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The Florida Senate considered its proposed budget for the 2001-02 fiscal year today. The bill, SB-2000, was heard on second reading today and went through a remarkably brief amendatory process before winning preliminary approval.

Sen. Jim Horne (R-Orange Park), the Senate Appropriations Committee Chairman, explained to the Senate that the budget process took some unexpected hits since the fall of last year. In addition to the economic slow-down, which has consequently slowed the tax revenue moving into the government coffers, Medicaid expenses to the state exploded, exceeding original estimates by as much as \$1 billion. Medicaid expenses soared for a variety of reasons; an exceptional number of children qualifying for health care under the state's Medicaid health services, additional monies needed for nursing home care and a continued decline in federal dollars.

Tax cuts and budget emergencies are both addressed within the slender budget pie slice known as General Revenue. General Revenue is only 42.6% of the state's total budget. The rest of the money is locked into designated trust funds, far removed from the momentary discretion of the legislature. Therefore, when something like the Medicaid budget goes awry, it can only be immediately addressed through General Revenue dollars. That's why tax cuts were placed in doubt, at least on the part of the Senate. In addition, the nursing home crisis, which is draining hundreds of millions of dollars out of the state General Revenue budget and sending much of it to trial attorneys who are suing nursing homes, will place a continuing burden on the state and the state's business community unless corrected this year. Until the Medicaid budget is stabilized, tax cuts will remain in jeopardy and tax increases may be suddenly on the table.

The nearly \$50 billion dollar budget will be up for final consideration by the Senate next Tuesday. The House will begin consideration of their proposed budget tomorrow.

It's the reasons mentioned above and the continued demand of additional dollars for education that forced Sen. John Mckay to hold off on offering tax cuts as part of the Senate's proposed budget. AIF has hopes that the budget picture will improve and that when the House and Senate enter into final budget negotiations later next month, that tax cuts will in fact, be on the table. The lower we can get the intangibles tax, the better chance Florida has to attracting new business. Getting new companies to come to Florida of course benefits the entire state economy.

This report was prepared by Curt Leonard, Manager – Governmental Affairs at Associated Industries of Florida (AIF) and Jere Moore, AIF Reporter. Please send your comments or suggestions to us at aif@aif.com or call the Governmental Affairs department at (850)224-7173.

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