



**COVID-19**

# Forecasting Municipal Revenue

A new FLC report gives valuable information for budget planning

by Chris L. Holley II  
Florida League of Cities

No magic crystal ball reveals what the future holds when it comes to municipal revenues. Most forecasts rely on a host of local economic factors and historical trends that provide a basis for making the best decisions possible. The challenge in 2021: There aren't trends that match what local economies had to endure in 2020.

The Florida League of Cities' Center for Municipal Research has worked with the brightest minds in our state – experts in public administration and economics – to publish a report forecasting the impact of COVID-19 on municipal revenues over the next three fiscal years. *A Recovery Landscape – Forecasting Florida Municipal Revenue Impacts from COVID-19* provides a point of reference when discussing your upcoming budget picture.

Every budget is as unique as the city it is built for, relying more heavily on one revenue or fee over another. Even with these different financial structures, a vast majority of cities will face some decrease in revenues in Fiscal Year 2021, and by FY 2023 Florida's municipal governments in total could see a decrease of close to \$4 billion.

**METHODOLOGY THAT WAS USED**

In May 2020, the National League of Cities conducted a study forecasting the impact of the COVID-19 pandemic on municipal revenue, based on national unemployment data. The foundation behind the research was sound. The Florida League of Cities developed a report using a similar research model with a more local focus, one that provides Florida cities with another tool to use when forecasting revenues.

FLC-sponsored researchers looked at collections in 21 revenue categories over 11 years (2008-2018) for the state's 411 municipalities. By examining data at the county level and analyzing the impact of the unemployment rate on revenues, researchers identified correlations that can be applied to the latest unemployment forecasts. This process adds new insights into future revenue streams, using projected unemployment rates that more closely match each city's experience rather than relying on a national-level or even state-level forecast.

More simply put, the report built a local trend analysis, using local unemployment data as a basis for forecasting revenues.

In certain revenue categories, local forecasts were built from state-level forecasts provided by the **Florida Office of Economic and Demographic Research**. These included discretionary sales surtaxes, local option fuel taxes and communication services taxes.

## **FINDINGS OF THE REPORT**

Florida cities will sustain reduced revenues totaling approximately \$3.90 billion over the next three fiscal years (FY 2021, FY 2022 and FY 2023), according to the projections. In FY 2021 alone, excluding property taxes due to the lag in the effects, municipal revenues are projected to decline by more than \$1.72 billion.

Each region of the state will feel the impact of the pandemic differently. Areas with an economy tied to tourism may take longer to recover. So, too, will areas that are more densely populated. Cities with populations greater than 100,000 are likely to see approximately twice the percent reduction in revenue collections than the average Florida city.

Some regions of the state will see a somewhat modest 1% decline in total revenues, while others could see a decline that exceeds 5.5%. The variance of revenue impacts across the state is significantly larger when looking at individual communities with forecasted declines of up to almost 20% in some instances versus others forecasted to see even an incremental increase in revenue collections. (Data is reliable at a regional and county level. Forecasts at the individual municipal level do not reflect the intricacies of state revenue share formulas and should be used as supplemental information.)

## **USE THE INFORMATION YOU HAVE WISELY**

There is no question that challenging budgetary decisions are on the horizon. The key to tackling them is to obtain as much information as possible. Consider every element that affects your local economy and let that information guide the decision-making process about your city's financial future. The hope is that city leaders find this report a useful tool as they work to steer their municipalities into the future.

The report, *A Recovery Landscape – Forecasting Florida Municipal Revenue Impacts from COVID-19*, can be found online at [flcities.com](http://flcities.com) under “Research + Resources” and was written through the Center for Municipal Research by **Richard Feiock, president, Local Governance Research**, along with **David Gao, professor, Florida International University**, and **Can Chen, assistant professor, Florida International University**, both of whom are participants in the League's university research partner program.



Chris L. Holley II is manager, research and innovation at the Florida League of Cities. 