# EXECUTIVE SUMMARY
## Revenue Estimating Conference for the General Revenue Fund
## March 13, 2023

The new forecasts for the national and state economies adopted in February 2023 notably lowered key economic metrics relative to those adopted in July 2022, largely as a result of a significant contraction in the housing market, an upward shift in the level of inflation, and the inclusion of a mild recession. Of note, the risk associated with the national economic forecast continues to be skewed to the downside, with an 80 percent probability that the new forecast will unfold as predicted (55 percent) or fall short of expectations (25 percent). Economic disruption is still evident, with challenges including the drawdown of savings as households began to rely on savings to defend their standard of living, the elevated use of credit, the continued normalization of spending on services and away from taxable goods, and strong inflationary pressures on households. Nonetheless, revenue collections since August have far exceeded expectations and the economic fundamentals, confounding the ability to predict the impact and timing of key turning points.

After coming in $2.95 billion over estimate during the six months since the prior forecast was adopted, the Conference added another $1.31 billion in expected gains to the estimate during the remaining four months of the fiscal year, for a combined increase of $4.27 billion to the overall forecast for FY 2022-23. Approximately $591.7 million (13.9 percent) of the overall increase was related to the recovery and rebuilding activity associated with Hurricane Ian. Overall, the new forecast grows 5.1 percent over the prior year. Assuming a downshift will begin next year, the Conference continued to assume a decline in receipts relative to the current year (-2.1 percent), although the forecast level was increased by $2.78 billion in FY 2023-24 and grows by an increasing amount thereafter. The two-year combined increase for FY 2022-23 and FY 2023-24 adds nearly $7.06 billion to the prior forecast. These changes reflect increases over the previous estimates of 10.2 percent in FY 2022-23 and 6.6 percent in FY 2023-24.

The current economic environment presented significant forecasting challenges which were reflected in the discussion at the conference. By far the largest adjustment in the new forecast relates to Sales Tax, which has benefitted from elevated spending on goods and the initial effects of inflation. The anticipated gain to General Revenue is $3.66 billion in FY 2022-23 and $2.73 billion in FY 2023-24, with all six sales tax categories seeing increases in both years. The Conference noted future risks to sales tax collections include consumers returning to a typical purchasing mix of goods and services and managing personal budget constraints in a period of persistent inflation.

Apart from Sales Tax, the greatest gain to the forecast comes from the Corporate Income Tax. The Conference increased the forecast by $656.6 million in FY 2022-23 and by $583.7 million in FY 2023-24.

The greatest loss to the forecast came from the two revenue sources most closely aligned with the housing market: the Documentary Stamp Tax and the Intangibles Tax. Combined, their estimates were lowered by $482.1 million in FY 2022-23 and $580.5 million in FY 2023-24.

Several of the revisions to the forecast (Tobacco Taxes, Article V Fees & Transfers, and Highway Safety Licenses & Fees) are the results of earlier conferences. Additional information regarding the estimates for sources adopted at prior conferences can be found on the Legislative Office of Economic and Demographic Research's website: http://edr.state.fl.us/Content/conferences/index.cfm.