



THE FLORIDA SENATE
SENATOR BILL GALVANO
President

MEMORANDUM

TO: All Senators
FROM: Bill Galvano
SUBJECT: Fiscal Update
DATE: April 2, 2020

As I stated during our organization session, almost two years ago, many of the major issues we would face together had yet to reveal themselves. That is why for years we have made certain decisions about spending, taking into account the threat of unnamed and unknown challenges. We are now facing a tremendous challenge, and while the full range of impacts associated with COVID-19 is unknown, due to the fiscal responsibility we have exercised in prior years, Florida is financially prepared to successfully weather the uncertain times before us.

As you may be aware, I have been working with our Appropriations Team, as well as other professional staff, to continuously track state spending and revenues throughout the year to both update our outlook for the current fiscal year (Fiscal Year 2019-20) and to anticipate the various estimates that comprise the Long Range Financial Outlook (Three Year Plan), which is finalized every September. We have increased these efforts in recent weeks due to the unprecedented nature of the situation before us.

The outlook for the current fiscal year (2019-20) has been adjusted to include general revenue gains shown in the February General Revenue Collections Report as well as the amendments to the 2019-20 budget related to the COVID-19 pandemic, which the Governor has filed under his executive order. Taking into account these and other fiscal developments that have occurred since the passage of the 2019-20 General Appropriations Act last May, Florida's general revenue reserve cash balance for the current fiscal year is anticipated to be in excess of \$2 billion.

It is important to note that the outlook adopted by the estimating conference in January anticipated a fiscal year 2019-20 general revenue reserve cash balance of \$1.9 billion. Our current anticipated cash balance position of more than \$2 billion described above is due to general revenue collections coming in over estimate in January and February as well as additional Medicaid matching funds Florida will receive via the federal Families First Coronavirus Response Act (H.R. 6201), despite significant unanticipated expenditures due to

coronavirus. While we expect to see significant decreases in general revenue collections beginning with the April General Revenue Collection Report through the end of our fiscal year, our current general revenue reserve cash balance, combined with other available state reserves, should alleviate any concerns regarding the need to cut the current year budget.

Next week, 4th Quarter 2019 and total 2019 GDP data for the state will be released. This will establish the threshold information to analyze the impact of coronavirus on our economy. Earlier this week, Moody's Analytics released a revised national forecast that includes a recession, the length or extent of which is not yet known. Next week, IHS Markit will release an updated national forecast, which will likely indicate a recession as well. These forecasts are typically blended by our state economists as they develop forecasting models for Florida. In early May, we will have additional data on general revenue collections, and both IHS and Moody's will release their second series of coronavirus-impacted national forecasts. All of this information will be needed and utilized by our state economists as they begin the process of formally revising general revenue estimates for Fiscal Year 2020-21.

Additionally, as we await relevant data needed for our economists to formally produce a revised estimate, staff are analyzing the federal "Coronavirus Aid, Relief, and Economic Security Act" (H.R. 748, The CARES Act). Preliminary analysis indicates that the CARES Act includes \$12 billion that can be utilized by Florida's state and local governments. Of this \$12 billion total, approximately \$8.3 billion is available for local and state budget stabilization (\$4.6 billion state, \$3.7 billion local), while the remaining \$3.7 billion is available for specific programs within state government. We are also evaluating provisions of the Act that allow local governments and private entities, including the health care industry and small and medium-sized businesses, to apply directly to the federal government to access funding. Funds that pass through the state, as well as those that pass directly to local governments and the private sector will ultimately impact our budget and Florida's economy in a positive way.

Under my direction, Senate staff are working with the Governor's Office to thoroughly review this federal legislation and my goal is to provide you with a more formal analysis of the process associated with authorizing the expenditure of these funds in the coming weeks. In addition to the healthy reserve set aside this session, the influx of federal funding under the CARES Act should help alleviate concerns regarding significant budget cuts to the 2020-21 fiscal year budget. Any line item vetoes Governor DeSantis deems necessary will further buffer the already healthy reserve.

Based on our initial analysis of the CARES Act, we may need to return to Tallahassee, at the appropriate time in fiscal year 2020-21, to formally appropriate available federal funding. We must be mindful our state budget impacts our constituents and our economy, and the decisions we make must demonstrate fiscal responsibility, while doing no harm.

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During this uncertain time, as many Floridians are anxious about the future and families and businesses are struggling to meet basic needs, our first priority is to help our constituents access the services they may need to help address the impacts of coronavirus. As important as these services are, in my view, Floridians are resilient. They are self-reliant and have shown great patience in tolerating inconvenience for the good of others. They are not looking to their elected officials to solve every problem, but for honest, solid information about what we know, what we do not yet know, and what they can expect moving forward. In that vein, as we work together to serve the people of Florida, I hope you find this information useful, and I look forward to providing additional updates as they become available.

Like the challenges we have faced before, this too shall pass. The State of Florida is strong, and our nation is the greatest on Earth.