

# BUDGET WATCH



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## ***Governor Crist's Proposed State Budget For FY 2007-08***

Governor Charlie Crist released his first proposed state budget on Friday, February 2, 2007, offering his recommendations for FY 2007-08. This will be the starting point for the 2007 Legislature as it crafts the final spending plan this Session.

The budget was released with little fanfare, as the Governor's formal budget presentation was cancelled so he could focus on the storms that had hit central Florida the previous evening. He issued a state of emergency and spent the day touring the affected counties. The budget was released via the Internet.

The Governor's first budget appears to be a fairly conservative one. It totals \$71.2 billion and is \$2.4 billion or 3.3% less than the current year's budget. This was made possible thanks to the 2006 Legislature spending billions of dollars on non-recurring General Revenue expenses. The proposed budget leaves \$2.2 billion of available general revenue in reserve. The Governor did spend all available recurring general revenue and, in fact, uses \$337 million of non-recurring revenue to fund recurring spending.

The proposed reduction in spending can be attributed in part to some one-time "big ticket" items that were funded last year. These include the over \$1 billion bailout of Citizens Insurance, purchase of the Babcock Ranch, and this budget's use of bonding instead of cash for environmental land programs.

The budget includes: a 2.44% pay raise for state employees (effective October 1, 2007); a 5% increase for law enforcement, corrections, and probation officers; merit increases for 10% of each agency's positions; and no increase in employee or retiree health insurance premiums while maintaining current benefit levels.

### ***Tax Recommendations***

In addition to the Governor's property tax recommendations (that affect local revenue), which Florida TaxWatch reported on earlier in the week, the proposed budget contains a few state tax cuts.

The Governor proposes to continue the popular sales tax holidays, recommending making the week-long Back-to-School and Hurricane Preparedness sales tax holidays permanent, and extending the Energy Efficient Appliance Tax Holiday to two weeks. These three holidays would save taxpayers/consumers \$85 million annually.

Florida TaxWatch also supports the proposal to reduce the Communications Services Tax. The state sales tax on cable, cell phones, and satellite television services would be cut by 0.25%, saving taxpayers \$40 million. Florida TaxWatch would like the state to move on reducing this tax a full percent.

One-time tax incentives for the film industry (\$75 million) and alternative fuels (\$7.5 million) are also proposed. The film incentives will work as a tax credit against corporate or sales tax to attract more film and television production to Florida. The fuel credit is a 100% increase in the cap on sales tax exemptions and corporate income tax credits provided by the Renewable Energy Corporate Tax Program.

The Governor pays for these tax cuts, in part, by proposing to redirect \$105 million of the documentary stamp tax back to general revenue. Last year, the Legislature directed this money to school construction. Governor Crist also recommends changing 0.25% of the sales tax component of the communications services tax to the gross receipts component, which would send \$31 million annually to the Public Education Capital Outlay Fund (PECO), allowing it to be bonded.

A reduction of 0.1 mills is proposed for Required Local Effort (RLE). This is the property tax rate the state requires school districts to levy in order to participate in the state's education funding program. While this would save local taxpayers \$134 million, it should be noted that the RLE would still raise \$7.8 billion, \$450 million more than last year.

Reducing the RLE is a direct, effective, and fair way to provide tax relief to all property taxpayers. In this time of increasing property taxes, Florida TaxWatch encourages the Legislature to take the RLE further back to the rolled-back rate.

## ***Education***

The budget calls for total education funding of \$33.4 billion (including required local funding), which is an increase of 4% or \$1.3 billion over current funding. Per-student funding (FEFP) would increase by \$500 (7.3%) per student.

Florida TaxWatch and its Center for Educational Performance & Accountability (CEPA) are pleased that the Governor's budget demonstrates his continued commitment to strengthening K-12 education through this funding increase.

The Governor's budget recognizes, as CEPA has touted, that the best way to increase student achievement in Florida is by investing in quality teachers, who directly impact student learning every day. It provides \$295 million to reward top-performing teachers with a 10% salary bonus (double the current funding levels) and \$137 million to add 400 reading coaches.

Florida TaxWatch and CEPA are strong proponents of Voluntary Pre-K. The proposed 2.44% increase is a modest one and probably will not provide sufficient additional funds to substantially strengthen the program.

The budget fully funds reduced class size at \$3.8 billion (\$2.7 billion for operations and \$1.1 billion for capital outlay). While understanding the Governor's desire to respect the will of the people on the issue of class size reduction, this is not supported by scientific research, and thus provides little assurance that student achievement will actually be improved through this multi-million dollar investment.

### **Other Priorities:**

- \$20 million for stem cell research
- \$32.5 million to replace touch-screen voting machines with optical scan machines
- \$50 million to provide incentives for research, manufacturing, and distribution of ethanol
- \$36.7 million to establish a state stockpile of flu vaccine
- \$22.6 million to promote child adoption
- \$400 million for the Florida Forever land acquisition program (\$100 million increase)
- \$100 million for Everglades restoration
- \$100 million in incentive funds to attract businesses and research projects to Florida

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