



**Issue Brief
March 2009**

Florida's Fiscal Crisis – An Update

In December 2008 and February 2009, the Center released two reports¹ describing Florida's precarious budget situation and potential remedies to mitigate the damage to state programs that the projected revenue shortfalls and program cuts would cause (see www.fcsep.org). Since these reports were released, the situation has worsened. As noted in the reports, as new data became available, the revenue estimates linked to our recommendations would be revised and the budget shortfall would be updated.

The budget shortfall for the fiscal year beginning July 1, 2009, has grown to more than \$7 billion – strengthening the case for effectively using the federal economic stimulus funds and modernizing the state's tax system.

On March 13, the state's Consensus General Revenue Estimating Conference reduced its General Revenue estimate for the balance of the current fiscal year (FY 2008-09) by an additional \$1.1 billion and reduced the General Revenue estimate for FY 2009-10 by 2.3 billion.² The current budget year shortfall can be covered by the use of reserve funds and federal stimulus monies, as proposed by the Center and Governor Crist in his recent budget recommendations. However, the estimated budget shortfall for FY 2009-10 now exceeds \$7 billion:

¹ "Florida's Escalating Fiscal Crisis: The Problem" December 2008 and "Florida's Fiscal Crisis: the Prescription" February 2009.

² Legislative Office of Economic and Demographic Research, March 13, 2009.

General Revenue Needs FY 2009-10
(\$ in Millions)

	Recurring	Non - Rec (Oper & FCO)	Total
Est. cost to continue current programs FY 2009-10	\$24,100.0	\$0.0	\$24,100.0
Critical Needs FY 2009-10 ³	\$637.8	\$530.4	\$1,168.2
Other High Priority Needs FY 2009-10 ⁴	\$1,206.1	\$699.8	\$1,905.9
Total Est. General Revenue Requirements FY 2009-10	\$25,943.9	\$1,230.2	\$27,174.1
General Revenue Funds Available FY 2009-10 ⁵	\$20,003.6	\$92.4	\$20,096.0
General Revenue Budget Shortfall	(\$5,940.3)	(\$1,137.8)	(\$7,078.1)

To meet this enormous shortfall, Florida’s antiquated and unfair tax system must be modernized to meet the needs of the state’s residents, businesses and visitors.

The Center’s report, “Florida’s Fiscal Crisis: the Prescription” presented a thoughtful and reasoned approach to make Florida’s tax system fairer and more responsive to meeting the state’s needs. The original recommendations would have increased state General Revenue for FY 2010 and FY 2011 by \$4.3 billion and \$4.6 billion respectively. Based on the March 13, 2009, General Revenue Estimating Conference and the March 2009 release of the “2009 Florida Tax Handbook,” the Center has updated its revenue estimates as shown in the following table:

³ “State of Florida Long-Range Financial Outlook Fiscal Year 2009-10 through 2011-12,” Fall 2008 Report, the Senate Fiscal Policy and Calendar Committee, the House Policy and Budget Council, and the Legislative Office of Economic and Demographic Research. Note: *Critical Needs* are defined as “...annualizations of current year activities, mandatory increases based on estimating conferences and other essential needs.”

⁴ Ibid. Note: *Other High Priority Needs* are defined as “...historically funded issues.”

⁵ Legislative Office of Economic and Demographic Research, March 13, 2009.

UPDATE - Center's Recommendations March 2009
Total by Fiscal Year
(\$ in Millions)

Revenue Source	FY2009 – 10	FY2010 - 11	TBD
Sales Tax			
Increase Tax Rate by 0.75%	\$1,987.7	\$1,987.7	
Lower Tax Rate by 0.5%		(\$1,388.9)	
Repeal Selected Exemptions	-	\$138.4	
Included Selected Services	-	\$1,105.4	
Eliminate Sports Subsidies	-	\$23.7	
Expand Taxation of Internet Sales			TBD
Dealer Collection Allowance			TBD
Corporate Income Tax⁶			
Combined Reporting	\$182.2	\$364.3	
Subchapter S	\$444.5	\$889.0	
Limited Liability Companies	\$117.6	\$235.2	
Domestic Production Deduction	\$25.0	\$50.0	
Throwback Rule	\$18.6	\$37.2	
Reduce Tax Rate to 4.5%	(\$106.9)	(\$259.1)	
Other Recommendations			
Tobacco Tax	\$980.6	\$981.1	
Intangibles Tax	\$250.0	\$250.0	
Close Documentary Stamps Tax Loophole	\$50.2	\$50.2	
General Revenue Service Charge	\$58.7	\$59.8	
University Tuition	\$72.0	\$72.0	
Other Value Added Suggestions for Consideration			
Plastic Bag Tax			TBD
User Fees			TBD
Efficiencies			TBD
Beverage Tax			TBD
Estate Tax			TBD
Total	\$4,080.2	\$4,596.0	

The Center's recommendations, together with the use of federal stimulus funds (approximately \$2.2 billion as recommended by Governor Crist for FY 2010) will go a long way to meet budget needs for FY 2010 and FY 2011 while modernizing Florida's tax system.

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⁶ Assumes implementation on January 1, 2010.