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E-Communiqué

House and Senate Agree on Language for the \$2.8 Billion Package to Balance the Budget

This weekend, the House and Senate met in conference and came up with a \$2.8 billion compromise between the two chambers' budget balancing plans. ([Click here to view the Conference Report for SB 2A](#)) Now that a compromise plan has been crafted, the constitutionally required 72-hour waiting period, which began on Sunday, means that the legislature will be able to take the final vote on the budget on Wednesday. Lawmakers used a mix of budget cuts, reserves, and trust fund sweeps to balance the budget. Amendments to the conference report are not allowed.

Budget Cuts Total \$1.2 Billion

Actual budget cuts total \$1.2 billion, \$970 million in general revenue and \$260 in trust funds. The \$2.3 billion deficit was in general revenue. The legislature cuts more than 1,400 state positions, which is 1 percent of the total workforce. Most of the positions were vacant.

Because it gets the biggest slice of general revenue, education received the largest dollar cut. Total education spending was reduced by \$651 million. The K-12 budget was cut by \$480 million, including about \$365 million in per student funding, a reduction of \$140 per student. Cuts could have been worse, but there are now more than 17,000 fewer students in Florida schools than the forecast upon which the original appropriation was based.

Community colleges were cut by \$44.1 million and universities saw a \$112.8 million cut.

The legislature strived to minimize reductions in health and human services, with a net reduction of \$47.5 million. As Florida TaxWatch recommended, nursing homes were spared drastic cuts through the implementation of a Healthcare Services Provider Assessment. This fee, supported by the industry, will actually increase net funding by drawing down additional federal dollars.

Deep cuts to the courts were avoided by increasing traffic fines to raise \$63 million. Some speeding tickets will increase by \$25 and all traffic violators will pay a new \$10 fee.

Economic development programs also sustained some cuts. The Quick Action Closing fund was cut by \$11.7 million, and the state tourism arm – Visit Florida – was reduced by just under \$10 million. While these cuts are significant, they are far less than what the House had proposed.

One new initiative was funded with general revenue. It is a \$10 million "economic gardening" pilot program authorized to loan \$8.5 million to support small businesses that have between 10 and 99 employees and qualify as having high growth potential. The loans, up to \$250,000 per business, could be used for capital purchases, employee training, and salaries for new jobs. There is also \$1.5 million for technical assistance.

Other cuts varied from agency to agency, with the Department of Environmental Protection (DEP) incurring a \$240 million cut, while the Department of Transportation was cut by only \$3.5 million. Most of the DEP cut was due to the suspension of the Florida Forever land-buying program. The state now will not issue a scheduled \$200 million in bonds for this program, which will save \$20 million in debt service costs.

Use of Reserves and Trust Fund Sweeps Total \$1.6 Billion

Legislators also used state reserves to balance the budget. Another \$400 million was taken from the Budget Stabilization Fund. Along with the \$672 million taken out of the fund earlier, the balance now stands at \$272 million. An additional \$700 from The Lawton Chiles Endowment, Florida's tobacco settlement money, was also used. The Chiles funds will not be used until June, in the hope that federal stimulus funding will be available instead.

Almost \$500 million was taken from various trust funds and transferred to the General Revenue Fund. This transfer includes \$190 million from the Florida Housing Corporation. No money was taken from the State Transportation Fund.

This \$2.8 billion package leaves about \$400 million in the Working Capital Fund (cash reserves) in case there is a further deterioration in revenue collections during this fiscal year. Since the last revenue estimate in November, actual December collections came in \$100 million under the forecast.

While some use of reserves and trust funds was likely unavoidable, using these non-recurring sources simply postpones the problem. The legislature did make budget cuts well in excess of what had been recommended by the Governor; however, even if things do not get much worse, the legislature is still going to have to find another \$3-\$4 billion in budget cuts or revenue increases when they return for the General Session to craft next year's budget. In contrast to this Special Session, tax increases will receive significant debate in the General Session.

Florida TaxWatch Recommendations Will Help

The legislature also came to agreement on Senate Bill 44A, which contains six of the cost saving recommendations recently released by Florida TaxWatch. ([Click here to view the Conference Report for SB 44A](#)) This legislation, which implements some of the 42 TaxWatch recommendations while directing a thorough examination of some others, will help the state eliminate waste and inefficiencies, cut administrative overhead, increase the collection of federal money, and improve the state's cost-effectiveness for years to come. These recommendations are potentially worth more than \$1 billion in added value in the long-term if fully implemented.

Florida TaxWatch commends the Senate and House for their receptiveness to the TaxWatch proposals and their commitment to continue working on them. We also commend the legislature on a very thorough and tough set of good fiscal decisions that address more of the problems sooner than later and in a very fiscally responsible manner.

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Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 30-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs and to increase the productivity and accountability of Florida state and local government. Its support comes from homeowners and retirees, small and large businesses, philanthropic foundations, and professional associations. On the web at www.FloridaTaxWatch.org.

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WITHOUT WHICH THE ABOVE WORK WOULD NOT BE POSSIBLE. YOU ARE HELPING US "GET
THE JOB DONE" FOR THE TAXPAYERS OF FLORIDA.
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