

Budget Fax 2004

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Legislature Shows More Restraint in Spending Non-Recurring Revenue and Raiding Trust Funds Than Last Year

The House and Senate hammered out a compromise on Florida's 2004-05 budget earlier this week and will vote on it Friday after the constitutionally required 72-hour "cooling off period." Florida TaxWatch will be analyzing the budget in detail, including our annual "Turkey Watch," but it is already clear that the Legislature at least made some progress on two long-standing TaxWatch concerns—the spending of non-recurring revenue on recurring expenses and the raiding of trust funds to fund the general revenue budget.

These two practices are intertwined. The use of non-recurring revenue to fund recurring programs is a bad budget policy that Florida TaxWatch has been urging the Legislature to avoid whenever possible. When you use revenue from a source that is not going to be there next year to pay for a program that will be there, this makes it all the more difficult to balance the budget the next time. The raiding of trust funds also raises questions of violating social contracts. Trust funds are created to fund specific things, generally from specific revenue sources, often creating a "user fee" situation. Taking money from trust funds to add money to the general revenue budget can violate those relationships. Moreover, since the transfer creates non-recurring revenue, it can magnify the other problem.

While the Legislature performed a bit better in these areas than last year, it still has some work to do. Last year, the Legislature spent \$1.3 billion of non-recurring revenue on recurring expenses. It also raided trust funds to the tune of \$725 million in non-recurring money. This included a \$200 million transfer from the State Transportation Fund—the state's road-building pot.

This year, as the following table shows, the budget contains \$453.5 million in one-time trust fund transfers. Commendably, the budget conferees agreed to not raid the State Transportation Fund this year. And while the final numbers are not yet known, it appears that appropriations of non-recurring revenue for recurring expenses may be less than \$800 million. Both of these numbers may grow as the Legislature passes a flurry of bills at the end of the session. There is a number of substantive bills being considered that have appropriations in them. Thus, since there is nothing left but non-recurring revenue, passage of any of these bills will drive that number up.

**Transfers from Trust Funds in the 2004-05
Appropriations Act**

Pari-Mutuel Wagering Trust Fund	2,000,000
Land Sales and Condominium Trust Fund	2,000,000
Local Government Housing Trust Fund	153,000,000
State Housing Trust Fund	67,800,000
Invasive Plant Control Trust Fund	23,400,000
Land Acquisition Trust Fund	114,000,000
Water Management Lands Trust Fund	48,300,000
Inland Protection Trust Fund	1,200,000
Insurance Regulatory Trust Fund	12,000,000
State Risk Management Trust Fund	20,000,000
State Game Trust Fund	9,800,000
Total	453,500,000