



**Issue Brief
May 2009**

State Budget Bolstered by Temporary Federal Stimulus Funds and Still Fails to Meet Needs Work Must Begin on Tax Modernization and Fairness!

The FY 2009-10 \$66.5 billion budget passed by the Legislature is the lowest state budget since 2006 and if federal stimulus funds are not included, the lowest state funding since 2005. The Legislature crafted a budget by using more than \$5 billion in federal stimulus funds and making additional cuts to vital programs and services.

As illustrated in the figures in Appendix A, in total, the FY 2009-10 budget is only slightly higher than the \$65.7 billion appropriation of four years ago. **Without the \$5.3 billion in federal stimulus funding included in the new budget, Florida's state appropriation would be about \$61.2 billion, closer to the FY 2004-05 amount.** Appendix A also illustrates that the appropriations per capita reflect a similar decline.

The new budget also contains many reductions and cuts to programs: community care for the elderly, nursing homes, food banks, hospital inpatient and outpatient services, guardian ad litem services, independent living for children in foster care, pre-paid health plans, county health departments and community corrections probation services.

The Legislature continued to inadequately fund K-12 education, and now some school districts will be forced to lay off teachers and 23 districts will receive less money per student than in the current year. The funding for K-12 students for FY2009-10 is \$6,873 per student. While this is a \$28 increase over FY 2008-09, it is significantly less than the \$7,143 per student funding in FY 2007-08. To make matters worse, the per student funding amount for FY 2009-10 includes \$348 of federal stimulus funds – funds that will disappear in two years.

Also, the Legislature did not take advantage of \$444 million in federal stimulus dollars to provide additional help to the unemployed.

The approved state budget is at best a stopgap measure that neglects to adequately invest in programs and services vital to the state's people and future. Quite simply, the 2009 Legislature failed to adopt meaningful and necessary changes in Florida's tax structure.

Keep in mind that Florida already has significant unmet needs because the Legislature made substantial budget cuts in the last three years due to inadequate revenue. This pattern underscores the need for serious and comprehensive action to modernize Florida's tax structure, close loopholes, make it fairer and generate additional revenue.

Because of the severity of the recession and Florida's antiquated tax structure, the budget outlook remains precarious and further threatens the quality and availability of vital programs and services. When federal stimulus money runs out in 2011, and unless the economy recovers dramatically, the Legislature will have a substantial hole to fill just to stay at the FY 2009-10 level – unless we get serious now about comprehensive tax modernization.

Tax modernization, as recommended by the Florida Center for Fiscal and Economic Policy earlier this year and called for by several legislators of both parties, is necessary to put the state back on sound financial footing, restore cuts to education and human services, and begin making improvements in the quality of state programs.

Tax Modernization Proposals Received Lukewarm Consideration

In *Florida's Fiscal Crisis: the Prescription*, released in February, the Center recommended tax changes that would modernize Florida's tax structure, make it fairer, and increase annual revenues by more than \$4 billion.

Consideration was given to a variety of suggestions; however, by the end of the session, the Legislature made minimal progress. **We hope the Senate, House of Representatives and Governor will use the months ahead to begin a review of Florida's tax structure.**

Legislators from both political parties and in both the Senate and House of Representatives expressed the desire to continue examining Florida's tax structure over the summer and fall. We applaud this direction and will work with the Legislature and others to provide independent and reliable research to support a process that:

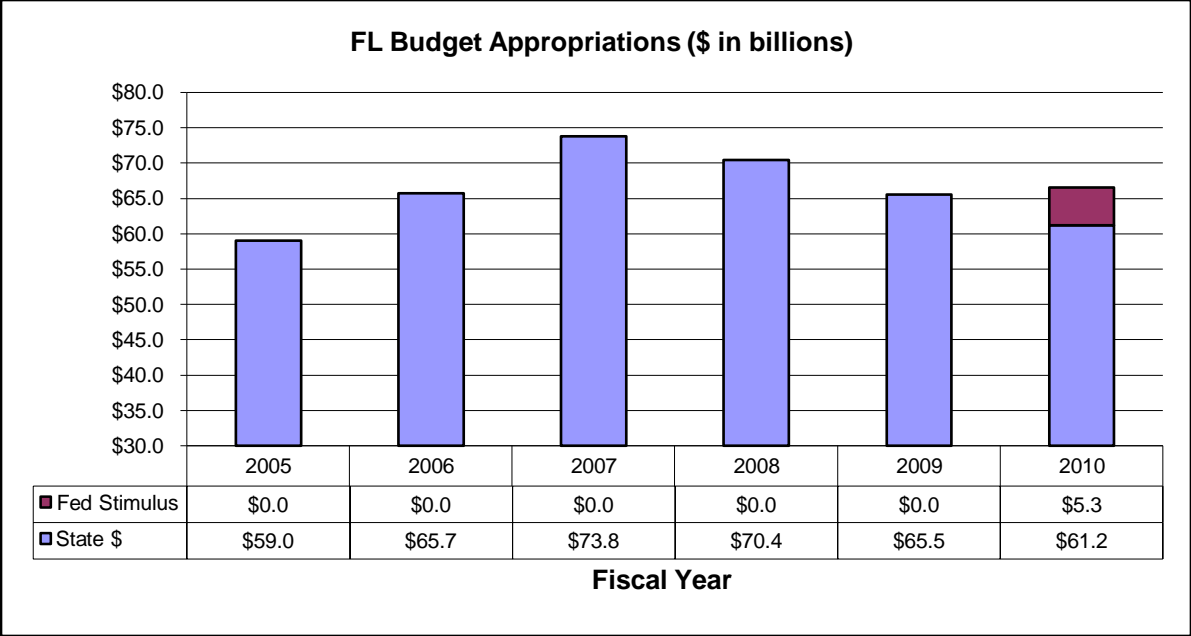
1. is long range and comprehensive in scope;
2. relies on empirical econometric information and analysis;
3. sets aside partisan politics;
4. reviews loopholes and unfairness in the corporate income tax;
5. modernizes and improves fairness in the sales and use tax through reviewing the economic benefits of retaining exemptions and exclusions; and

6. reduces regressivity and increases the base, allowing potential reduction in the rate of taxation.

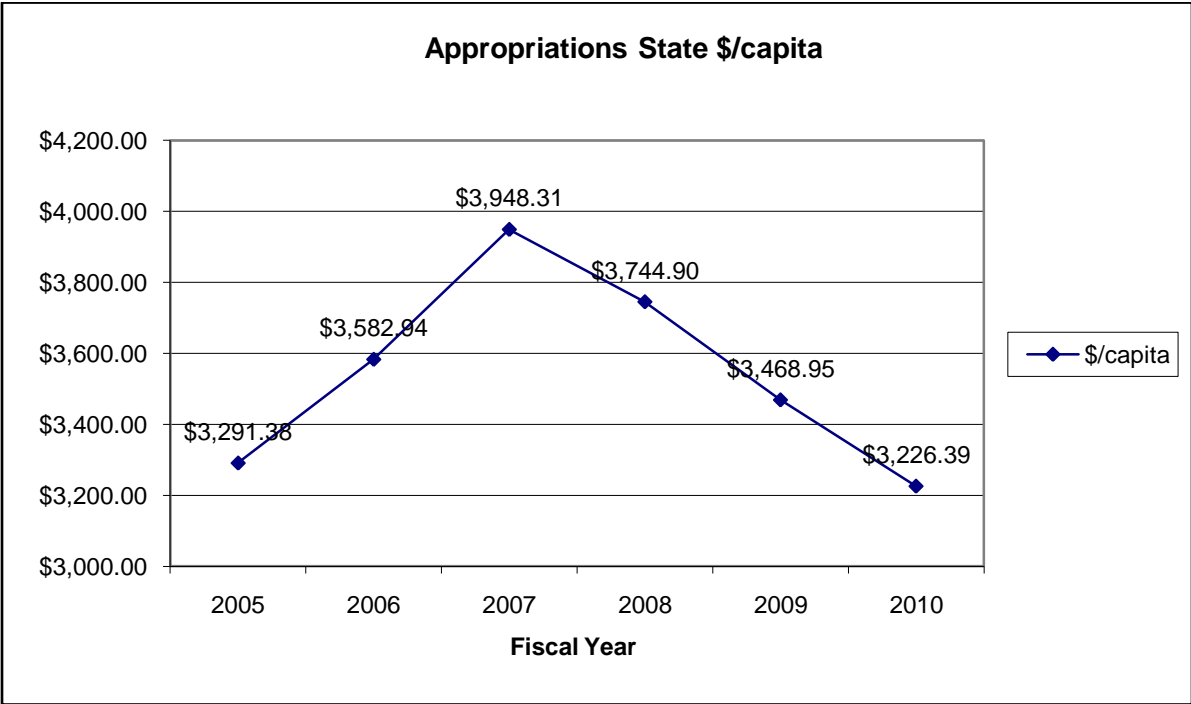
The overarching goal of the process should be to improve the circumstances of the state's low- and moderate-income people and enhance Florida's business climate.

This report was researched and written by John Hall, Alan Stonecipher and Mike Walsh. The Florida Center for Fiscal and Economic Policy conducts independent research and educates the public on state fiscal and economic policies with particular attention to their impact on low- and moderate-income families and individuals.

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Note: FY2009 appropriation reduced from \$66.3 billion January 2009 by a Special Legislative Session.



Note: FY2010 excludes Federal Stimulus funds

Data Sources: "Florida's Ten-Year Summary of Appropriations Data", Vol 23, Executive Office of the Governor, November 2008; Legislative Office of Economic and Demographic Research, Florida Demographic Estimating Conference, February 2009; Florida Legislature 2009-10 Conference Committee Report SB2600. Calculations by the Florida Center for Fiscal and Economic Policy.

Appendix A