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## **S&P: Sunshine State's Tourism Slump Clouds Budget Outlook**

With Florida's (AAA/Stable) general revenues declining nearly 28% for the month of April relative to estimates, the state's positive momentum for much of last year has all but stalled as recessionary headwinds intensify. Additionally, as the unwelcome hurricane season approaches, the state's phased efforts to safely re-open its economy could be further challenged by a natural disaster. While the short-term economic outlook remains murky, S&P Global Ratings believes the state is well positioned to address the mounting challenges over the near term supported by its strong structural budgetary management and reserves.

Coinciding with the beginning of spring break, the final quarter of the fiscal year is typically when general revenues peak. With the onset of the COVID-19 pandemic in early-to-mid March, however, the state's economic activity largely began to idle, reflecting a considerable slide in its sales tax collections. With two months left in collections, the state's general revenues would have to increase at least 11% more than initially estimated to make up the difference. Additionally, while its total net collections for the fiscal year are down 2.6% relative to forecast, April collections largely reflect economic activities that occurred in March just as economic activities were slowing. The Office of Economic and Demographic Research noted, however, that certain declines, including corporate income taxes, highway safety fees, and corporate filing fees, reflect deferments in payment now due in June and beyond. Collectively, these revenue sources represented 35% of the total revenue collection decline for the month. Given our baseline assumption that U.S. economic activities will not meaningfully rebound until later in the third and fourth quarters of the year, we do not anticipate the state's collections quickly returning to near-estimated levels, but rather gradually growing as economic activity improves. (For additional information, please see "An Already Historic U.S. Downturn Now Looks Even Worse," published April 16, 2020, on RatingsDirect.)

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