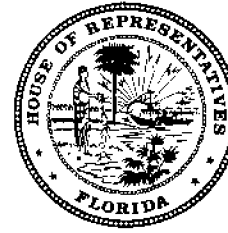


KEN PRUELL
President

CHARLIE CRIST
Governor

MARCO RUBIO
Speaker



Date: June 29, 2007

To: Agency Addressed

From: Jerry McDaniel, Director, Governor's Office of Policy and Budget
Cynthia Kelly, Staff Director, Senate Fiscal Policy and Calendar Committee
Michael Hansen, Budget Director, House Policy & Budget Council

Subject: **Plan of Action to Address Fiscal Year 2007-08 Revenue Projection Shortfall**

Based on the actual revenue collections since the March Revenue Estimating Conference, it is now anticipated that recurring General Revenue for Fiscal Year 2007-08 will not be sufficient to support the recent level of appropriations. Although unappropriated reserves will prevent a General Revenue Fund deficit in Fiscal Year 2007-08, a potential \$800 million to \$1 billion reduction in recurring revenues, representing approximately 4% of General Revenue Fund appropriations, will not be manageable in subsequent years without corresponding recurring budget reductions.

As a result, quarterly releases will be reduced from the usual 25%, to 24% in anticipation of current year budget reductions. In addition, agencies should take responsible action now to reduce discretionary spending such as travel and equipment purchases, fill only essential vacant positions, and delay implementing new or improved programs with recurring costs until reduction plans are finalized. Agencies should also identify other efficiencies that can be achieved and result in quantifiable recurring cost savings. Agencies should anticipate a minimum reduction of 4% in recurring General Revenue Fund appropriations during Fiscal Years 2007-08 and 2008-09. State trust fund appropriations should also be targeted in circumstances where the revenues from the trust fund commensurate with the proposed reduction could be transferred to the General Revenue Fund on a permanent or temporary basis with appropriate modifications to law.

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In light of the information above, we are requesting the early submission by August 8, 2007, of a modified Schedule VIII-B to allow for review and analysis of various recurring budget reduction options prior to the formal legislative budget request submission. Considering that all of the proposed reductions may not ultimately be acceptable, and given the potential level of recurring savings that may be necessary, we are requesting identification of reduction options equal to 10% of your recurring General Revenue and applicable recurring trust fund appropriations. See the attached document for detailed instructions. Specific agency target amounts will be provided by the Governor's Office of Policy and Budget by July 16, 2007.

A formal General Revenue Fund estimating conference is scheduled for August 1, to determine the magnitude of necessary reductions. We will then assess the timing of necessary legislative actions. However, we are notifying agencies before the start of the fiscal year of the developing revenue picture in order to provide lead time to develop a prudent financial management plan.

Should you have questions concerning this transmittal, please do not hesitate to contact us.

Attachment