



2245 South Monroe Street
Tallahassee, FL 32301

Phone: 850-325-6480
Fax: 850-325-6482
E-mail: admin@fcfep.org

The Florida Center for Fiscal & Economic Policy

The Circus has Left Town *A Brief Recap of the 2008 Florida Legislative Session*

The three ring circus at the Capitol is now officially over.

The 2008 Florida Legislature completed its regular session on Friday, May 2. Also, the constitutionally mandated [Taxation & Budget Reform Commission \(TBRC\)](#), which meets only once every twenty years, completed its work the week before and officially ends its unique ability to propose constitutional amendments for taxation and budgetary processes for the November 2008 elections today.

Only the Governor's review of legislative bills, including the FY2008-09 Appropriation Bills, is left undone as of this writing. So, this issue of the Center's Newsletter will focus on a few areas of TBRC and Legislative activity during these past few months that are of special interest to our constituency and form an integral part of the Center's mission.

Prior newsletters have highlighted areas of concern, specifically focusing on areas of revenue concern. High on the Center's list of projects and concerns during the past session were:

- Stopping a proposed TABOR constitutional amendment by the Speaker of the House and brought before the Taxation and Budget Review Commission. TABOR stands for Taxpayer Bill of Rights, a proposal (or better stated, a series of proposals) named after a problematic constitutional amendment enacted in Colorado more than a decade ago and, in 2005, suspended for five years by the voters of that state. We galvanized and led [a successful coalition effort to stop the proposal at the Commission and also in the Senate](#) in the waning days of the Session.
- Stopping the immediate reduction of corporate income tax revenues over the next two fiscal years with an estimated loss of \$222.8-million in state revenue (\$146.8-million in FY 08-09 alone) that would be caused by the federal economic stimulus package due to Florida's tax code being linked, or "coupled," to the federal tax code. [HB 5065 was passed on May 1 by both houses and "decouples" the Florida tax from the federal for this purpose; thereby, saving an estimated \\$146.8-million in FY 08-09 and \\$76-million in FY09-10 revenues.](#) It also changes the filing date for mid-year tax payments to June 30, 2009, instead of allowing payments on July 1, 2009; thereby, increasing the revenue estimate by a one-time \$93.8-million.
- Supporting the introduction in the regular session of the Florida Legislature of House Bill 1237 (Gelber) and Senate Bill 2766 (Deutch), bills are designed to begin reducing Florida's "giveaways" in its [corporate income tax by adopting the concept of Combined Reporting, already in use in almost half of the states.](#) Closing such "giveaways" in the state corporate income tax would produce an estimated \$364-million annually. HB1237 was reported unfavorably early in the session by the House Government Efficiency & Accountability Council along a party line vote, 6(D)-10(R), in the House of Representatives.
- Supporting the introduction in the regular session of the Florida Legislature, Senate Bill 2342 (Deutch) and House Bill 1209 (Fitzgerald). [The bills were designed to provide Florida a "circuit](#)

The Florida Center for Fiscal and Economic Policy (FCFEP) is an independent, nonprofit, non-partisan organization engaged in research and education on state fiscal and economic matters with particular attention to their impact on low and moderate/middle income Floridians and local small businesses owned by, and employing, Floridians. FCFEP's mission is to perform and review research on state-level fiscal and economic matters with particular attention to their impact on low and moderate/middle income families and individuals and indigenous small businesses owned by, and employing, such families and individuals.

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breaker" option targeting the tax burden of lower- and middle-income working individuals and families by ensuring that property taxes paid by either renters or homeowners does not exceed a reasonable portion of their income. The bills were geared to provide much-needed tax relief to renters or to new homeowners who were either forgotten or given only token relief by the massive tax breaks given in 2007.

- Launching the Center's newsletter, which has grown at an unprecedented rate. The Center intends to continue informing interested Floridians -- including advocates, legislators and the general public -- that the goal isn't to fight over the existing pie (the amount of money currently being collected by the state to carry on its responsibilities toward its citizens) but to seek alternative sources of revenue that will address the structural deficits at the State level and enable the State to meet its financial responsibilities fully and enable local governments to focus on better serving their citizens.

By now, those among you who have been following the session know our state's legislative leaders and the Governor once again resisted efforts to make Florida's tax system more responsive and fair.

Revenue projections made in March, at the beginning of the regular session, continued the trend of reducing the revenue estimates for our General Revenue Fund for this fiscal year and the next two. In fact, revenues during this period were projected to be below the revenues that the state received during FY 2005-06. The General Revenue Outlook statement made after the March estimating conference and the early legislative action to make cuts and other adjustments for this fiscal year showed that the \$4.990-billion surplus in that fund at the end of FY2006-07 will be reduced to \$322-million by fiscal year end -- [Office of Economic & Demographic Research's Financial Outlook Statement](#).

Even more troubling, as the April Financial Outlook Statement projected a \$322.5-million unallocated General Revenue fund "reserve" at the end of this fiscal year, revenues for March and April of this year are now \$181.5-million below the March consensus estimate, which means any balance at the end of the fiscal year is now, at best, doubtful. This lackluster picture left only the official "rainy day" fund (the Constitutional "Budget Stabilization" Fund) of \$1.354-billion and any excess trust fund reserves available for support of next year's funding decisions in addition to the "recurring revenues" coming during the year from taxes, licenses and fees.

The 2008 General Appropriation Act appropriated \$66.2-billion in total funds, of which \$25.6-billion (more than \$1-billion over the estimated collections) were General Revenues of the state. The rest of the total funds is composed of federal funds and revenues directly dedicated to very specific activities and held in various trust funds.

As stated earlier, our state's leaders resisted any effort to make the state tax system more responsive and fair in order to make the state better able to meet its commitments for funding critical services during this time of recession. Instead, and the Center believes unwisely, they relied only on estimated receipts from the current revenue base and used some available "excess" in selected trust fund "reserves" to provide needed revenues to fund their Appropriations for the upcoming fiscal year.

The new [Financial Outlook Statement](#) provides a good review of the results of their choice and provides insight into the problems that will face Floridians over the upcoming year and will weigh heavily on plans for the 2009 and 2010 sessions of the Legislature.

The much-publicized expenditure "cuts" and program reductions will not only continue but could possibly be expanded if the state doesn't get its fiscal house in order. Local governments will again be given direct mandates to fund what have traditionally (and correctly, the Center believes) state responsibilities or, even worse, to stem the many "holes" created by the state's abject refusal to take appropriate action to ensure that the state's economic future is sound by investing in both our physical and human infrastructure, including an educated and healthy workforce, and providing for the environment and public safety.

The state also opted out of investing in programs that would have a long term positive economic impact - such as corrections, education, healthy children, etc. -- and instead elected to build new prisons, utilize the county jails and public safety system to deal with persons with mental disabilities, instead of making sure every child receives decent health care and educational opportunities.

Chalk most of this to a failure to address the revenue side of the state fiscal and economic policy. As the Center has consistently reported, state revenues have consistently failed to keep pace with the general economy of the state. Currently the state is projected to collect direct revenues \$12.7-billion this fiscal year (almost \$15-billion by fiscal year 2011-12) below the constitutional cap put in place in 1994 based on growth in state personal income which is a good approximation of the state's economic base -- [Office of Economic & Demographic Research's Forecast -- based on spring 2008 Consensus Estimating conferences](#).

Clearly, the state has failed to keep pace with the growth in its economy and has created structural deficits in its ability to pay for key state services.

This is a result not only of the current economic downturn in our state's economy, accompanied by a general downturn in the country's economy, but on [deliberate actions to repeal or reduce taxes taken by our state's leadership during the last decade](#). Many of these actions went unnoticed due to the state's "construction bubble" which followed the 2004 Hurricane Season, as well as by the state's absolute reliance on the local property taxes over the past five years to fund the basic K-12 education program, the keystone of our state's educational system.

Taken together, these actions consisted of the substantial tax cuts for corporate and wealthy interests accompanied by the failure to close corporate income tax loopholes – some of the most egregious are detailed here – [Exemptions, Deductions and Credits from the Sales and Use Tax](#). It is most telling that in this time of hardship, massive tax cuts continue to reward those interests, while the popular tax "holidays" for consumers (the lower and moderate-middle income working families and retirees) for "back to school" and "hurricane season preparation" were not granted this year.

Two small, but indicative, stories

The House adopted by a voice vote on the floor an amendment to HB5001 (the General Appropriations Act) proposed by Representative Ron Saunders (D) to defer payments to sports franchises as cash support provided by the state. The budget also called for continuing the restrictions on support for families in crisis and need which has resulted in reducing cash assistance payments (welfare) from a caseload of 234,481 (633,141 persons or \$ 780.7 million) in FY1995-96 to 47,917 (77,180 persons or \$157.3 million) this fiscal year. The average monthly grant per person was \$95.27 (totaling a cost of \$780.7 million in FY95-96) and \$146.10 (totaling \$157.3 million in this fiscal year).

Next year's projected average monthly payment per person is set at \$142.93. Cash support payments now account for less than 1% of the federal-state Medicaid program. All the costs, of course, are borne in part by federal monies and are not borne solely by General Revenue. In fact, General Revenue generally bears approximately 43% of the costs -- see [Temporary Assistance for Needy Families \(TANF\) Background Information](#), thanks to Don Winstead, Deputy Secretary, Florida Department of Children and Families.

The [Sports Subsidies](#) proposed to be deferred generally amount to \$166,667 per month (all from General Revenue) and listed in a chart edited to include to total value of the given teams and the amount of your hard-earned dollars the state sees fit to send their way every year are [highlighted here](#). These are in addition to the significant local subsidies given for stadia and other state and local tax expenditures. In the final conference report, the House position was rejected and these cash payments remain in effect through next fiscal year.

The other story dealt with tax expenditures rather than direct subsidies in the General Appropriation Act. One of the few state tax bills to be adopted during this session was HB 653 that increased the limit of corporate income tax credits for private school vouchers by \$30 million annually resulting in increases to tax expenditures for private school vouchers from \$88 million at present to \$118 million. It also increased the amount paid per student voucher annually from \$3750 to \$3950 and granted a “bonus” of \$200 for any student taking the FCAT exam. Proponents argued that the increase would pay for an additional 6,000 students to be removed from public schools and reduce the state’s FEFP program payments by more than the \$30 million expenditure; however, if you take the increase for current recipients and the \$200 bonus for all recipients, the \$30 million over the next year will use almost \$8 million to meet current recipient requirements. Opponents point out that it reduces the school population unevenly and doesn’t provide any immediate reduction in public school facility and operating costs.

The Taxation and Budget Reform Commission (TBRC) Actions at a Glance

The [Florida Taxation and Budget Reform Commission \(TBRC\)](#) approved seven constitutional amendments for placement on the Nov. 4 ballot. These seven amendments make significant changes to the state’s fiscal policy and will have tremendous ramifications over the upcoming years. The discussion over both these amendments will finally allow the voters to confront directly, and force candidates to address squarely, the state’s role in not only financing state services, particularly public school education, but its role in providing assistance to private and religious schools.

It also continues the state actively reducing the local property tax for various purposes and gives state community colleges (the primary source of remedial education and entry level higher education) authority to levy an additional local option sales tax.

TBRC Proposals & Explanations on Next Page

Proposals	Brief Explanation
RLE Replacement/Sales Tax	A state-required local school tax would be repealed, lowering overall property tax bills by 25 percent. The Legislature would be required to make up the lost school money through methods that could include raising the sales tax 1 percentage point, repealing sales tax exemptions, other revenue sources and cutting other spending. The proposal also would give properties that do not qualify for a homestead exemption available only for primary homes a 5 percent cap on annual assessment increases.
Property tax/Storm Hardening or Renewable Energy Devices	Owners of homes and other residential property would get a small property tax reduction for energy efficiency and wind storm protection improvements.
Property tax/Working Waterfront Assessments	Marinas, commercial fishing facilities and other "working waterfront" businesses would get a property tax break by being assessed according to their current use rather than their "highest and best," or potential use.
Property tax/ Exemption for Permanent Conservation Use & Classification of Land for Conservation Purposes	Land held in perpetuity for conservation purposes would be exempt from property tax and other conservation lands would be taxed based on their current use rather than their "highest and best," or potential use.
Blaine Amendment	A constitutional ban on direct and indirect state financial aid to churches and religious organizations would be repealed.
Public Schools/Providing Public Funding for All Providers and Requiring 65% for Classroom Instruction.	A Florida Supreme Court opinion striking down a program that sent students from failing public schools to private schools at taxpayer expense would be set aside. Other voucher programs would be protected against similar legal challenges, and school districts would be required to spend 65 percent of their budgets in the classroom.
Local Option Tax for Community Colleges	Local option sales taxes could be imposed to support community colleges if approved by voters in each county served by a college.

NOTE: Taxation & Budget Reform Commission Constitutional Proposals (in Acrobat Reader Format

- [CP0002 - Final \(Adobe PDF - 32kb\)](#)
- [CP0004 - Final \(Adobe PDF - 32kb\)](#)
- [CP0006, 0008, 0034 - Final \(Adobe PDF - 24kb\)](#)
- [CP0015, 0016 - Final \(Adobe PDF - 28kb\)](#)
- [CP0020 - Final \(Adobe PDF - 20kb\)](#)
- [CP0026, 0040 - Final \(Adobe PDF - 16kb\)](#)
- [CP0035 - Final \(Adobe PDF - 16kb\)](#)
- [Transmittal Letter to Secretary of State \(Adobe PDF - 100kb\)](#)