

Briefings



December 2001

Legislature Balances Budget With a Mix of Cuts, Trust Funds and Taxes

Special Session Recap:

The Florida Legislature just completed the second special session called to balance the state budget in the face of severe revenue shortfalls. This time it succeeded in doing what it could not do the first time-pass an appropriations bill that the Governor will sign.

Due to the economic slowdown's effect on revenues, the state faced a \$1.3 billion General Revenue hole it had to patch in the current year budget (fiscal year ending June 30, 2002.) A previous attempt was rejected by the Governor. Florida TaxWatch had recommended a veto in its November 2001 Briefing because the plan did not do enough to protect direct educational instruction and key health services and relied too heavily on non-recurring funding that only puts off truly fixing the budget another year.

This budget cut net General Revenue (GR) spending by \$1.029 billion. Some of these cuts were restored by non-recurring appropriations from trust funds so the net reduction in total spending for the cut programs during this budget year is closer to \$800 million. To help agencies get through the rest of this year, some of the cuts were also partially restored with non-recurring GR. The full brunt of the cuts will be felt next year-this appropriations bill effectively reduces next year's recurring GR budget by \$1.2 billion.

About \$75 million in trust fund transfers and reversions helped to mitigate the cuts and a net \$61 million in lottery funds was used to make the education cuts less than they might have been. Also reducing the need for cuts was the decision to delay a reduction in the intangibles tax that was passed in the last General Session. This will increase revenue by an estimated \$128 million. The State's \$941 million Budget Stabilization Fund was left intact.

Education shouldered the brunt of the cuts-\$639 million-and health and human services was cut by \$146 million. The state workforce was reduced by 1,813 positions.

The good news is that the Legislature did a much better job with this attempt at balancing the budget, particularly by not using non-recurring funds to fund recurring expenses. However, it could have done more to search for innovations and efficiencies to protect the core government services

of education and health services.

Economic Stimulus

In addition to the cuts, the Legislature accelerated spending on programs to stimulate the economy. The budget includes a nearly \$1 billion stimulus package sought by Governor Bush, including \$530 million to speed-up road-building; \$260 million for construction at schools, colleges and universities; \$20 million for tourist marketing efforts; and \$16 million for enhanced security.

Intangibles Tax Cut Delayed

The 2001 Legislature was the fourth in a row to reduce the intangibles tax, part of a widely supported plan to phase-out the onerous and counterproductive tax. It increased the exemptions to \$250,000 for a single taxpayer and \$500,000 for married taxpayers and created a new \$250,000 for businesses. However, to help balance the budget, the Legislature delayed the cut for 18 months (since the tax is levied on January 1 of each year, the delay is effectively two years.) This means the exemptions will go back to \$20,000/\$40,000 and business will have no exemption. The higher exemptions will not take effect until July 1, 2003.

Other Actions for the Special Session

The Legislature also passed a number of anti-terrorism bills including harsher criminal penalties for terrorist acts, an expansion of police wiretapping powers in a terrorism investigation, creation of a terrorism database to help track potential terrorists and development of a statewide anti-terrorism task force that will organize police agencies across the state. It also made some changes to the public records law to eliminate public access to emergency response plans for hospitals, documents that show where the state keeps its drugs to counteract bioterrorism and documents that concern the state's security systems.

The Legislature also revoked their pay increases. This largely symbolic move saved the state \$80,000. It also delayed the start of a new, statewide building code until March 1, 2002.

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