



THE FLORIDA SENATE
SENATOR BILL GALVANO
President

MEMORANDUM

TO: All Senators
FROM: Bill Galvano
SUBJECT: General Revenue Collection Report for June
DATE: July 27, 2020

As we near the end of the first month of the new fiscal year, it is hard to believe the wide-ranging impact the coronavirus has had on our state, nation, and world in just five short months. The commitment you and your staff show in your daily service to your constituents, setting aside your own personal trials, and working tirelessly to help those you represent navigate the impact of the pandemic on their lives and livelihoods has been truly remarkable and makes me proud to be a part of the Senate family.

Following the Independence Day Holiday earlier this month, representatives of the Senate, House, Governor's Office, and the Legislature's Office of Economic and Demographic Research (EDR) began their summer 2020 estimating conference schedule. As you are aware, these staff representatives, appointed by their respective principles, hold a series of estimating conferences each July and August, in preparation for the development of the constitutionally required long-range financial outlook. In accordance with the state constitution, a long-range financial outlook setting out recommended fiscal strategies, major workloads, and revenue estimates for the state must be issued by the joint Legislative Budget Commission (LBC) annually, in advance of September 15, to assist the Legislature in making budget decisions. The summer conference series culminates with the General Revenue Estimating Conference, scheduled for August 14. You can view a full schedule of conferences and the results of each conference on EDR's website (edr.state.fl.us).

With the Capital Complex closed to the public, and many members of our professional staff working remotely, EDR recommended, and I approved a number of safety protocols, including minimizing contacts, social distancing/mask wearing, and frequent sanitizing for conducting the ongoing estimating conference meetings, which are held in the Senate. As always, the meetings are live streamed and archived on the Florida Channel allowing the public to observe the process.

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June and End of Year General Revenue Collection Reports

This morning, EDR released the General Revenue Collection Report for June, which I have attached for your reference. As we move into the state's new fiscal year, which began on July 1, our economists and estimators have also fine-tuned their analysis of where our revenues stand at the conclusion of the 2019-20 fiscal year.

Fiscal Year 2019-20 ended with collections under estimate for the General Revenue Fund by nearly \$1.9 billion. The great majority of the shortfall, 84.7 percent, came from the Sales Tax distribution, which was down 6.1 percent from the anticipated level, as business activity was impacted by shutdowns in response to the pandemic.

As you are aware, through March 2020, overall collections posted \$202.4 million over estimate. Over the next three months (April, May and June, the last quarter of the state's fiscal year) the coronavirus impact resulted in a total shortfall for the quarter of nearly \$2.1 billion across all sources of revenue. April, representing primarily March activity during the height of the shutdown, provided the greatest loss (42.1 percent of the total for the period), followed by May (37.4 percent) and June (20.5 percent) as the economy began to reopen. For the Sales Tax portion of General Revenue, keep in mind the June collections primarily represent May activity, during which our state was still in the early stages of reopening. Fiscal Year 2019-20 closed with total General Revenue collections of \$31.4 billion, down 5.7 percent (\$1.9 billion) from the expectations held in January when the last forecast was made.

The next step to end the fiscal year is to produce a final General Revenue Outlook which broadens the analysis to include all funds that were available. As noted above, the Revenue Estimating Conference will meet on August 14, to produce a final General Revenue Outlook for Fiscal Year 2019-20, as well as to adopt a new forecast.

Federal Reserve Beige Book

The Beige Book is a Federal Reserve System publication about current economic conditions across the 12 Federal Reserve Districts. The information is gathered through a combination of surveys, questionnaires and phone discussions with various local contacts. According to the Federal Reserve, "The qualitative nature of the Beige Book creates an opportunity to characterize dynamics and identify emerging trends in the economy that may not be readily apparent in the available economic data."

The comments below were pulled from the book by our staff in order to highlight the points most relevant to Florida's current economic setting. (This release is based on information collected on or before July 6, 2020.)

National Discussion (Across All Federal Reserve Districts)

- Outlooks remained highly uncertain, as contacts grappled with how long the COVID-19 pandemic would continue and the magnitude of its economic implications.
- The PPP and loan deferrals by private lenders reportedly provided many firms with sufficient liquidity for the near term; however, many contacts who have been retaining workers with help from the PPP said that going forward, the strength of demand would determine whether they can avoid layoffs.
- Contacts in nearly every District noted difficulty in bringing back workers because of health and safety concerns, childcare needs, and generous unemployment insurance benefits.
- Retail sales rose in all Districts, led by a rebound in vehicle sales and sustained growth in the food and beverage and home improvement sectors. Several districts reported additionally large increases in RV and boat sales.
- Home sales increased moderately, but commercial real estate activity stayed at a low level.

Discussion Specific to the Federal Reserve Bank of Atlanta (Which Includes Florida)

- Though many business contacts described rising costs associated with sanitation practices and Personal Protective Equipment used to protect employees and clients from COVID-19, most reported an inability to pass along these additional costs.
- Tourism and hospitality contacts noted they have begun to reopen hotels and attractions in accordance to recommended guidelines; however, they noted business capacity will be constrained by social distancing requirements, which will continue to negatively impact both revenue and employment.
- Thirty-day delinquencies in home loans rose sharply, especially in South Florida markets, despite a surge in forbearances. There were growing reports of tenants and borrowers seeking relief.
- Loan growth was muted with most activity centered on approvals of new loans under the Paycheck Protection Program. Except for first lien residential mortgages, consumer loan growth was flat partly due to tightening credit standards.
- Although some remote workers returned to the office, many firms indicated success with remote arrangements and noted they will continue this stance for the near term and possibly beyond.
- Contacts continued to report wage and salary cuts, except at the low-end of the pay scale and among essential workers.
- As the support from the Paycheck Protection Program winds down, many employers indicated they will be forced to lay off workers should business remain weak.

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Discussion from Other Districts, Also Applicable to Florida

- Both builders and realtors expected demand for single-family properties to remain firm in the near term, but several worried that conditions could change in the fall if high unemployment persists.
- The leisure travel industry mostly reported improved bookings of hotel stays and short-term rental properties, particularly within drivable market areas. Coastal and resort areas seem to be doing the best. In one coastal area, hotel bookings have nearly returned to 2019 levels for July and August. However, some travel market segments are still faltering: travel for business and travel to urban destinations remain largely inactive. Large event venues have also been affected by cancelled conventions. Hospitality contacts do not expect business to return to typical levels until 2022.
- Air travel remains severely impacted by the pandemic; total air passengers in Boston in June were down more than 85 percent from the same time last year. Even so, this was an improvement from April which was down over 97 percent.

Key Upcoming Dates

- August 14th, General Revenue Estimating Conference

As our nation mourns the loss of Congressman John Lewis, one of the great civil rights leaders of our time, we should remember his optimism and draw strength from his encouragement to persevere in the face difficulty. In the words of Congressman Lewis, “I believe that you see something that you want to get done, you cannot give up, and you cannot give in.” I have witnessed your strength and resilience, and I am proud to serve with you in the Florida Senate.