

## PROPOSED BUDGETS FOR FY2017-18 FAR APART; TIMELY RESOLUTION UNCERTAIN

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As we enter the penultimate week of the 2017 Legislative Session, the next state budget is still very much up in the air. The House and Senate spending plans are effectively \$4 billion apart. The House budget totals \$81.237 billion, and the Senate budget comes in at \$83.164 billion, but that does not include almost \$2 billion in university tuition that is usually included in the budget (and is included by the House).

Some of the major differences include environmental funding, economic development programs, tourism marketing, the amount of local property taxes for public school funding, universities, member projects, and state employee pay raises. The Senate also funds 113,563 state positions, 1,335 more than the House. The House generally appropriates less money for agency operations.

Conference negotiations have not yet begun and behind the scenes negotiations have not gone smoothly. This morning (April 25), the House convened a special meeting of the Appropriations Committee to pass what it called a continuation budget. The means the same budget as last year, with some necessary changes and all non-recurring appropriations taken out. This was portrayed as a “take it or leave it” offer to the Senate, and the Senate President has subsequently said they will leave it.

There are rumblings of a deal on a basic budget framework and allocations for the various appropriations subcommittees could be released soon, setting the stage for a budget conference. The state constitution requires a 72-hour review period after the conference report is printed before it may be voted on. The conference report cannot be amended; if one chamber votes it down, they must start over.

The Legislature is running out of time to pass the budget before the session ends on May 5. If it fails to do so, lawmakers will have to come back in an extended or special session to pass a budget before the new fiscal year begins on July 1.

As the Legislature prepares to go into budget conference, or pushes it to a later date, this *Budget Watch* examines the two spending plans and highlights some of the differences that are causing the conflict.

### EDUCATION

The House education budget totals \$23.816 billion, which appears to be \$1.142 billion more than the Senate; however, the Senate does not count nearly \$2 billion in university tuition which is included in the House budget. When these funds are subtracted, House education funding is actually \$815.0 million less than the Senate. Most of this difference is in university funding.

## FY2017-18 House and Senate Budget Recommendations Compared to Current Year

\$ millions

Department/Agency	House Budget	Senate Budget	House +/- Senate	Current Year Budget	House +/- Current Year	Senate +/- Current Year	House FTEs	Senate FTEs
Admin. Funds (Statewide)	\$380.0	\$187.7	\$192.3	\$77.2	\$302.8	\$110.5	-	-
Ag. & Consumer Services	\$1,739.9	\$1,799.1	(\$59.2)	\$1,747.9	(\$8.0)	\$51.2	3,630	3,614
Business & Professional Reg.	\$152.3	\$151.0	\$1.3	\$155.7	(\$3.4)	(\$4.7)	1,611	1,618
Children & Families	\$3,162.3	\$3,033.3	\$129.0	\$3,097.1	\$65.2	(\$63.8)	11,981	11,945
Citrus	\$35.3	\$30.3	\$5.0	\$49.1	(\$13.8)	(\$18.8)	41	39
Comm. on Offender Review	\$10.2	\$10.7	(\$0.5)	\$10.0	\$0.2	\$0.7	132	132
Corrections	\$2,438.0	\$2,425.3	\$12.7	\$2,411.7	\$26.3	\$13.6	24,124	24,238
Economic Opportunity	\$1,441.3	\$779.6	\$661.7	\$1,102.5	\$338.8	(\$322.9)	1,455	1,539
Education*	\$24,631.1	\$23,816.1	\$815.0	\$23,909.8	\$721.3	(\$93.7)	2,279	2,342
Elder Affairs	\$316.7	\$317.1	(\$0.4)	\$311.5	\$5.2	\$5.6	422	440
Environmental Protection	\$1,707.2	\$1,277.5	\$429.7	\$1,722.6	(\$15.4)	(\$445.1)	2,875	2,900
Financial Services	\$388.9	\$353.8	\$35.1	\$346.1	\$42.8	\$7.7	2,522	2,618
Fish & Wildlife Cons.	\$357.7	\$365.6	(\$7.9)	\$380.2	(\$22.5)	(\$14.6)	2,119	2,119
Governor's Office	\$420.6	\$418.3	\$2.3	\$359.7	\$60.9	\$58.6	385	435
Health	\$2,883.3	\$2,856.5	\$26.8	\$2,900.0	(\$16.7)	(\$43.5)	13,637	14,065
Health Care Admin.	\$27,679.4	\$26,371.6	\$1,307.8	\$26,604.6	\$1,074.8	(\$233.0)	1,507	1,547
Hwy Safety & Motor Vehicles	\$477.0	\$462.2	\$14.8	\$469.8	\$7.3	(\$7.6)	4,308	4,414
Justice Administration	\$903.0	\$871.8	\$31.2	\$896.0	\$7.0	(\$24.2)	10,389	10,521
Juvenile Justice	\$577.8	\$552.2	\$25.6	\$555.0	\$22.8	(\$2.8)	3,258	3,270
Law Enforcement	\$292.3	\$270.3	\$22.0	\$297.3	(\$5.0)	(\$27.0)	1,879	1,844
Legal Affairs	\$328.0	\$257.3	\$70.7	\$309.5	\$18.5	(\$52.2)	1,313	1,412
Legislature	\$206.3	\$206.3	\$-	\$205.5	\$0.8	\$0.8	-	-
Lottery	\$167.9	\$166.4	\$1.5	\$167.0	\$0.9	(\$0.6)	415	420
Management Services	\$711.5	\$674.4	\$37.1	\$701.5	\$10.0	(\$27.1)	1,278	1,301
Military Affairs	\$86.3	\$72.2	\$14.1	\$71.8	\$14.5	\$0.4	441	453
Persons with Disabilities	\$1,335.0	\$1,287.7	\$47.3	\$1,311.2	\$23.8	(\$23.5)	2,652	2,712
Public Service Commission	\$24.9	\$24.3	\$0.6	\$25.2	(\$0.3)	(\$0.9)	261	273
Revenue	\$577.6	\$572.8	\$4.8	\$579.0	(\$1.4)	(\$6.2)	5,056	5,121
State	\$140.6	\$131.2	\$9.4	\$144.3	(\$3.7)	(\$13.1)	408	412
State Courts	\$528.0	\$505.0	\$23.0	\$525.7	\$2.3	(\$20.7)	4,305	4,409
Transportation	\$10,880.8	\$10,849.6	\$31.2	\$10,735.0	\$145.8	\$114.6	6,299	6,299
Veterans Affairs	\$140.2	\$139.8	\$0.4	\$105.9	\$34.3	\$33.9	1,118	1,118
Totals*	\$85,121.4	\$81,237.0	\$3,884.4	\$82,285.3	\$2,836.1	(\$1,048.3)	112,096	113,563

\* for comparison purposes, Senate amounts include \$1,957.5 billion in university tuition counted in the House budget but not counted in the Senate budget.

Source: Florida TaxWatch, compiled using HB 5001 and SB 2500, April 2017.

**Public Schools (State Funds):**      *House – \$14.270 billion*      *Senate – \$13.903 billion*

Both chambers provide an increase in total spending for public schools over the \$13.748 billion in the current budget. The House proposes more than the Senate due mostly to two major initiatives by the House. The House provides \$200 million for “Schools of Hope,” a program to attract proven charter schools to areas served by chronically failing public schools and \$214 million for the Best and Brightest Teacher and Principal Scholarship Program to provide bonuses to selected educators.

Both also increase funding for the Florida Education Finance Program (FEFP), the main school funding mechanism which distributes funds to the districts. While both chambers propose to put \$11.4 billion (a 1.4 percent increase) in state funds into the FEFP, the amount of local funding is a major difference between the House and Senate budgets. Although the Legislature does not appropriate school property taxes, it does set the amount of Required Local Effort (RLE) in the budget each year. RLE is the amount of property taxes school districts must levy in order to participate in the FEFP. The Senate proposes to keep the same RLE millage rate, which would result in \$627.6 million in additional local property taxes due to increased property values. The House proposes to reduce the millage rate, resulting in only \$92.3 million in additional property taxes. The Senate plan would increase public school funding by \$210 per student (2.9 percent), while the House proposes a \$19 (0.3 percent) increase. Overall, Floridians would pay \$532 million more in property taxes under the Senate plan.

**Universities:**      *House – \$4.558 billion*      *Senate – \$5.071 billion*

Increasing university funding is a priority of the Senate President while the House Speaker contends funding has risen too quickly. This is reflected in the budgets—the Senate proposes an increase in university funding of \$300 million, while the House would reduce spending by just over \$200 million. The Senate includes \$525 million in performance based funding (\$25 million more than the House). The state would contribute \$250 million and the universities would redistribute \$275 million from the base of their budgets. The Senate creates new programs: \$55 million to enhance the quality of graduate degree programs in high-impact fields of medicine, law, and business and \$75 million to attract world class faculty and research scholars. The Senate also provides \$50 million in additional funds for preeminent and emerging preeminent universities and \$50 million for Target Education Attainment (TEAM) grants. Neither chamber includes a tuition increase.

**Colleges:**      *House – \$1.153 billion*      *Senate – \$1.152 billion*

The House and Senate’s similar budget for state colleges would be an approximately \$90 million (7.5 percent) reduction from current funding.

**Early Learning:**      *House – \$1.059 billion*      *Senate – \$1.098 billion*

Funding in the current year is \$1.048 billion. The Senate includes \$15 million to increase the base student allocation in the Voluntary Prekindergarten Program by \$92 (3.8 percent) per student.

<b>Fixed Capital Outlay:</b>	<b>House</b>	<b>Senate</b>
<i>Repair and Maintenance</i>		
Public Schools	\$20.0 million	\$78.0 million
Charter Schools	\$100.0 million	\$75.0 million
Colleges	\$54.6 million	\$38.1 million
Universities	\$114.8 million	\$45.6 million
<i>Construction</i>		
Public Schools	\$59.8 million	\$50.8 million
Colleges	\$0	\$126.5 million
Universities	\$0	\$176.0 million

**Financial Aid:**            *House – \$403.2 million*            *Senate – \$715.9 million*

The Senate provides an additional \$191.4 million for Bright Futures scholarships to increase awards, provide a textbook stipend, and provide summer term awards. The Senate also provides a \$121.0 million increase in Florida Student Assistance Grants.

## **HUMAN SERVICES**

The six agencies that make up the Human Services budget would receive a total of \$35.517 billion in the Senate budget and \$34.006 billion in the House. This policy area is currently funded at \$34.305 billion. All the larger agencies would see a smaller budget under the House spending plan, while only the Department of Health would see a reduction in the Senate budget.

**Agency for Health Care Administration** – This agency is responsible for the state’s Medicaid program, the largest expenditure in the budget. The Senate funds the program at \$26.8 billion while the House provides \$25.5 billion. Both chambers reduce hospital reimbursement rates, but the Senate provides \$137.5 million more in inpatient and outpatient service reimbursements than the House. As has been the case in recent years, a major healthcare budget issue is the Low-Income Pool (LIP), which reimburses hospitals and other providers for uncompensated (charity) care. It was not certain the federal government was going to fund this program. Still, the Senate put \$607.8 million into LIP while the House did not include any money. News recently came that the federal government committed to \$1.5 billion annually in LIP funding. This is certainly good news for hospitals and other providers and could free up state funds for other areas after details—including federal stipulations—are finalized.

**Agency for Persons with Disabilities** – The Senate provides a small increase to the agency while the House proposes a small reduction, due in part to reducing agency staffing by 59.5 positions. The House provides \$2.0 million (Senate – \$1.3 million) for a Client Data Management System to provide service verification and electronic billing and claim processing. The Senate provides \$6.5 million (House \$1.7 million) for fixed capital needs of state facilities.

**Department of Children and Families** – The Senate provides \$27.5 million in federal funds for enhancement or replacement of the Florida On-line Recipient Integrated Data Access (FLORIDA) system to reduce public assistance fraud. The House provides a \$18.6 million (2.8 percent) increase to

the community-based care lead agencies, the Senate has a \$14.3 million increase. The House funds 81.5 additional mental health treatment positions; the Senate adds 40 new positions. The Senate provides \$3.1 million for cost of living increase for providers. The Senate provides \$11.2 million and \$31.5 million more than the House for community mental health and substance abuse services, respectively.

**Department of Health** – Both chambers reduce funding for the Department, \$16.7 million in the Senate and \$43.5 million in the House. Much of this is due to funding reductions for County Health Departments (CHDs). The Senate provides 26 fewer positions and a budget reduction of \$22.7 million for CHDs. The Senate reduces positions by 344 and funding by \$431.5 million. The Senate provides \$4.5 million more than the House for community health centers and \$9 million more for cancer research. The Senate also provides \$7 million for a grant program to reimburse qualified trauma centers for uncompensated care due to mass casualty incidents (MCI) and disease outbreaks (DO). Half of the money would be for grants for MCI and DO preparedness.

**Department of Elder Affairs** – The House and Senate are very close of funding for the department, giving it an increase of approximately \$5.5 million (1.8 percent). The House provides \$10 million (Senate – \$7 million) in additional funds to serve elders on waitlists for Alzheimer’s respite care, community care for the elderly, and home care for the elderly. The Senate funds 204 new PACE slots (House funds 150 slots) to provide elder care.

**Department of Veterans Affairs** – The House and Senate are also very close on funding for veterans, providing a large increase of approximately \$34 million (32 percent). This is due to \$32 million in additional funds for completion of a seventh State Veterans Nursing Home. Most of that increase comes from federal funds.

## ENVIRONMENT

Environmental funding is a major budget difference that must be worked out before a final budget can be put together. The Senate funds the Department of Environmental Protection at \$1.707 billion, \$429.7 million (33.6 percent) more than the House. Moreover, this does not include the Senate President’s priority of building a deep reservoir south of Lake Okeechobee for water storage to help mitigate polluted discharges from the Lake. That \$1.5 billion project is contained in Senate Bill 10. It is hoped the federal government will pay for half of the project. SB 10 has a \$64 million appropriation for the upcoming budget year and authorizes bonding to complete it. The House is adamantly opposed to bonding.

### **Other Environmental Funding Highlights:**

**Everglades Restoration** – The Senate provides \$144.0 million and the House provides \$126.9 million for the Comprehensive Everglades Restoration Plan or CERP and the regional water quality plan. The Senate also provides \$34 million for Northern Everglades Restoration; the House provides \$29.9 million.

**Drinking Water and Wastewater Revolving Loan Programs** – Both budgets include \$226.9 million in trust funds for these two programs. The Senate adds \$18.4 million in General Revenue, \$5.0 million more than the House.

**Local Water Projects** – The House funds 50 local member water projects with \$20 million, and the Senate provides \$71.7 million for a list of projects that is nearly three times as long.

**Springs Restoration** – The Senate provides \$50.0 million and the House provides \$40.0 million.

**Beach Restoration** – The Senate provides \$50.0 million; the House provides \$30.0 million for the state’s beach program. The Senate provides another \$50 million for beach hurricane recovery.

**Florida Recreation Development Assistance Grants (FRDAP)** – The Senate provides \$5.3 million and the House provides \$3.1 million for this local park grant program. The Senate further funds local member park projects at \$4.1 million while the House funds \$1.1 million.

**Petroleum Tank Cleanup** – The Senate provides \$125.0 million; the House provides \$100.0 million.

**Other Senate Projects** – Other projects only funded by the Senate include St. Johns River/Keystone Heights restoration and recreation projects (\$21.1 million), Florida Keys water resource protection (\$25 million), and Lake Apopka restoration (\$5.0 million).

**Citrus Canker Payments** – The House provides \$66.0 million to settle claims from lawsuits filed by homeowners whose citrus trees were cut down in a failed attempt to eradicate canker. The payments are for claims in Broward, Lee, and Palm Beach counties. There are on-going lawsuits in Miami-Dade and Orange counties. The Senate provides no funding, preferring to wait for a Supreme Court ruling.

## ECONOMIC DEVELOPMENT AND TRANSPORTATION

Economic development and tourism promotion have been a source of friction between the House, Senate, and the Governor since the beginning of session. The House wanted to eliminate Enterprise Florida (EFI) and VISIT FLORIDA (VF), moves the governor fiercely opposes. Early in the session, the House passed legislation to eliminate EFI and 23 economic development programs. The House would keep VF, but reduce its funding considerably.

**Department of Economic Opportunity** – The Senate provides \$1.441 billion to the Department of Economic Opportunity (DEO) which houses these programs. The House provides \$779.6 million. That gap is inflated because the Senate includes \$300 million in settlement funding from Triumph Gulf Coast for the BP oil spill. That \$300 million is not in the House budget but is in House Bill 7077.

Still, there are many programs in DEO that the Senate funds, while the House does not (or funds at lower levels). Some of these include:

	House	Senate
Quick Action Closing Fund	0	\$59.1 million
Enterprise Florida	0	\$23.5 million
VISIT FLORIDA	\$25.0 million	\$76.0 million
Quick Response Training	0	\$15.0 million
Economic Development Tools	\$18.0 million	\$23.4 million
Space Florida	\$10.0 million	\$19.5 million

The Senate also funds considerably more local member projects in the DEO budget than the House. These include local economic development, housing, and community development projects. The House DEO budget contains 21 of these member projects worth \$9.7 million. The Senate funds 97 projects worth \$66.1 million.

**Affordable Housing** – The Senate provides \$162.4 million to the Florida Housing Finance Corporation; the Senate provides \$44.0 million.

**Department of Transportation** – The House and Senate budgets both fully fund the Department of Transportation’s (DOT) \$9.9 billion work program, which makes up most of DOT’s budget. Most of the two transportation budgets are identical; however, the Senate includes a startling number of local member transportation projects—approximately 70 projects worth \$135.0 million. The House has 28 projects worth \$16.3 million. Member projects can displace approved work plan projects.

## CRIMINAL JUSTICE AND CORRECTIONS

The Senate proposes to spend \$4.549 billion in this area, \$161 million (3.7 percent) more than the House and \$99 million (2.2 percent) more than current spending. The Senate funds 4,416 positions, 322.5 (0.8 percent) more than the House.

**Department of Corrections**                      *House – \$2.425 billion*                      *Senate – \$2.438 billion*

The two chambers are close on DOC funding. The Senate proposes \$21.0 million more for inmate health services and funds 114 more positions than the House, including 44 in facilities maintenance and repair. The House provides \$3.5 million more for facilities’ fixed capital outlay needs.

**Justice Administration**                      *House – \$871.8 million*                      *Senate – \$903.0 million*

The Senate funds 132.5 more positions, mostly for state attorneys and public defenders; however, the House funds 21 positions (\$1.3 million) for state attorneys with reassigned death penalty cases.

**Department of Juvenile Justice**                      *House – \$552.2 million*                      *Senate – \$577.8 million*

The House provides \$1.5 million for the Juvenile Redirections Program. The Senate puts \$4.6 million more in non-secure residential commitment and \$13.3 million more for delinquency prevention and diversion, including \$2.6 million for the Prodigy Program.

**Department of Law Enforcement**                      *House – \$270.3 million*                      *Senate – \$292.3 million*

The House funds 46 more positions (\$11.7 million in salary and benefits) for investigative services. The Senate funds 10 local police and sheriff fixed capital outlay projects costing \$5.2 million; the House does not fund any of these projects.

**Dept. of Legal Affairs/Atty. Gen.**                      *House – \$257.3 million*                      *Senate \$328.0 million*

Most of this difference is \$55.3 million more in federal funds for Victim Assistance Grants that is in the Senate budget.

## OTHER ISSUES

**State Employee Pay Increases** – The Senate provides \$219.7 million for an across-the-board state employee salary increase and several targeted ones:

**All State Employees** – \$103.9 million – Effective October 1, 2017, employees currently earning \$40,000 or less would get a \$1,400 hike. Those making more than \$40,000 would get \$1,000.

**Correctional Officers** – \$57.9 million – Increase minimum salaries and provide a minimum \$2,500 increases for each officer, effective July 1, 2017.

**State Law Enforcement** – \$14.8 million – All sworn law enforcement officers (encompassing 12 agencies) will get a 5 percent increase, effective July 1, 2017.

**Assistant Public Defenders** – \$5.2 million – APDs with at least three years or experience in the Judicial Circuit they are currently in will get a 6 percent raise, effective July 1, 2017.

**Judges** – \$38.0 million – Supreme Court Justices and DCA, Circuit, and County judges would get increases ranging from approximately \$26,000 to \$30,700.

The Senate also provides several smaller pay issues including ones for the Statewide Guardian Ad Litem Office, Department of Veterans Affairs nursing assistants, and the Florida Highway Patrol.

The House does not provide an across the board increase, but does provide one for law enforcement officers (5 percent) and correctional officers (\$1,300), as well as several smaller, targeted pay issues.

**Taxes** – Taxes will also be part of the final budget negotiations. There is likely to be some measure of tax relief passed by the Legislature, but what that will look like, and how big it will be, is still very much uncertain. Following the patterns of recent sessions, the House has rolled out a big tax cut “package” while the Senate has taken a more measured approach, advancing several individual tax cut bills, but has not yet passed anything.

The cornerstone of the House tax cut proposal (HB 7109) is a reduction in the Business Rent Tax (BRT) as [recommended by Florida TaxWatch](#). It also includes three sales tax holidays and various small sales tax exemptions and tax credits. Total state and local tax reduction in the first year is \$382.5 million, \$129.8 million of which are one-time cuts. The recurring amount is \$275.9 million. Because the proposal would reduce the BRT rate by 1.5 percent (from 6.0 percent to 4.5 percent) for two years and then increase the rate back up to 5.5 percent permanently, there is \$513.3 million in non-recurring cuts for two years. For more information on the House tax package and Senate bills, see this [Florida TaxWatch report](#).

**Trust Funds Sweeps** – The Senate “sweeps” \$284.0 million from various trust funds, transferring the money into General Revenue. Of this amount \$130.0 million comes from affordable housing trust funds. The House sweeps \$504.9 million, \$224.0 million from housing. [Florida TaxWatch has recommended](#) that each sweep should be contained in a separate bill, allowing for more debate and examination of the impacts.

**Member Projects** – The Senate includes many more member projects in its budget than does the House. Florida TaxWatch has not officially tallied them yet, but it is estimated there are \$700 million in the Senate compared to \$100 in the House.

**Agency for State Technology** – This agency, created in 2014 and recommended by Florida TaxWatch for several years, would be dissolved by the House. The state data center would be transferred to the Department of Management Services (DMS) and the Office of Technology and Data Solutions would be created within DMS.

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The monthly Budget Watch is written by **Kurt Wenner, VP of Research**

**Robert Weissert**, Executive VP & Counsel to the President & CEO

**Chris Barry**, Director of Publications

**David Mann** Chairman of the Board of Trustees, Florida TaxWatch

**Dominic M. Calabro**, President and CEO, Publisher & Editor

Florida TaxWatch Research Institute, Inc.

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