



THE FLORIDA SENATE
SENATOR BILL GALVANO
President

MEMORANDUM

TO: All Senators
FROM: Bill Galvano
SUBJECT: General Revenue Collection Report for April
DATE: May 26, 2020

As we near the end of the first month of re-opening our great state, and conclude a Memorial Day Weekend that reminded us of the sacrifices of so many, we have seen several important developments that provide insight regarding our state's continued response to the unprecedented COVID-19 public health emergency.

Friday brought concerning, but expected, news that our state unemployment rate for April, at the height of Florida's Safer at Home Order, has risen to 12.9%, just under the national average. While Floridians across the state have been feeling the significant impacts of unemployment for several weeks, this is our first real glimpse into the severity of unemployment due to the COVID-19 Pandemic, and should be one of our primary focuses as we work to reopen the state as quickly and safely as possible.

Florida has now paid nearly \$3.5 billion in reemployment assistance payments to more than one million Floridians. I recognize that overall numbers may ring hollow to an eligible unemployed worker who has yet to receive a benefit check; however, despite significant hurdles, we are now seeing great upward momentum with the processing and payment of claims. Most importantly, Florida's all-hands-on-deck approach, including the great work ongoing in our Senate District Offices, must and will continue until the last claim is paid. While the immediate goal is to get claims paid as quickly as possible, the ultimate goal is to restore a Florida economy that provides Floridians with the security of a job and paycheck.

While professional district staff in communities across Florida continue their diligent work to serve impacted constituents, Tallahassee-based professional staff continue their meticulous tracking of fiscal issues that will impact Florida's recovery. As I have indicated in prior communications, my goal is to share updates on these fiscal issues as often as practical.

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General Revenue Collection Report for April

The attached General Revenue Collection Report for April reflects activity that occurred in March, all of which was affected by the pandemic, but to an increasing extent as the month progressed. The report also reflects voluntary changes to submitted estimated payments in April, which are more reflective of real time impacts experienced by businesses in the month of April.

Sales Tax collections were down \$598.2 million. A large part of this loss is attributed to declines in tourism and hospitality-related industries, as well as auto sales.

The report also includes information on other revenue sources coming in below estimate in April, for a total of loss of \$878.1 million from the estimate. However, it is important to take into account that three key revenue sources that came in below estimate in April were materially affected by formal state orders delaying payment of the taxes or fees until June or later.

- Corporate Income Tax – under by \$246.0 million
- Highway Safety Fee – under by \$20.2 million
- Corporate Filing Fee – under by \$56.9 million

Generating a loss of \$323.1 million or 36.8 percent of the total loss for the month, some or all of these declines in April and May are expected to be recaptured in June, prior to the next fiscal year beginning July 1, 2020.

As you may recall, January, February and March reports combined came in at \$202.4 million over estimate. These dollars were unanticipated and not included in the prior estimate for General Revenue, but will help buffer the loss reflected in this and subsequent reports. With the lag in reporting, it is likely we will continue to see decline in the General Revenue Collection Report for May, issued next month, which will continue to reflect activity in April when the Safer at Home order was in place.

As you are aware, sound financial decisions made over the past decade have resulted in significant reserves and additional steps were taken during the 2020 Session to increase those reserves. 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. The situation continues to evolve on a daily basis and additional data in the coming weeks will be critical.

Use of Federal CARES Act Funding

As we move forward, much debate at the federal level has ensued regarding whether or not states can utilize the federally-appropriated state stabilization funds (\$4.6 billion already received by

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Florida) made available via the CARES Act to directly offset revenue losses that have occurred as a result of state efforts to mitigate the spread of COVID-19.

Initially, comments from officials on both sides of the political aisle indicated a clarification or guidance would be issued permitting use of these federal CARES Act funds for this purpose. However, that conversation has broadened to discussions of full-scale state bailouts, which has been understandably met with skepticism.

I have many concerns with the idea that the federal government would consider bailing out unfunded state pensions or utilize federal taxpayer dollars to reward decades of state mismanagement unrelated to COVID-19. Doing so would not only increase our already significant federal deficit, but would incentivize bad-actor states to become more reliant on federal taxpayers to the detriment of states like Florida.

What I do support is further federal clarification that the \$4.6 billion in state stabilization funds can be used not only to pay for direct expenses related to the state's response to COVID-19, but also to address the very real cost of revenue loss that was a direct result of shutting down our economy to protect lives. Every business in our state will agree that lost revenue is an undeniable cost of the pandemic, and the same is true for the operations of our state government.

Recognizing the possibility that ultimately the state may not be able to directly use stabilization funds for this purpose, I have concurrently been working with Appropriations Staff to determine all of the permissible uses of this funding to best position Florida to fully recover from the impacts of COVID-19. The impacts of the pandemic have been profound, heart wrenching and far reaching, but we cannot allow the current situation to dim the vision of Florida we held just a few months ago.

We have and continue to receive guidance from the Federal Treasury that makes clear the CARES Act funds deposited in the General Revenue Fund are available to assist with day-to-day cash management.

Timeline for Additional Data

- June 25 – General Revenue Collection Report for May with Sales Tax Activity from April.
- July 25 – General Revenue Collection Report for June with Sales Tax Activity from May.
- On or about June 8th, IHS Markit and Moody's Analytics will release their June macro forecasts.
- On June 16th, the May 2020 Advance Monthly Retail Report is scheduled for release by the Census Bureau.

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Thank you for your continued efforts to serve our constituents and communities. As legislators we learn to focus on the task before us; the calls to be answered; the decisions to be made; the work to rebuild our State for tomorrow. As mothers, fathers, brothers, sisters, sons and daughters, as Floridians, we allow ourselves in quiet moments, to remember the real loss, the true cost, the price of this pandemic that can never be adequately measured and cannot be replaced. I am very proud of the efforts of the Senate family during this unprecedented time. We will get through this together. Stay strong and stay safe.