022-23 with \$21.3 billion in unobligated GR reserves, falling to \$14.5 billion at the end of FY2023-24. Spending by the 2024 Legislature has cut those reserves by almost half, to \$7.8 billion.<sup>5</sup>

The 2025 Legislature is now expected to have \$57.6 billion in GR available for the next state budget (FY2025-26). This includes \$49.8 billion in recurring revenue--\$4.8 billion (10.7 percent) more than what was appropriated in the current year. (See Table 3).

All the revenue and spending has produced significant benefits for Florida taxpayers. Large investments have been made in transportation, water and the environment, housing, and health care, all while providing tax relief, reducing state debt, and maintaining significant reserves. The Legislature and Governor are commended for this.

But hopefully lawmakers have not become too accustomed to this level of spending, or the number of projects they can secure for their districts. This cycle of estimating conferences predicts upcoming sizable deficits in some state programs, including Medicaid, KidCare, and the State Employee Group Health Insurance Program. The deficits are forecast to total \$3.7 billion by FY2029-30, even assuming that the deficit in each preceding year is cleared before the next year begins.

In addition, although the state economists believe economic conditions have stabilized somewhat, it notes there are still factors that bring risk to the forecast. These include continued high inflation, the depletion of savings and the increased use of credit, and spending returning to non-taxable services and away from taxable goods.

The Legislature must remember these and other risks and continue to be prudent in handling these revenue windfalls. Next month, the state's annual Long-Range Financial Outlook will be released, comparing available revenue to estimated spending needs to predict budget surpluses/deficits for the next three years. Florida TaxWatch will continue to monitor, analyze, and report on budget developments and work to ensure that taxpayers' best interests are being served and promote improved budgeting such as reigning in spending on member projects.<sup>6</sup>

4 Florida TaxWatch, The Taxpayers' Guide to Florida's FY2024-25 State Budget, July 2024. <https://floridatxwatch.org/Research/Full-Library/taxpayers-guide/florida-fy2024-25-state-budget>

5 Office of Economic and Demographic Research, General Revenue Fund Financial Outlook Statement, August 14, 2024. [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)

6 Florida TaxWatch, 2024 Budget Turkey Watch Report, May 2024. <https://floridatxwatch.org/Research/Full-Library/2024-budget-turkey-watch-report>

**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>
FY2022-23 Ending Balance	\$-	\$14,501.7	\$14,501.7
Estimated Revenues	48,747.5	(231.6)	48,515.9
Trust Fund Transfers (2024 Budget)	-	119.8	119.8
Unused Appropriations/Reversions	-	191.6	191.6
BP Settlement Agreement Payment	26.7	-	26.7
FEMA Reimbursement (Hurricane Michael)	-	0.5	0.5
Federal Funds Interest Earnings Rebate	(13.5)	-	(13.5)
<b>Total GR Available in FY2024-25</b>	<b>48,760.7</b>	<b>14,582.0</b>	<b>63,342.7</b>
<b>FY2024-25 Appropriations</b>			
2024-25 Appropriations	45,027.0	4,810.5	49,837.5
Reappropriations	-	2,496.0	2,496.0
Transfer to State Employees' Health Insurance	-	350.0	350.0
Transfer to Budget Stabilization Fund	-	300.0	300.0
Transfer to State Board of Administration (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	-	19.5	19.5
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>45,027.0</b>	<b>10,561.1</b>	<b>55,588.1</b>
<b>FY2024-25 Ending Balance</b>	<b>3,733.7</b>	<b>4,020.9</b>	<b>7,754.6</b>
<b>GR Available in FY2025-26</b>			
Balance Forward from FY2024-25	-	7,754.6	7,754.6
Estimated Revenues	49,811.1	(114.0)	49,697.1
BP Settlement Agreement	26.7	-	26.7
Unused Appropriations/Reversions/Other	-4.4	138.6	134.2
<b>Total GR Available for Next Budget</b>	<b>49,833.4</b>	<b>7,779.2</b>	<b>57,612.6</b>

Source: Office of Economic and Demographic Research, General Revenue Fund Financial Outlook Statement, August 14, 2024.

## ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the taxpayers 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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