



FLORIDA CENTER FOR FISCAL AND ECONOMIC POLICY

Budget Brief

November 2009

Florida's Continuing Budget Problems - More of the Same for Fiscal Year 2010-11

Like a scratched record that keeps playing the same song over and over, Florida's budget is also playing the same song – lack of adequate revenues to meet the growing needs of its residents.

Soon after the 2009-10 fiscal year began on July 1, 2009, the Legislative Office of Economic and Demographic Research reduced its estimate of General Revenue for the year by \$147 million and increased its estimate of funding needs for Medicaid, public schools and other programs by \$285 million for the year, putting the budget “in the hole” by more than \$432 million. And the year had just begun. Although it is too soon to determine if the projected budget gap will lead to mid-year budget cuts, the projection does not bode well for Florida's budget for the next fiscal year.

Florida's appropriated budget for FY 2009-10 totals \$66.5 billion. Approximately one-third of the budget is funded by General Revenues – money from state sales and corporate income taxes, and other taxes paid by Floridians.

As the Florida Center for Fiscal and Economic Policy (FCFEP) has discussed in previous reports the extreme stress Florida's tax system has been under is part of a long-term trend, with General Revenues declining more than \$6 billion over the past four years.

Projections of General Revenues for the FY 2010-11 state budget appear to offer hope that the decline will reverse. General Revenue that will be available for appropriation is estimated to total almost \$22.6 billion (a \$1.1 billion increase in recurring revenues over FY 2009-10).

Critical Needs that **must** be funded include mandatory workload increases based on Estimating Conferences, annualization of program costs from the previous fiscal year and other essential needs. Examples include Public Schools and Medicaid workload increases.

Other High Priority Needs that **may** be funded include other historically funded issues such as Transportation and Environment, Criminal Justice, other Education issues, etc.

However, the demand these funds will need to meet is also increasing, with “Critical Needs” up \$2.8 billion and “Other High Priority Needs” up \$1.7 billion. Balancing the higher General Revenue projections against the increased needs leads to **another year of potential budget cuts** of between **\$923 million** (if only Critical Needs are funded), to **\$2.7 billion** (if both Critical and Other High Priority Needs are funded).

Unfortunately, this same situation is anticipated for FY 2011-12, with the potential **budget shortfall** ranging between \$2.3 billion (Critical Needs) and \$5.5 billion (Critical and Other High Priority Needs).

Florida's tax system is not producing revenues sufficient to keep up with the growing needs of the state. Further budget cuts can be minimized if policymakers also put on the table a balanced approach that includes various proposals that will modernize the tax structure and make it more productive.

This Budget Brief was researched and written by Michael Walsh, Director of Research.

Note: Information in this *Budget Update* was obtained from the "State of Florida Long-Range Financial Outlook Fiscal Year 2010-11 through 2012-13" as adopted by the Florida Legislative Budget Commission on September 15, 2009, and "Florida: An Economic Overview," the Florida Legislature Office of Economic and Demographic Research, October 7, 2009.