



NEWS

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REVENUE ESTIMATES ENCOURAGING *Caution Urged in State Government Spending*

TALLAHASSEE — The state's Consensus Estimating Conference has revised its projections for Florida's General Revenue Fund. Based on the new estimates, lawmakers will have \$3.2 billion more than previously anticipated when they begin crafting the new state budget for FY 2006-07.

"This is very encouraging news," said Dominic M. Calabro, President of Florida TaxWatch. "We should seize this opportunity to put as much of the non-recurring portion of this increase toward paying down the state's long term debt," said Calabro. "By reducing long term debt, the state gives taxpayers a gift that keeps on giving by saving tens of millions of dollars in interest payments on that debt and reducing the legacy of debt to our children and their children."

Florida TaxWatch also recommends that the Legislature invest a portion of this increase in necessary growth management infrastructure. "We need to provide for roadways, water, public safety, and the schools necessary to promote the continued economic health and prosperity of the state," said Calabro.

The new estimates predict that the Florida Legislature will have \$30.4 billion in general revenue available for the 2006-07 budget. This is \$3.7 billion (13.9%) more than the \$26.7 billion in general revenue spending during the current year. Of the \$30.4 billion, \$26.7 billion is recurring revenue and \$3.7 billion is non-recurring.

Florida's economy and its tax structure are continuing to perform well. The estimate for the current year's (FY 05-06) collections was increased by \$1.7 billion (7%) and the estimate for FY 2006-07 was raised by \$1.5 billion (6%).

Housing has been a key to Florida's recent revenue generating performance. Collections of documentary stamp taxes, intangibles taxes on mortgages and sales taxes have seen major increases and continue to produce above estimates.

In addition to housing, sales tax collections were boosted by hurricane reconstruction efforts as well as evacuees from other states spending money in Florida. In addition, estimated growth of 26.7% in the corporate income tax reflects Florida's economic strength and robust corporate profits.

Economy Expected to Slow

This good news is tempered by the fact that the new forecasts show an economic slow down beginning. While Florida's economy continues to fare better than most of the rest of the nation, it is expected that

economic activity will moderate. This is due to the belief that the real estate boom is cresting. In addition, higher energy prices and interest rates will divert spending from other transactions, reducing sales tax collections. Corporate profits are also expecting to slow, as insurance companies face hurricane claims and increased costs hit other corporations.

Following annual growth in general revenue collections of 9.2% in FY 2003-04 and 14.4% in FY 2004-05, the state is expected to bring in 5.8% more in FY 2005-06. However, that growth slows to 1.2% next year.

“The current state budget grew at a rate more than double the combined economic growth rate of 3.5% (inflation multiplied by population growth rate) and more than the most expansive measure of Florida’s economy, personal income of Floridians of 6%,” warned Calabro. “We need to be diligent to keep state government spending under control, so that we can provide necessary services during times of economic slowdowns.”

MEDIA NOTE: *Florida TaxWatch will be releasing a Briefing this week that takes a more in-depth look at the new revenue estimates and the budget prospects for the coming year.*

Florida TaxWatch is a private, non-profit, non-partisan research institute that over its 25 year history has become widely recognized as the watchdog of citizens’ hard-earned tax dollars. Our 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 Government. On the web at www.floridatxwatch.org