

## THE 2017 LEGISLATURE WILL HAVE \$1.667 BILLION MORE IN GENERAL REVENUE THAN IT SPENT LAST YEAR

*However, Additional Money May Not Stretch Very Far*

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The FY2017-18 budget process is now underway. The Governor's office recently provided budget instructions to state agencies to use in formulating their legislative budget requests (LBRs), which are due on October 14. The Governor will then use the LBRs to develop his budget recommendations, which must be provided to the Legislature at least 30 days before the start (March 7) of the 2017 Legislative Session.

In order to estimate how much money will be available for the next budget, the state's revenue estimators have finally finished their post-session evaluation of how the actions of the 2016 Legislature will affect revenues. There is also now a final tally of total General Revenue (GR) appropriations for the FY2016-17 budget year.

The end result is the 2017 Legislature will have an estimated \$32.034 billion in GR available for the FY2017-18 budget. This is \$1.667 billion (5.7%) more than net appropriations for FY2016-17, and the smallest percentage increase in available GR<sup>1</sup> over prior year spending in five years (since FY2011-12).

The table on page 2 shows the GR Outlook for next year. It is now estimated there is \$31.484 billion in GR available for the current (FY2016-17) budget year. This includes estimated revenue collections for the year, the effect of tax cuts and other measures affecting revenue passed by the 2016 Legislature, unspent (reserve) GR from the previous year, and trust fund sweeps.<sup>2</sup>

The budget passed by the 2016 Legislature totaled \$82.349 billion, of which \$30.282 is GR. The Governor's vetoes reduced GR appropriations by \$89.4 million (only \$4.2 million is recurring); however, there are many appropriations made by the Legislature that are not reflected in the total of the General Appropriations Act (GAA).

After the more than 3,000 line items that comprise the bulk of the GAA, there are nearly 20 pages of language that do things such as set state employee salaries and benefits, and transfer money between funds. But this often-overlooked section of the budget, known as the "Back of the Bill," also makes appropriations, reverts unspent money from previous budgets, and reappropriates some of those reversions.

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<sup>1</sup> Based on amount estimated to be available the when the budget was developed during session.

<sup>2</sup> Trust fund sweeps are funds transferred by the Legislature into GR to increase available revenue. Theses sweeps are authorized (and spent) in the General Appropriations Act.

Some of these appropriations are for the current year (the year prior to the one funded by the budget). The FY2016-17 budget appropriates \$50.0 million (\$29.6 million in GR) for FY2015-16 expenses. This includes covering deficits in Medicaid, Kidcare, the Tobacco Settlement Trust Fund, and the courts. It also includes items like \$95,000 for a local library and \$42,000 to buy a van for a private non-profit organization. Reversions are reappropriated for both the same purpose as the original appropriation or for completely different purposes.

### General Revenue Outlook for the 2017-18 Budget

	RECURRING	NON-RECURRING	TOTAL
<i>GR Funds Available for 2016-17</i>			
Reserve (Carried Forward)		\$1,664.3	\$1,664.3
Estimated Revenues	\$29,576.8	\$(69.8)	\$29,507.0
2016 Legislation Affecting Revenues	\$(63.4)	\$21.1	\$(42.3)
Trust Funds Sweeps to GR		\$259.6	\$259.6
Unused Appropriations/Reversions		\$95.4	\$95.4
Federal Funds Interest Earnings Rebate	\$(0.2)		\$(0.2)
<b>Total Funds Available for 2016-17</b>	<b>\$29,513.2</b>	<b>\$1,970.6</b>	<b>\$31,483.8</b>
<i>GR Appropriations by 2016 Legislature</i>			
2016-17 General Appropriations Act	\$29,362.4	\$919.1	\$30,281.5
Vetoed	\$(4.2)	\$(85.2)	\$(89.4)
Reappropriations		\$9.1	\$9.1
Transfer to Budget Stabilization Fund		\$30.7	\$30.7
Transfer to Clerks of the Court Trust Fund		\$12.9	\$12.9
Other Bills with Appropriations	\$109.4	\$13.0	\$122.4
2016-17 Total Effective Appropriations	\$29,467.6	\$899.6	\$30,367.2
<b>Ending Balance (GR Reserves)</b>	<b>\$45.6</b>	<b>\$1,071.0</b>	<b>\$1,116.6</b>
<i>GR Available for Next Budget 2017-2018</i>			
Reserve (Carried Forward)		\$1,116.6	\$1,116.6
Estimated Revenues	\$30,903.1	\$(13.7)	\$30,889.4
2016 Legislation Affecting Revenues	\$(66.5)	\$(0.9)	\$(67.4)
Unused Appropriations/Reversions		\$95.8	\$95.8
Federal Funds Interest Earnings Rebate	\$(0.2)		\$(0.2)
<b>GR Available for Next Budget (FY2017-18)</b>	<b>\$30,836.4</b>	<b>\$1,197.8</b>	<b>\$32,034.2</b>

Source: The Florida Legislature, Office of Economic and Demographic Research and Florida TaxWatch, June 2016.

In addition, the Legislature often appropriates money in substantive bills. This year, 19 bills passed that appropriated another \$129.3 million, \$122.4 million of which is GR. The largest is SB 672, which provides \$95.3 million in recurring funding for Personal Learning Scholarships for students with unique abilities (\$73.3 million), incentives for school districts to adopt student uniforms (\$14.0 million), and the Florida Postsecondary Comprehensive Transition Program (\$8.0 million).

Other items that increase net effective appropriations for FY2016-17 are a constitutionally-mandated transfer to the Budget Stabilization Fund and a transfer to the Clerks of the Court Trust Fund to address a current year deficit. The Joint Legislative Budget Commission also approved a budget amendment to provide a \$10.0 million Small Business Bridge Loan to help businesses in the Tampa area affected by the floods in the Summer of 2015.

These factors increase net appropriations (even after the Governor's vetoes) to \$30.367 billion and leave cash reserves of \$1.117 billion.

### Available General Revenue Compared to Prior Year Appropriations

FY	RECURRING	NON-RECURRING	TOTAL	% GROWTH	\$ OVER PRIOR YEAR APPROPS	% OVER PRIOR YEAR APPROPS
2006-07	\$27,211.0	\$4,481.4	\$31,692.4	-	-	-
2007-08	\$27,464.1	\$3,469.2	\$30,933.3	-2.4%	\$1,594.2	5.9%
2008-09	\$24,576.9	\$728.4	\$25,305.3	-18.2%	\$(2,901.7)	-9.9%
2009-10	\$20,003.6	\$312.1	\$20,315.7	-19.7%	\$(3,657.7)	-13.0%
2010-11	\$22,436.7	\$1,194.4	\$23,631.1	16.3%	\$2,420.5	10.1%
2011-12	\$23,708.0	\$548.0	\$24,256.0	2.6%	\$237.9	1.1%
2012-13	\$24,252.6	\$1,342.9	\$25,595.5	5.5%	\$2,208.1	9.2%
2013-14	\$25,833.5	\$2,688.6	\$28,522.1	11.4%	\$3,523.5	15.1%
2014-15	\$27,637.6	\$2,347.9	\$29,985.5	5.1%	\$2,609.0	10.4%
2015-16	\$28,862.7	\$1,912.0	\$30,774.7	2.6%	\$2,387.2	8.7%
2016-17	\$29,576.6	\$1,680.6	\$31,257.2	1.6%	\$1,905.3	6.7%
2017-18	\$30,836.4	\$1,197.8	\$32,034.2	2.5%	\$1,667.0	5.7%

Based on estimates for each year at the time of budget development during the legislative session. Source: The Florida Legislature, Office of Economic and Demographic Research and Florida TaxWatch, June 2016.

## ADDITIONAL FUNDS MAY NOT GO FAR

The \$1.667 billion in available GR over prior year spending may seem like a lot of money, but when you consider that the Legislature will almost certainly leave a GR reserve of at least \$1.0 billion, the amount available to actually spend shrinks considerably.

It is also important to consider the increasing costs of government programs. The two biggest in terms of GR—Medicaid and public school funding—will likely require significant increased funding. The latest forecast of Medicaid expenditures estimates GR costs will increase by \$312.1 million next year. Florida

also recently discovered it underpaid its Medicaid reimbursements by \$433 million over two years. This money will be repaid jointly by Florida and the federal government—Florida’s share is \$173 million.

In addition, the number of students in Florida’s public schools is expected to increase by 25,436 children. Assuming the same level of per-student spending (and the same portion of state funds vs. local funds), these new students will cost another \$102.6 million. As has been the case in recent years, there will likely be a push by the Governor and Legislature to increase per-student funding.

The last *Long-Range Financial Outlook*<sup>3</sup> estimated Florida will need \$31.074 billion to fund a continuation budget (based on the FY2015-16 budget, including historically funded non-recurring items). Assuming a \$1.0 billion reserve, Florida would have just under enough to cover that amount. Of course, the Legislature doesn’t have to fund everything it funded in FY2015-16. And it will likely sweep some trust funds to increase GR.

The biggest caveat to these projections is that revenue estimates will be re-done three times before the next budget is passed. The next General Revenue Estimating Conference will be held next month and then likely in December 2016 and March 2017. Through May 2016, actual GR collections have exceed the last estimate (January 2016) slightly—by \$42.2 million. While this is encouraging, many revenue sources are below estimates, including the largest—the sales tax—which is \$34.4 million under estimate.

In addition to the GR Conference, the summer round of other revenue and expenditure estimating conferences is beginning this month. These new estimates will shape the upcoming *Long-Range Financial Outlook* which will be released in September.

The Florida TaxWatch *Budget Watch* series will monitor these and other developments and keep you up to date with the budget outlook for FY2017-18. ■

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3 Legislative Budget Commission, Long-Range Financial Outlook Fiscal Years 2016-17 through 2018-19, Fall 2015. Available at <http://edr.state.fl.us/Content/long-range-financial-outlook/index.cfm>

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