

BUDGET WATCH



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The Governor's Budget Recommendations for FY 2009-10 **Governor Christ Uses \$4.7 Billion in Federal Economic Stimulus Funds to Craft \$66.5 Billion Budget Proposal**

Governor Charlie Crist released his proposed \$66.5 billion state budget for Fiscal Year (FY) 2009-10 on February 20, 2009. Calling the federal economic stimulus package a “bridge to better times,” he proposes using these federal funds to avoid significant budget cuts and major new revenue increases. His budget proposal contains \$4.7 billion in stimulus funds, \$2.2 billion of which would be used to balance the General Revenue (GR) portion of the budget. Without the \$4.7 billion in stimulus funds, his proposed budget would be only \$61.8 billion, more than \$3 billion less than current spending. The Governor is also proposing to use \$3.2 billion in stimulus money during the current fiscal year, which ends June 30, 2009. This figure includes \$1.2 billion in general revenue.

Although the state’s Consensus Estimating Conference will not meet until March to officially estimate general revenue collections, the Governor was prudent to include an expected decrease in estimated revenues in his budget. His spending recommendations assume a \$700 million reduction in the current GR estimate for FY 2008-09 and another \$1.2 billion reduction in FY 2009-10.

The proposal also assumes the Legislature will ratify the Seminole Gaming Compact and uses \$287.5 million in these funds for education.

While saying he is not recommending any tax increases, the Governor is proposing \$558 million in new fees (\$152 million in GR and \$406 million in trust funds). The largest of these 12 fee hikes is a \$234 million increase in circuit court filing fees. Other proposed fees include increased fines for overweight trucks, increases state park fees, a solid waste disposal fee, a bottled water severance fee, and increased driver’s license and vehicle registration fees.

The recommended budget also “sweeps” (non-recurring) \$400.3 million from trusts funds to add to GR and redirects (recurring) \$73 million from trust funds to GR, including an increase in the GR service charge to 8 percent.

By relying so heavily on stimulus dollars, the Governor's budget faces a constitutional hurdle. A 2006 constitutional amendment limits the use of non-recurring dollars to fund recurring programs to 3 percent of the GR budget. It requires a three-fifths vote of the Legislature to exceed that limit. This recommended budget uses \$3.1 billion in non-recurring revenue to fund recurring programs, which is 11.9% of total general revenue or nearly four times larger than the proportion the people of Florida directed that the state can use without an extraordinary vote of the membership of both houses of the Legislature. Florida TaxWatch is a consistent and strong guardian of this measure because it is an essential taxpayer safeguard and critical fiscal standard that is designed to keep Florida from making fiscal spending commitments beyond the current year which the Sunshine State's economy and people may not be able to support without adverse tax and fee increases.

The use of so much non-recurring money also raises concerns for future budgets. Although there will be more stimulus money available in FY 2010-11, that will be the end of it. The Governor says he hopes that the economy will improve enough by then to bring in enough revenue to fund future budgets, absent the federal money. The challenge is that the state economy would have to recover by an exceptional level to remain balanced absent future multibillion budget reductions and/or tax and fee increases.

Budget Highlights

Education - \$21.5 billion

- A 2.67% increase in per-student funding for the state's K-12 system. The budget would spend \$7,044 per student, up \$183 million from last year
- \$3.6 billion for state universities and medical schools (5.6 percent increase)
- \$1.8 billion for community colleges and their baccalaureate degree programs (8.8 percent increase)
- \$564 million for postsecondary workforce education within school districts (4.6 percent increase)
- a 5 percent base undergraduate tuition increase

Health Care

- \$45 million increase for cash assistance programs and food stamps
- \$294 million for the Medicaid for the Aged and Disabled Program to restore 12 months of Medicaid health care coverage for 13,000 elderly and disabled individuals
- \$470 million for the Medically Needy Program to restore 12 months of Medicaid health care coverage for 21,000 individuals
- \$52 million for the KidCare program to support an additional 46,000 children

Economic Development

- \$109 million for economic development incentives
- \$35 million for tourism development
- \$10 million to promote film and entertainment productions in Florida
- \$143.6 million in federal stimulus funds to help Florida become an international hub for technology investment and the associated “green collar” jobs investment

Transportation

- \$5.1 billion for transportation projects in 2009-10
- \$1.4 billion in stimulus money for “shovel ready” projects in 2008-09, which the Governor says will create more than 24,000 jobs.

Natural Resources

- Continued Funding for the Florida Forever Program (\$300 million)
- \$55.2 million in matching funds for recycling and conservation programs, alternative water supply projects, and water quality programs
- \$75 million to continue the restoration of the Everglades, Lake Okeechobee, and the St. Lucie and Caloosahatchee rivers
- \$223 million to provide low-interest loans and grants to local governments for the construction of wastewater treatment, stormwater management, and water facilities

Public Safety

- \$81.1 million for prison operations and bonds to build new prisons
- \$2.3 million cost avoidance by providing prison food services in-house
- \$23.3 million in federal stimulus funding to enhance substance abuse and inmate transition services, enhance the Courts Judicial inquiry System, and expand alternatives to detention program

What Happens Next?

The Governor’s recommended budget is the starting point for the Legislature to build the next state budget. Even though the Governor included an expected reduction in GR collections, the actual amount lawmakers will have for the new budget will not be known until the estimators meet in March.

Also, the future of the gambling compacts is still very much up in the air. The legislative committee reviewing the compact has begun holding hearings, although their recommendations, much less a final decision of the full Legislature, is still a ways off.

Legislative leaders have also been cool to Governor's heavy reliance on federal stimulus funds. Senate President Jeff Atwater, in a statement on the Governor's budget, said "As we await the March revenue estimate, we remain committed to continuing our study of traditional budget allocations line-by-line, program-by-program, to ensure that Floridian's tax dollars are being spent wisely."

Florida TaxWatch concurs. The Governor's recommended budget contains only \$338 million in recurring GR base budget reductions, while adding \$571 million in new recurring spending. As President and Chief Executive Officer Dominic Calabro has noted: "A crisis is a terrible thing to waste." This unusual fiscal challenge presents an incredible opportunity to thoroughly reassess the core functions of state government, determine what are essential state services, reduce duplication across various programs and agencies, use the talents and successes of private enterprise to aggressively identify and collect high probable areas of fraud waste, abuse, and overuse, and collect revenues legally owed but not collected, as well as to assess the effectiveness and efficiency of agency programs, services and operations. Florida TaxWatch recommends that, regardless of the use of stimulus money, the Legislature use this current fiscal environment to advance its historic role and status as a national leader in sound fiscal and economic stewardship.

**This *Budget Watch* was produced by Kurt Wenner, Director of Tax Research,
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