

## State revenue falls \$91.7M

By Steve Bousquet and Alex Leary, St. Petersburg Times Staff Writers • May 21, 2008

TALLAHASSEE — Florida leaders have slashed more than \$4-billion in state spending this year alone. But Gov. Charlie Crist and lawmakers learned Wednesday that may not be enough.

State economists reported \$91.7-million more vanished in April when tax collections failed to meet even a downsized estimate set from March.

About half of that amount, \$49.6-million, was due to fewer sales tax collections, which are used to pay for the state's operations, including schools, universities, prisons and health care programs.

In the cruel math of a weak economy, various forces contributed to the shortfall: slow construction, dropping housing prices and falling corporate income tax collections.

The result is Florida will limp toward the next fiscal year with little wiggle room in its downsized \$72-billion budget. Should the trend worsen in the remaining five weeks of the fiscal year, it's possible the state may tap, for the first time, an emergency bank account known as the Budget Stabilization Fund.

Set up in the wake of 1992's Hurricane Andrew, the fund was initially designed to be tapped after an emergency, such as a hurricane, that prompted the state to face a deficit. Under law, the fund must be replenished within five years.

But anticipating the latest dire economic news, legislators this spring agreed to make it easier for the governor to tap the fund in the short term. Rather than a full vote of the Legislature, Crist needs to get only the approval of a joint legislative panel to pay bills for the rest of this fiscal year.

But one key legislator, who is facing re-election this fall, said that won't be necessary before July.

Rep. Ray Sansom, R-Destin, the House budget-writer and likely speaker of the House in November, said a series of technical changes to the state's financial outlook "will avert a deficit between now and July 1," when a new \$66.2-billion budget takes effect.

"The House and Senate are working closely with the Governor's Office to ensure we receive adequate revenues in May and June to fund the state's approved budget for (the current) fiscal year," Sansom said in a statement.

An independent expert who closely monitors Florida's budget and the economy agreed.

"It's dire, but I don't think it's panic time," said Kurt Wenner, senior analyst for Florida TaxWatch. "This may give some encouragement to the governor to veto some more things to avoid going into reserves."

State economist Amy Baker said the state's official outlook shows \$322.5-million in the state's working capital fund, or checkbook balance, for the five weeks left in the fiscal year.

The April slide in tax collections, added to March's decline, brings the new total to \$140.7-million less than had been anticipated, dropping the checkbook balance to \$181.8-million.

But state economists plan a June 10 meeting to re-evaluate the state's bottom line, including reviewing fiscal impacts of dozens of new laws, the potential net positive effect of Crist's budget vetoes and updating the state's Medicaid budget.

"I would expect that the bottom line will still be positive," Baker wrote Wednesday in an e-mail.

## New Florida law will lead pension to invest in tech, space

By DAVID ROYSE, Associated Press Writer • May 22, 2008

TALLAHASSEE, Fla. (AP) -- Up to 1.5 percent of the \$137 billion state employee pension fund will be invested in Florida high-tech businesses like aerospace, renewable energy technology and biosciences under a measure signed into law by Gov. Charlie Crist.

The bill, signed late Wednesday, also creates a \$40 million prize to encourage the invention of a reusable space vehicle that could replace the space shuttle. It also allows the agency that invests state money to increase how much it puts into alternative options such as hedge funds and venture capital funds.

Crist attended a signing ceremony Thursday at the New York Stock Exchange to tout the new law. The measure is primarily aimed at investing retirees' money in businesses that will grow Florida's economy and could allow for nearly \$2 billion to be invested in the state.

Such investments, in which the benefit to the community is considered instead of just the benefit to the investor, are known as "economically targeted investments."

The State Board of Administration, which invests the pension fund, can already put money in projects that benefit Florida if they meet other state requirements, but it is largely by coincidence that it does. The agency said this year that it currently holds about \$650 million in investments that generally meet the definition because they are Florida companies or properties.

But the bill (SB 2310) directs the agency to put up to 1.5 percent of the net asset value of the retirement fund in such investments. The investments won't be allowed to conflict with other rules about what the pension fund can

invest in, including those regarding the safety of the investment.

The new law will make Florida "really put our money where our mouth is, to invest in ourselves," Crist said in an interview Thursday on CNBC.

Florida should be investing retirees' money in companies that will do business in Florida, said Dr. Win Phillips, vice president of research at the University of Florida.

"It's a signal that the state is in business," said Phillips, noting that when the state invests in trying new businesses, it attracts private investors as well.

"If the state's not investing, the venture capital person says, 'My investment's not as safe in Florida as it is somewhere else,'" Phillips said.

The legislation also creates a contest to design a new vehicle that can go into orbit and return, because the space shuttle is scheduled to be retired in 2010.

NASA has already chosen a permanent replacement, the Constellation program, but it isn't expected to begin launching until 2015. Florida hopes to have an interim replacement to make sure there are launches from 2010 until the new program starts.

The program will use \$20 million each from private and state sources to award a cash prize to a private sector firm or person who makes a significant contribution to designing a new renewable space vehicle by 2014.

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[Editor's Note: PBA was a key supporter of this legislation, a way to stimulate and diversify Florida's economy.]

### IRS TAX TIP

#### Tax Planning for next year begins right now

While tax filing season may be over for most of us, tax planning is important throughout the year. A significant change in your life may also have an impact on your taxes. Some examples and their possible effects on taxes are:

- Unemployment for all or part of the year – benefits are generally taxable
- Withdrawal of funds from TSP, 401(k) or IRA – increases taxable income
- Starting a business – you must file and pay other federal returns, self-employment tax, estimated tax payments
- Debt forgiveness – may increase taxable income by forgiven amount
- Refinance home loan – may decrease home interest deduction and raise tax
- Children graduate and become self-supporting: decreases dependents, loss of certain credits
- Marital status change – may increase or decrease tax
- Purchase a home – increase in deductions generally decreases tax
- Birth of a child – adds to dependents and generally decreases tax

Visit the page on tax impact of life events [www.irs.gov/individuals/article/0,,id=121557,00.html](http://www.irs.gov/individuals/article/0,,id=121557,00.html) on IRS.gov or the Employee Tax Compliance Information Corner to learn more:

[www.irs.gov/privacy/article/0,,id=140606,00.html](http://www.irs.gov/privacy/article/0,,id=140606,00.html)

*“What lies behind us and what lies before us are tiny matters compared to what lies within us.”*

~ Oliver Wendell Holmes

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