Not Enough Funding for Housing?

A Look at the Revenue Side of Florida's Budget

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The Florida Policy Institute (FPI) is an independent, nonprofit and nonpartisan organization dedicated to promoting widespread prosperity through timely, thoughtful and objective analysis of state policy issues affecting economic opportunity. The Institute provides analysis of state budget and revenue trends and proposes common-sense policy options with the aim of encouraging broad public education, discussion and informed action.

FPI also advances fiscal policies that expand economic opportunity for all Florida residents. In so doing, we work closely with advocacy organizations to provide research, analysis and other resources that can inform and strengthen their advocacy efforts. When working with groups like the Florida Housing Coalition on budget issues, we realize that these groups will have more specific knowledge and understanding of the appropriation side of their budgets than our organization ever will. Where the Institute adds value is in making clear the revenue side of the budget and the possibilities that exist there if policymakers have the will to take advantage of them.

There have been numerous occasions when I've been in attendance at legislative budget committee hearings and heard advocates make an impassioned case for more funding for worthwhile causes, only to have the legislators agree that they would like to fund the item "if only there were sufficient revenue." This in the context of budgets that were forgoing hundreds of millions in revenue in the form of new tax cuts.

Governor Rick Scott consistently cites the figure of $7 billion in tax cuts that have been delivered during his tenure. Each of those dollars could have been available for the investments that drive real economic growth and create the type of jobs that pay a good wage: investments in education and higher education, roads and bridges, the environment, improved health, thriving communities and affordable housing.

There is perhaps no better example of this dynamic than the debate around the current year budget and the results of that debate. The Florida Senate's budget included full funding for the Sadowski Housing Trust Fund, with no sweep. The House budget proposal, on the other hand, proposed sweeping $182 million from the housing funds.

After the Parkland shooting changed the focus of the budget to include $400 million to respond to the tragedy, the final budget included the sweep of $182 million. The purported reason for this was that these dollars were needed to pay for the response to Parkland. But that same budget includes a tax cut package that totals $171 million, almost the amount of the Sadowski sweep. If not for the tax reductions, the budget could have both funded the response to Parkland and fully invested in affordable housing.

In this context, it's also important to note the ostensible rationale behind tax cuts – that they drive economic activity. In the case of the reductions included in this year's budget, the majority took the form of sales tax holidays that change the timing of economic activity rather than generate activity. Even if there was no intention of benefiting the millions of Floridians struggling with excessive housing cost burdens and policymakers' only intention was economic stimulus, fully funding the housing trust fund would be a preferable budgetary strategy to the enacted tax cuts given the economic boost provided by housing construction.

Cutting taxes is not the only way in which revenues that could support affordable housing and other important investments that would benefit Florida's families, communities and economy remain untapped. FPI has written extensively on what we call "silent spending."

Silent spending, in the form of numerous types of tax expenditures, continues to drain billions of dollars in potential state revenues each year. Total tax expenditures are estimated to cost Florida approximately $20 billion in Fiscal Year (FY) 2018-19.

Unlike money spent through the state budget process, this shadow budget reflects resources that are "spent" through Florida's tax laws. While spending through the state budget takes the form of collecting revenues and appropriating these to be expended, spending through the tax code, tax expenditure, takes the form of revenue the state foregoes. In either case, the result is the same: public resources are designated for a specific purpose.

State tax expenditures are not inherently good or bad. The problem with them is, unlike spending through the budget, which is subject to yearly review and reauthorization, spending through the tax code is not routinely evaluated to ensure that it's delivering on objectives that support the state's economy. Once enacted, these expenditures tend to remain in law without an expiration date or regular review.

Some of these tax expenditures date back to the 1940s and have survived without review. Included among them is a sales tax exemption for ostrich feed.

Tax expenditures that are not serving a public purpose or are unproductive should be modified or eliminated. Such action would increase revenues available for investing in critical services to meet the state's growing population needs and fund investments that are important for future economic growth. The elimination of unproductive tax expenditures also simplifies the state tax code, makes the tax system fairer and eliminates unfair business competition.

Most importantly, a review of the efficacy of these expenditures would reveal that some of them are not serving a public purpose. Such expenditures could then be eliminated and, in the process, free up valuable resources that could be used to support affordable housing or other important investments.

The history of the last decade in Florida's budgeting has been one of reducing revenues and, as a result, investments in our state's communities and families. This may have been understandable in the early years as a response to the Great Recession. That it continued, and even accelerated, as the economy recovered is less defensible. And now, policymakers who have been loath to raise revenues to support the state's needs are attempting to make it even harder to do so in the future.

Voters going to the polls in November will find on the ballot a constitutional amendment that would require a two-thirds supermajority of each house of the state Legislature to impose any new tax or fee, increase any existing tax or fee or eliminate any of the silent spending described above. This proposal would further restrict the state's ability to support public services.

The next time housing advocates are told that there are insufficient revenues to support full funding for the Sadowski Trust Fund or any other needed investments in their communities, they should question the underlying assumption. HNN

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