



THE FLORIDA SENATE
SENATOR BILL GALVANO
President

MEMORANDUM

TO: All Senators
FROM: Bill Galvano
SUBJECT: General Revenue Collection Report for August
DATE: September 25, 2020

This morning, the Legislature's Office of Economic and Demographic Research (EDR) released the General Revenue Collection Report for August, which I have attached for your reference. August is the first month collections are compared against the newly revised estimates adopted on August 14. The August estimates, unlike the prior forecast from January, take into consideration the impact of the pandemic-induced economic contraction the state is experiencing. The attached report still provides a comparison to the January estimates, before the pandemic, to provide a better understanding of how the revenue picture has changed. However, moving forward decisions will be based on the August forecast.

Looking ahead, there is good news. When the August collections are compared against the new estimates adopted in August, overall general revenue collections exceed the estimate by \$177.5 million, including \$153.8 million in sales tax collections. This means the new estimates, which were used in the Long Range Financial Outlook adopted by the Legislative Budget Commission earlier this month, thus far, are more conservative than actual collections and should provide confidence for planning and budgetary decisions. In fact, collections for twelve revenue sources, including the most significant sources such as sales tax, corporate income tax, beverage taxes and documentary stamp tax, came in over estimate by a combined \$210.2 million. Five revenue sources of lesser significance came in \$22.1 million under estimate.

As reported last month, general revenue collections for July came in on estimate based on the pre-pandemic forecast. These collections benefited from several revenue sources recapturing losses from prior months as formal state orders delaying payment of taxes or fees ended, pushing significant payments into July. I mention this again because being on estimate given the prior

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three months of losses, even with the additional delayed payments, represented a significant turning point in the recovery as the state continued to reopen. August collections continue to follow the July pattern, but with less benefit from the recapture of the delayed payments experienced in July. When compared to the pre-pandemic estimate, the month finished below the January estimate by \$83.1 million. July and August (reflecting June and July activity) show a near identical \$164 million reduction in sales tax collections.

This look in the rear-view mirror at the January estimate provides an important insight. The most significant loss to sales tax collections from that estimate continues to be for the Tourism category. The loss is not solely attributable to the reduction in the number of out-of-state tourists, but also from the reduction of sales to Florida residents at restaurants, local attractions and other leisure activities. It is imperative, for the survival of these businesses and the jobs they create, that we continue to work toward the safe return and recovery of the tourism industry, including encouraging the safe enjoyment of these establishments by Floridians.

This week brought welcome news on another front. Moody's, Fitch Ratings and S&P Global affirmed Florida's government obligations at "AAA" with outlook stable. This is significant given the economic, budgetary and fiscal challenges the COVID-19 pandemic has inflicted on our nation and is further evidence of the value of Florida's sound, conservative fact-based fiscal policies.

As I said at the beginning of this journey, our ability to successfully navigate the current fiscal situation will require the same deliberate, professional, fact-based decision making we have employed in Florida for decades. Florida is positioned well to face the challenges ahead and to prosper.