



FY 2009-2010 REVENUE ESTIMATE UPDATE: REVENUE GROWTH SLOWS – STATE SERVICE CUTS EXPECTED

Key Takeaway: The revenue estimate for FY 2010 was released on November 11, 2008 including an updated estimate for FY 2009 (the current fiscal year). Due to declining economic conditions, FY 2009 revenues are projected to come in \$78.6 Million less than thought when the budget was created in April. With less revenues coming in than budgeted, cuts will be made to state programs. Revenue for FY 2010 is expected to come in at a \$117.8 million increase (or 2.3%) from FY 2009, but may be adjusted down if economic conditions worsen.

What is a Revenue Estimate?

Each year the Governor and the Joint Legislative Budget Committee must adopt an estimate of all the general funds that the state expects to receive from taxes and selected fees for the upcoming year. The estimates are developed by the Revenue Estimating Committee. This committee includes the State Economist, the State Fiscal Officer, the State Treasurer, the Chairman of the State Tax Commission, and the Director of the Legislative Budget Office. Their estimates are based on current economic indicators and their opinion about the economy's growth potential. Given that state law requires that the budget must be balanced, the work of the Revenue Estimating Committee underscores one of most important attributes of the state budget process – determining how much money the state has to spend in the upcoming fiscal year.

For each budget year, revenue estimates are initially provided in November. This estimate provides guidance in the Governor's and the Joint Legislative Budget Committee Budget recommendations. The revenue estimate is then updated at the close of the legislative session. This "sine die" estimate is used to make final decisions about appropriations. Finally, when the revenue estimate is provided again in November for the next fiscal year, the current year's estimate is updated again.

How does FY 2009 revenue look?

Current year revenue for FY 2009 is coming in below estimate. It is projected to come in at \$78.6 Million below the "sine die" estimate that the current year budget was based on. Because the budget must be balanced, this will cause either cuts to be made, use of the state's rainy day fund, or both. The state economist attributes the decline in revenue to a slowing of growth from hurricane recovery, the national economic downturn and fiscal crisis, and the skill level and educational level of the workforce. Figure 1 shows how the FY 2009 estimate has changed since it was first released last November.

FY 2009 Revenue Estimates

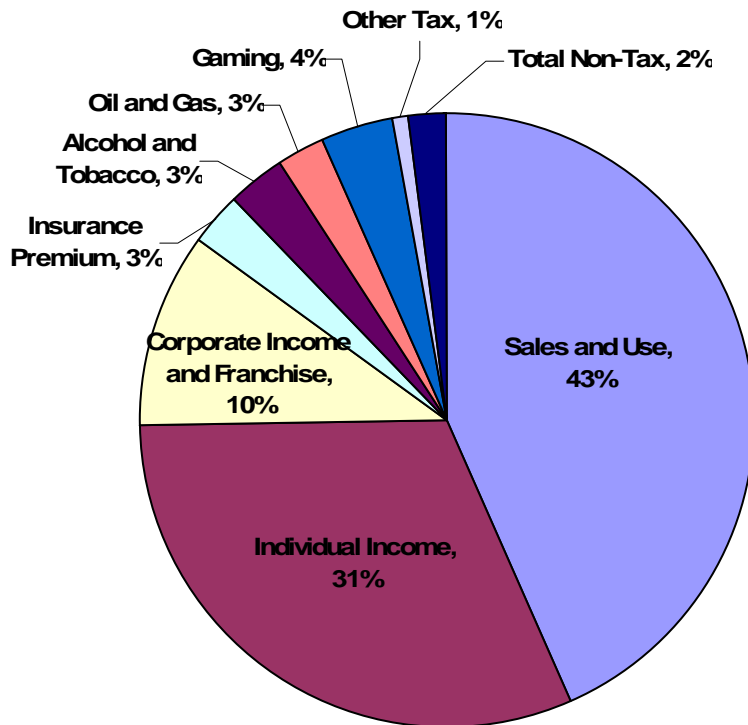
FY 2009	October Estimate	Sine Die Estimate	October Revision	Difference from Sine Die
Sales Tax	\$ 2,054,200,000	\$ 2,019,300,000	\$ 1,993,100,000	\$ 26,200,000
Use Tax		\$ 207,700,000	\$ 203,500,000	\$ 4,200,000
Ind Income	\$ 1,582,400,000	\$ 1,617,000,000	\$ 1,569,400,000	\$ 47,600,000
Corporate Inc and Franchise	\$ 504,100,000	\$ 528,400,000	\$ 506,700,000	\$ 21,700,000
Total General Fund	\$ 5,076,000,000	\$ 5,109,900,000	\$ 5,031,300,000	\$ 78,600,000

How much will the State Have to Spend in FY 2010?

The legislative session beginning in January 2009 determines how the state will spend its money in FY 2010 (which starts July 1, 2009). The Revenue Estimating Committee projects that under the current revenue system, general fund revenue collections in FY 2010 will total \$5,149,100,000. That would be a \$117.8 million dollar increase over general fund estimate for FY 2009. This estimate will be used to create budget recommendations for the upcoming legislative session. However, if economic conditions worsen, projections may be adjusted down in future estimates.

Figure 2 shows the breakdown of estimated revenue collections for FY 2010. Sales and use taxes are projected to be the largest source of general fund revenues, followed by individual income tax and corporate income taxes.

Figure 2: Projected General Fund Revenue Breakdown for FY 2010



Source: State General Fund Revenue Estimate Revised FY 2009 and Estimate FY 2010, Revenue Estimating Group, November 11, 2007, MEPC Calculations