



## **What Should Florida Do With \$2.2 Billion**

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What a happy situation for Florida! Our state's sizzling economy has generated a \$2.2 billion windfall of unexpected state revenues this year. What should the state do with this bounty? Our leaders are split, with some arguing for more tax cuts while others want to save the money for a rainy day and a third group promotes spending on infrastructure. Given the politics of the situation, ultimately each group will get a piece of the \$2.2 billion. But what is best for our state?

In thinking about this it is important to note that this extra \$2.2 billion largely is a one-time event. Of the \$2.2 billion windfall, \$851 million came from sales taxes, \$564 million from documentary stamp taxes generated by the real estate boom, and \$268 million from higher corporate profits. As we discussed last week, I believe that 2005 is the top of this business cycle. Furthermore, interest rates are rising and this will spell the end of the current real estate boom. So the \$2.2 billion boost in revenue this year will not be repeated next year.

Governor Bush has recommended tax cuts of \$500 million, including eliminating the intangible tax, the drink tax, and providing a sales-tax holiday for shoppers along with new tax breaks for manufacturers and research companies. While some tax cuts are beneficial, the problem is that tax cuts are permanent decreases in revenue that cannot be paid for by one-time windfalls in revenue. We can afford modest tax cuts at best. In addition, with the likelihood of a weaker economy next year, those advocating somewhat larger reserves are correct.

Finally, Senate President Lee has estimated that the state alone has a \$35 billion infrastructure backlog created because we have not paid for the infrastructure needed to support our growth. That's about \$6,000 per household, or about what the average level of impact fees are for roads today. And this \$35 billion does not include infrastructure backlogs at the county and city levels. So it makes

sense to use the largest portion of the \$2.2 billion to make a downpayment on this backlog.

One billion dollars invested today in our state roadway system and in our schools would make a substantial and noticeable difference in the quality of life in the areas receiving the funds. Using one-time revenues to make one-time investments in infrastructure projects is the best use of the windfall our state has received this year.

This is Hank Fishkind for 90.7 FM, WMFE News.

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