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E-Communiqué

New General Revenue Estimates Reduced Slightly, Full Recovery Not Expected to Begin Until Spring 2011

Estimates Reduced \$147 Million This Year (FY 2009-10), \$44 Million Next Year (FY 2010-11)

After some good revenue news in the last three months of FY 2008-09 when actual collections exceeded expectations, today's General Revenue Estimating Conference shows that Florida and its economy are not out of the woods yet.

Today's meeting of state forecasters resulted in \$147.1 million (0.7%) being cut from the current budget year (FY 2009-10). While this cut in projected revenues is not of the magnitude of previous reductions, and it does not create a shortfall for this year, it still reduces the amount of revenue that the 2010 Legislature will have to budget. The estimate for next year (FY 2010-11) was also reduced by \$44.2 million.

Even with measures passed by the 2009 Legislature to add a net \$842 million, FY 2009-10 revenues are \$332.4 million less than FY 2008-09 receipts and \$6.4 billion less than FY 2005-06. FY 2009-10 will mark the fourth consecutive year that Florida's General Revenue (GR) collections will decrease from one year to the next. This fact is even more remarkable when you consider that a drop in revenue from one year to the next had never happened in Florida before this four-year stretch.

The 2009 Legislature did not spend all the GR it had available, leaving \$735 million in cash reserves. Moreover, revenues in the last three months of FY 2008-09 came in \$81 million over estimates. So, even with the lower estimates the state now expects to have \$667 million left over at the end of the year.

The spillover effects from the now global recession, a continued tight credit market and accelerating job losses are all working to reduce state revenues. Low consumer confidence has existed for some time, and now the effects of declining business confidence are being reflected in the forecast. The reduced discretionary spending has hurt sales tax collections and the high number of unemployed has reduced insurance premium tax collections.

Estimators now believe things will begin to improve in Spring 2010 and full recovery will begin in earnest in Spring 2011.

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.