

## NEW GENERAL REVENUE ESTIMATES ADD ANOTHER \$4.0 BILLION TO AMOUNT AVAILABLE FOR THE NEXT BUDGET

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**With state coffers already swelling, the General Revenue Estimating Conference (REC) met on January 21, 2022, to develop the state's new forecast for general revenue (GR) collections.** This is the revenue estimate that the 2022 Legislature will use for the new FY2022-23 state budget. The REC increased its estimate for GR collections by \$3.3 billion in the current year (FY2021-22) and by \$704 million in FY 2022-23. **This means lawmakers have another \$4 billion available to spend.** Florida was already in its best fiscal shape in history.

Florida is now expected to have a budget surplus of \$11.3 billion at the end of this fiscal year (not counting \$3.5 billion in allocated federal Fiscal Recovery Funds expected to be received later this year.) Including those funds, the 2022 Legislature will have almost \$54 billion in GR available for the new budget. Last session, lawmakers appropriated \$36.5 billion in GR for the current budget.

Although the magnitude of the increase is remarkable, it was not entirely unexpected. Actual collections have exceeded estimates for 16 consecutive months, including beating the last monthly estimate (August 2021) by \$2.2 billion in only the first six months of FY2021-22. Estimators cited federal stimulus dollars, Floridians spending elevated savings, and a surging real estate market for the increase. Floridians' purchasing mix has also been more heavily weighted to taxable goods as opposed to (largely) non-taxable services. It is expected these factors will start returning to normal. As a result, while the estimate for the current year was increased by \$3.3 billion, the REC "crafted a glide path that largely removes those effects." This is why next year's estimate was increased by only \$704 million.

The new estimates for the current and next year are well above those made pre-pandemic and are \$6.5 billion and \$1.8 billion higher, respectively, than the August 2020 estimates, the first ones made after the pandemic began. Estimated annual growth of 10.8 percent in FY2021-22 follows actual growth of 15.7 percent in FY2020-21 (see Table 1).

TABLE 1. CHANGE IN ESTIMATES - APRIL 2021 - JANUARY 2022 (\$ MILLIONS)

FY	August 2021 Estimate	January 2022 Estimate	Change in Estimate		January Estimates Change from Prior Year	
			\$ million	%		
2019-20*	\$31,366.20	\$31,366.20	\$-	0.0%	\$(2,047.60)	-6.1%
2020-21*	\$36,280.90	\$36,280.90	\$-	0.0%	\$4,914.70	15.7%
2021-22	\$36,901.00	\$40,189.80	\$3,288.80	8.9%	\$3,908.90	10.8%
2022-23	\$38,336.80	\$39,041.10	\$704.30	1.8%	\$(1,148.70)	-2.9%
2023-24	\$39,889.50	\$40,694.30	\$804.80	2.0%	\$1,653.20	4.2%
2024-25	\$41,471.80	\$42,033.30	\$561.50	1.4%	\$1,339.00	3.3%
2025-26	\$42,504.20	\$43,258.70	\$754.50	1.8%	\$1,225.40	2.9%
2026-27	\$44,091.20	\$44,771.00	\$679.80	1.5%	\$1,512.30	3.5%

\* Actual collections

As usual, the state’s largest GR source—the sales tax—accounts for most of the change in the estimates. (see Table 2). The sales tax estimate gained \$2.539 billion in FY2021-22 and \$732.9 million in FY2022-23). All six sales tax categories increased, led by Buiding Investment (18.0 percent) and Tourism and Recreation (12.2 percent). (see Table 3). This highlights the recovery of the tourism industry. The FY2021-22 estimate for this sector in now 5.6 percent above the last pre-pandemic estimate.

Real estate taxes were the next biggest gainer (see Table 2). For FY 2021-22, the forecast for documentary stamp taxes increased by \$296.7 million and intangibles taxes went up \$130.4 million. However, expecting the surge in the residential real estate market to continue only a little longer before higher mortgage rates begin to affect sales, the Conference reduced the estimate for both taxes in the next year.

## THE BUDGET OUTLOOK: A ONCE-IN-A-GENERATION OPPORTUNITY

With record GR reserves, collections back above pre-pandemic levels, and an additional \$4.4 billion in federal aid headed to Florida’s GR Fund later this year, the budget outlook for FY2022-23 was already quite bright. Now, with revenue estimates increased by another \$4.0 billion, already flush state coffers are bursting.

Unless Florida is hit with unexpected costs over the rest of the current year, the state will end FY2021-22 with \$11.3 billion in unspent GR. Add to this the \$2.7 billion<sup>1</sup> balance in the Budget Stabilization Fund and the state has a record \$14.0 billion in reserves. And remember, the current \$101.654 billion budget is the largest in history and is a \$9.4 billion increase over the last budget (and this does not even count the ARP appropriations or another \$10 billion appropriated in the 2021-22 budget for FY 2020-21.)<sup>2</sup>

The 2022 Legislature will have approximately \$50.5 billion in GR available for the FY2022-23 budget. Add the \$3.5 billion from the American Rescue Plan coming later this year and available GR reaches \$54.0 billion. This is

1 This includes \$1.05 billion that was transferred to the BSF after the Legislature eliminated the Lawton Chiles Endowment Fund last session.  
 2 Florida TaxWatch, “2021 Taxpayers Guide to the FY2021-22 Florida State Budget,” June 30, 2021. <https://floridatxwatch.org/Research/Budget-Hub>

**TABLE 2. CHANGE IN ESTIMATES AND ANNUAL GROWTH BY GENERAL REVENUE SOURCE**  
\$ MILLIONS - CHANGE FROM AUGUST 2021 TO JANUARY 2022 ESTIMATES

Revenue Source	Change FY2021-22	Change FY2022-23	Two-Year Change in Estimate	Growth From Prior Year (FY2021-22)	FY2022-23
<b>Increased Estimates</b>					
Sales Tax	\$2,539.30	\$732.90	\$3,272.20	15.6%	-5.1%
Documentary Stamp Tax	\$296.70	\$(49.90)	\$246.80	12.8%	-26.0%
Corporate Income Tax	\$175.50	\$2.10	\$177.60	-2.0%	14.9%
Intangibles Tax	\$130.40	\$(24.20)	\$106.20	-1.3%	-26.5%
Corporate Filing Fees	\$27.30	\$37.40	\$64.70	-8.6%	4.8%
Earnings on Investments	\$43.50	\$14.90	\$58.40	-27.1%	-8.5%
Insurance Premium Tax	\$13.60	\$23.50	\$37.10	6.5%	3.7%
GR Services Charges	\$38.30	\$(4.20)	\$34.10	7.1%	-7.8%
Beverage Tax & License	\$17.90	\$15.50	\$33.40	1.5%	2.5%
Indian Gaming	\$19.90	\$12.80	\$32.70	NA**	37.3%
Nonop. Revenue	\$11.50	\$(1.40)	\$10.10	-28.1%	-12.8%
Other Taxes and Fees	\$0.40	\$-	\$0.40	-10.3%	-0.9%
Highway Safety Licenses & Fees	\$2.00	\$(1.90)	\$0.10	-9.5%	-7.5%
<b>Decreased Estimates</b>					
Severance Tax	\$(0.60)	\$(0.40)	\$(1.00)	-5.1%	-2.1%
Article V (Court) Fees	\$(2.70)	\$(1.00)	\$(3.70)	45.3%	-0.9%
Tobacco Taxes	\$(2.40)	\$(3.30)	\$(5.70)	-8.8%	-1.9%
Pari-mutuels Tax	\$(5.60)	\$(10.70)	\$(16.30)	-19.8%	-34.8%
GR Refunds*	\$(16.20)	\$(5.20)	\$(21.40)	121.2%	-41.1%
Counties' Medicaid Share	\$-	\$(32.60)	\$(32.60)	-4.2%	-1.9%
<b>Total Net General Revenue</b>	<b>\$3,288.80</b>	<b>\$704.30</b>	<b>\$3,993.10</b>	<b>10.8%</b>	<b>-2.9%</b>

\* Estimates of refunds were increased. Increased refunds decrease net revenue.  
\*\* Due to a lack of a gaming compact between the state and the Seminole Tribe, there was no revenue in 2020-21.

**TABLE 3. CHANGE IN SALES TAX ESTIMATES - FY2021-22 (\$ MILLIONS)**

Category	Old	New	\$ Difference	% Difference
Nondurables	\$9,792.60	\$10,572.50	\$779.90	8.0%
Tourism & Recreation	\$6,482.20	\$7,272.00	\$789.80	12.2%
Autos & Accessories	\$5,826.70	\$6,128.50	\$301.80	5.2%
Other Durables	\$1,920.90	\$2,029.70	\$108.80	5.7%
Building Investment	\$1,931.20	\$2,278.80	\$347.60	18.0%
Business Investment	\$6,168.40	\$6,453.30	\$284.90	4.6%
<b>TOTAL</b>	<b>\$32,122.00</b>	<b>\$34,734.80</b>	<b>\$2,612.80</b>	<b>8.1%</b>

\$17.5 billion (47.9 percent) more than the \$36.5 billion appropriated by the 2021 Legislature. While most of this is non-recurring funds, the state should have \$39.2 billion in recurring funds available—\$4.2 billion (12.0 percent) more than current recurring expenses.<sup>3</sup>

But all this money presents its own challenges. There is going to be strong pressure to increase funding for government programs and calls to create new ones. Some will be needed and beneficial, but many will not. The years following the housing bubble (the Great Recession) showed what can happen when Florida state and local governments spend most of windfall revenues. Just because the state has a lot of money in the bank, taxpayers should not stop paying attention to how government spends their money--Florida TaxWatch won't.

Since so much non-recurring GR is available, there is a heightened appetite for lawmakers' appropriations (member) projects, which by rule can only be funded on a non-recurring basis. Only three weeks in to the 2022 session, House Appropriations Subcommittee have approved more than 1200 Appropriations Project Bills, which qualifies these member projects, but does not guarantee funding. Florida TaxWatch urges restraint on local appropriations projects and reiterates our recommendations to improve the selection of these projects.<sup>4</sup>

Florida TaxWatch urges lawmakers to give some of this windfall back to taxpayers, a goal many in the Legislature surely share. In addition to broad based tax relief for all Floridians, we encourage legislators to act immediately to prevent a corporate income tax increase in Florida. Unless it takes proactive steps, current law provides for a \$1 billion plus tax increase this year,<sup>5</sup> something that is neither needed nor prudent while so many employers are adjusting to supply chain and labor force disruptions.

There will be a flood of suggestions on how to spend this money. Florida TaxWatch again offers its recommendations from our Federal Pandemic Relief report<sup>6</sup>, including maximize receipt of federal funds but don't be in a hurry to spend it all, maintain higher than normal GR reserves, and avoid spending non-recurring revenue on recurring expenses. Last year we collaborated with leaders from across the state and the Florida Council of 100 in an effort to prioritize investments that would build economic resiliency and strengthen recovering communities.

Florida TaxWatch asks legislative leaders to recommit to the concerns and needs of taxpayers – today's payers and tomorrow's. We have a once-in-a-generation opportunity to invest in our future. This is an excellent chance to modernize and put Florida in an even more stable position moving forward, and we should not squander it. Let us not sprinkle these dollars where they won't have a lasting impact.

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<sup>3</sup> General Revenue Fund Financial Outlook Statement (January 24, 2022) produced by the General Revenue Estimating Conference.

<sup>4</sup> See the annual Florida TaxWatch Budget Turkey Watch report.

<sup>5</sup> Florida TaxWatch, Corporate Income Tax Issues for the 2022 Legislature, October 26, 2021.

<sup>6</sup> Florida TaxWatch, "Navigating Federal Pandemic Relief: Following billions in stimulus dollars, where do we go from here?," October 2021.

TABLE 4. FY2022-23 BUDGET OUTLOOK

GR Available in FY 2021-22	Recurring	Non-Rec.	Total
<b>FY2020-21 Ending Balance*</b>	-	<b>\$13,801.80</b>	<b>\$13,801.80</b>
Estimated Revenues	\$41,189.50	\$(999.70)	\$40,189.80
Trust Fund Transfers	\$-	\$147.10	\$147.10
BP Settlement Agreement Payment	\$26.70	\$-	\$26.70
FEMA Reimbursements	\$-	\$68.50	\$68.50
Reversions/Other	\$(0.10)	\$92.90	\$92.80
<b>Total GR Available in FY 2021-22</b>	<b>\$41,216.10</b>	<b>\$13,110.60</b>	<b>\$54,326.70</b>
<b>FY2021-22 Appropriations</b>			
2021-22 Appropriations	\$34,959.70	\$1,508.30	\$36,468.00
Reappropriations		\$899.50	\$899.50
Fed Aid (ARP) - State Fiscal Recovery Fund	-	\$4,408.30	\$4,408.30
Fed Aid (ARP) - Local Fiscal Recovery Fund	-	\$708.20	\$708.20
Fed Aid (ARP) - Housing Assistance	-	\$67.60	\$67.60
Fed Aid (ARP) - Emergency Rental Assistance		\$296.20	\$296.20
Surfside Condo-Disaster Response/Bridge Loans	-	\$18.00	\$18.00
Re-employment Assistance Tax Refunds	-	\$157.00	\$157.00
Special Session Appropriations		\$6.00	\$6.00
<b>Total FY2021-22 Appropriations</b>	<b>\$34,959.70</b>	<b>\$8,069.10</b>	<b>\$43,028.80</b>
<b>FY2021-22 Ending Balance</b>	<b>\$6,256.40</b>	<b>\$5,041.50</b>	<b>\$11,297.90</b>
GR Available in FY2022-23			
Balance Forward from 2021-22	-	\$11,297.90	\$11,297.90
Estimated Revenues	\$39,125.50	\$(84.40)	\$39,041.10
BP Settlement Agreement	\$26.70	\$-	\$26.70
Unused Appropriations/Reversions/Other	\$(1.10)	\$114.80	\$113.70
<b>Total GR Available for Next Budget**</b>	<b>\$39,151.10</b>	<b>\$11,328.30</b>	<b>\$50,479.30</b>
<p>* Includes \$5.480 billion in federal American Rescue Plan (ARP) aid that will be appropriated or distributed to local governments in FY 2021-22. See "FY2021-22 Appropriations" above.</p> <p>** Does not include \$3.5 billion in allocated federal Fiscal Recovery Funds expected to be received and deposited into GR later this year.</p>			

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