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Florida's Budget Problems Worsen

On Friday, March 13, 2009, a revenue estimating conference was held to determine the status of General Revenue funds to meet the commitments of the current fiscal year (2008-09) and to estimate the General Revenue funds available for appropriation by the Legislature for the next fiscal year (2009-10). Conference principals included the legislative Office of Economic and Demographic Research, the Florida Senate, the Florida House and the Department of Revenue. The results of the conference, although not unexpected, were nonetheless disappointing.

Fiscal Year 2008 - 2009

In summary, recurring revenues for the balance of the current fiscal year (year ending June 30, 2009) were more than \$1.1 billion less than what had been estimated at the November 2008 revenue estimating conference. When combined with other funds available, the net revenue shortfall is \$706.3 million. As required by the Florida Constitution, this deficit must be eliminated by June 30th. Options to cover this shortfall include:

- Additional program reductions
- Use of reserve funds
- Revenue increases
- Federal stimulus funds

Of the four options, the only one practical is the use of Federal stimulus funds. (In fact, Governor Charlie Crist anticipated the potential for a revenue shortfall in his 2009-2010 budget recommendations and set aside stimulus funds for this purpose). Because of the short time period before the end of the fiscal year, revenue increases and use of reserve funds (if there are any available) are not viable. Program reductions would not be feasible because of the short time period and because more than 70% of the reductions would be from the education and social service areas of the budget – areas already severely reduced over the past three years.

Fiscal Year 2009 – 2010

If FY 2009 was bad, FY 2010 is even worse. Continuing a four-year decline in recurring General Revenue (General Revenue is the primary source of recurring state program funding), funds available for the next fiscal year are estimated to be \$2.3 billion less than

had been forecast previously. At just under \$20 billion, the estimated recurring General Revenue funds are more than \$6.4 billion less than the state received in FY 2006 (a 24.2% reduction). In fact, the revenue situation is so severe, the Estimating Conference executive summary states, “Revenue collections are not anticipated to exceed the Fiscal Year 2005-06 level within the three-year forecast horizon.”

The table below shows that recurring General Revenues are expected to be below the FY 2006 - 2007 levels for more than six years.

Source of Recurring General Revenues FY 2007 – FY 2013¹
(Dollars in Millions)

Revenue Source	2006-07 Actual	2007-08 Actual	2008-09 Estimated	2009-10 Estimated	2010-11 Estimated	2011-12 Estimated	2012-13 Estimated
Sales Tax	\$19,435.2	\$18,470.5	\$17,220.4	\$15,901.8	\$16,666.7	\$18,024.8	\$19,523.4
Corporate Income Tax	2,443.7	2,218.5	1,880.0	1,507.6	1,667.1	1,968.7	2,118.7
Documentary Stamp Tax	625.5	197.2	172.0	34.6	48.3	116.4	251.7
Beverage Tax & Licenses	637.5	601.1	588.6	573.9	581.3	597.9	613.3
Intangibles Tax	772.6	436.3	226.0	144.3	150.5	200.8	286.7
Insurance Premium Tax	697.4	672.1	679.7	629.4	657.9	685.8	713.9
Service Charges	440.5	363.2	325.7	293.4	299.0	313.1	343.9
Tobacco Taxes	279.2	281.3	269.1	264.6	264.9	266.5	270.6
Interest Earnings	473.1	446.6	143.5	81.0	97.7	123.8	156.0
Corporation Filing Fees	196.2	220.1	242.7	212.9	212.9	220.3	225.9
Other Taxes & Fees	770.1	696.1	845.7	858.7	863.9	890.5	893.1
Less Refunds	-366.9	-465.8	-575.4	-503.8	-419.0	-400.7	-446.6
Total Recurring GR	\$26,404.1	\$24,137.2	\$22,018.0	\$19,998.4	\$21,091.2	\$23,007.9	\$24,950.6

Observations

Clearly, Florida’s fiscal crisis is becoming worse. The Center attributes the crisis to both the national economic problems and also the fact that our tax system is antiquated and unfair. The currently forecasted revenue estimates are a detriment to the wellbeing of Florida’s residents, businesses and visitors. By not providing sufficient funds to meet the demands of an increasing competitive nation and world, Florida will be known a “as a nice place to visit, but not to live, go to school or to conduct business.” The time has long past when programs could be cut to meet revenues. The tax system must be modernized to provide a broad, fair, and adequate source of revenues.

The federal stimulus funds will help to bridge the gap this year and the next two fiscal years. However, it is essential that the Legislature continue in the remaining days of the session to review sales and use tax inequities and act to repeal exemptions, exclusions and subsidies that do not serve the state’s policy goals. In addition, the Legislature should quickly act upon bills calling for improvements in the collection of sales tax from internet and other remote sales and examine and resolve loopholes and inequities in the corporate income tax.

¹ Office of Economic and Demographic Research, the Florida Legislature, August 2008 and March 2009.