

ANALYZING THE GOVERNOR'S FY2017-18 BUDGET AND TAX RECOMMENDATIONS

Governor Rick Scott recently released his \$83.474 billion proposed budget, which will be considered by the Legislature as it crafts the state's new spending plan. The Governor's budget recommendations for FY2017-18 represent an increase of 1.4 percent (\$1.189 billion) over current year spending. General Revenue (GR) spending of \$30,845.1 billion would be an increase of 1.8 percent over the current year. The budget proposes to fund 113,758 state employee positions, 327 more than currently exist. The proposed budget is \$959 million less than was requested by state agencies this fall,¹ and funds 1,365 fewer positions than requested.

Despite state estimates that there would be only \$7.5 million in GR available for new initiatives after funding a continuation budget,² the Governor's budget would increase public school funding³ by \$815 million, increase GR funding to the Department of Environmental Protection by nearly \$300 million, add a net of 327 state employees and cut taxes by \$618 million.⁴ Even with these provisions, the Governor's budget would leave \$345 million more in GR reserves than the \$1.0 billion assumed in the state estimate.

1 Excluding the Department of Transportation. Due to its unique cash flow budgeting system, its request is lower than it normally would be.

2 Florida legislature, "Long-Range Financial Outlook Fiscal Years 2017-18 through 2019-20", Fall 2016. See also: Florida TaxWatch, "Budget Watch - Projected Shortfall Requires Action," September 2016.

3 Funding for the Florida Education Finance Program (FEFP).

4 The Governor's tax cut recommendation would have a first-year impact of -\$295.1 million on the state budget and a recurring -\$420.2 million in succeeding years. The Governor arrives at his -\$618.4 million total by adding the first-year non-recurring state and local cuts (-\$145.8 million) to the recurring value of the other cuts (-\$472.6 million)

GOVERNOR'S PROPOSED BUDGET SNAPSHOT

Total Funding - \$83.474 billion—\$1.189 billion (1.4 percent) more than current year spending

State Employees - 113,758 state employee positions, 327 more than currently exist. The Governor is recommending 596 new positions, while eliminating 269 (mostly vacant) positions. There is no across the board pay increase for state employees, but the Governor is again recommending a three-tiered bonus system through which an employee could receive up to \$1,500. Pay increases for state corrections and law enforcement officers are also recommended.

Tax Cuts - \$618.4 million in state and local tax cuts, mostly from a reduction in the business rent tax. Since most of the cuts do not take effect until January 2018, the first-year impact to the state is only \$295.1 million. There is a recurring \$420.2 million impact to the state. The Governor also proposes to cut various fees by \$7.5 million.

Reserves - \$5.0 billion, including \$1.3 billion in unallocated General Revenue (cash) reserves.

Trust Fund Sweeps - \$319.5 million, most of it (\$224.0 million) from state and local affordable housing trust funds. The State Transportation Trust Fund is not swept.

Bonding - The Governor proposes to only issue new bonds for transportation projects (up to \$369 million).

Tuition - No tuition increase for colleges or universities.

FY2017-18 Governor's Budget Recommendations

Compared to Current Year (\$ millions)

Department/Agency	General Revenue	Trust Funds	Total	Current Year Total	+ / (-) Current Year	Positions	+ / (-) Current Year
Administered Funds (Statewide)	\$84.34	\$81.77	\$166.11	\$77.19	\$88.92	-	-
Agriculture & Consumer Services	\$113.13	\$1,583.14	\$1,696.28	\$1,747.86	\$(51.58)	3,601	3,601
Business & Professional Regulation	\$2.13	\$148.91	\$151.03	\$155.67	\$(4.64)	1,614	1,614
Children & Families	\$1,735.18	\$1,378.64	\$3,113.82	\$3,097.12	\$16.70	11,991	11,991
Citrus	\$0.65	\$29.30	\$29.95	\$49.12	\$(19.17)	35	35
Commission on Offender Review	\$10.11	\$0.12	\$10.22	\$9.98	\$0.25	132	132
Corrections	\$2,463.95	\$74.46	\$2,538.41	\$2,411.73	\$126.69	24,434	24,434
Economic Opportunity	\$300.00	\$965.22	\$1,265.22	\$1,102.51	\$162.71	1,522	1,522
Education	\$15,698.38	\$8,274.49	\$23,972.87	\$23,909.83	\$63.03	2,319.75	2,320
Elder Affairs	\$143.22	\$172.33	\$315.56	\$311.48	\$4.07	439.5	440
Environmental Protection	\$464.06	\$1,335.51	\$1,799.56	\$1,722.55	\$77.01	2,899.50	2,900
Financial Services	\$23.07	\$333.47	\$356.54	\$346.07	\$10.47	2,637.50	2,638
Fish & Wildlife Conservation	\$31.11	\$343.25	\$374.37	\$380.23	\$(5.87)	2,118.50	2,119
Governor's Office	\$71.23	\$396.80	\$468.02	\$359.74	\$108.28	435	435
Health	\$508.68	\$2,445.91	\$2,954.58	\$2,899.97	\$54.62	14,065.6	14,066
Health Care Administration	\$6,329.31	\$20,688.70	\$27,018.01	\$26,604.60	\$413.41	1,547	1,547
Highway Safety & Motor Vehicles	\$0.00	\$469.62	\$469.62	\$469.75	\$(0.13)	4,414	4,414
Justice Administration	\$754.27	\$144.37	\$898.64	\$896.03	\$2.61	10,586.0	10,586
Juvenile Justice	\$416.13	\$154.98	\$571.11	\$554.99	\$16.12	3,269.5	3,270
Law Enforcement	\$122.00	\$180.59	\$302.59	\$297.33	\$5.26	1,881.00	1,881
Legal Affairs	\$53.90	\$272.34	\$326.24	\$309.53	\$16.71	1,393.50	1,394
Legislature	\$203.77	\$2.51	\$206.28	\$205.46	\$0.82	0	-
Lottery	\$0.00	\$181.45	\$181.45	\$167.03	\$14.42	420	420
Management Services	\$38.80	\$631.84	\$670.64	\$701.46	\$(30.82)	1,298.50	1,299
Military Affairs	\$33.63	\$52.32	\$85.95	\$71.81	\$14.14	453	453
Persons with Disabilities	\$549.51	\$786.93	\$1,336.44	\$1,311.21	\$25.24	2,692	2,692
Public Service Commission	\$0.00	\$24.86	\$24.86	\$25.18	\$(0.32)	272	272
Revenue	\$212.23	\$361.05	\$573.28	\$579.03	\$(5.75)	5,121.0	5,121
State	\$56.25	\$34.94	\$91.19	\$144.26	\$(53.08)	408	408
State Courts	\$417.16	\$91.42	\$508.58	\$525.67	\$(17.09)	4,343.50	4,344
Transportation	\$0.00	\$10,874.24	\$10,874.24	\$10,735.01	\$139.23	6,299	6,299
Veterans Affairs	\$9.69	\$113.08	\$122.78	\$105.87	\$16.90	1,118	1,118
Totals	\$30,845.9	\$52,628.5	\$83,474.4	\$82,285.28	\$1,189.15	113,757.8	113,757.8

To balance his budget, the Governor takes several steps including: reducing funding to half of state agencies; transferring (“sweeping”) money from trust funds into GR; and using increased local property taxes of \$557.9 million to funds most of his recommended public school funding increase. The Governor also claims his budget contains \$1.130 billion (\$418.1 million from GR) in budget savings from reduced positions and agency efficiencies. But the vast majority of the savings comes from reduced Medicaid payments to hospitals of \$929.5 million (\$356.7 million GR). The Governor says these hospitals are enjoying record profits, but this may prove to be a tough sell to the legislature.

PROPOSED TAX REDUCTIONS

The Governor is recommending \$618.4 million in state and local tax relief. He is recommending one time relief (tax holidays and a one-year exemption for college textbooks) of \$145.8 million. He is also

proposing recurring tax cuts of \$472.6 million. Because the recurring cuts are not implemented until the middle of FY2017-18, the first-year state and local tax savings would be \$344.3 million. The first-year impact to the state budget is \$295.1 million.

Sales Tax on Commercial Rents – Florida

TaxWatch strongly supports reducing/eliminating the sales tax paid on commercial rents.⁵ This tax is unique to Florida, which creates a disincentive for businesses to operate in Florida. Under the Governor’s proposal, beginning January 1, 2018, the state sales tax rate on rents would be reduced from 6 percent to 4.5 percent. This would save business renters \$189.3 million in FY2017-18, and \$454.4 million on a recurring basis.

Corporate Income Tax – The Governor is recommending increasing the standard exemption from \$50,000 to \$75,000. This exemption was increased from \$5,000 to \$25,000 in 2011 and

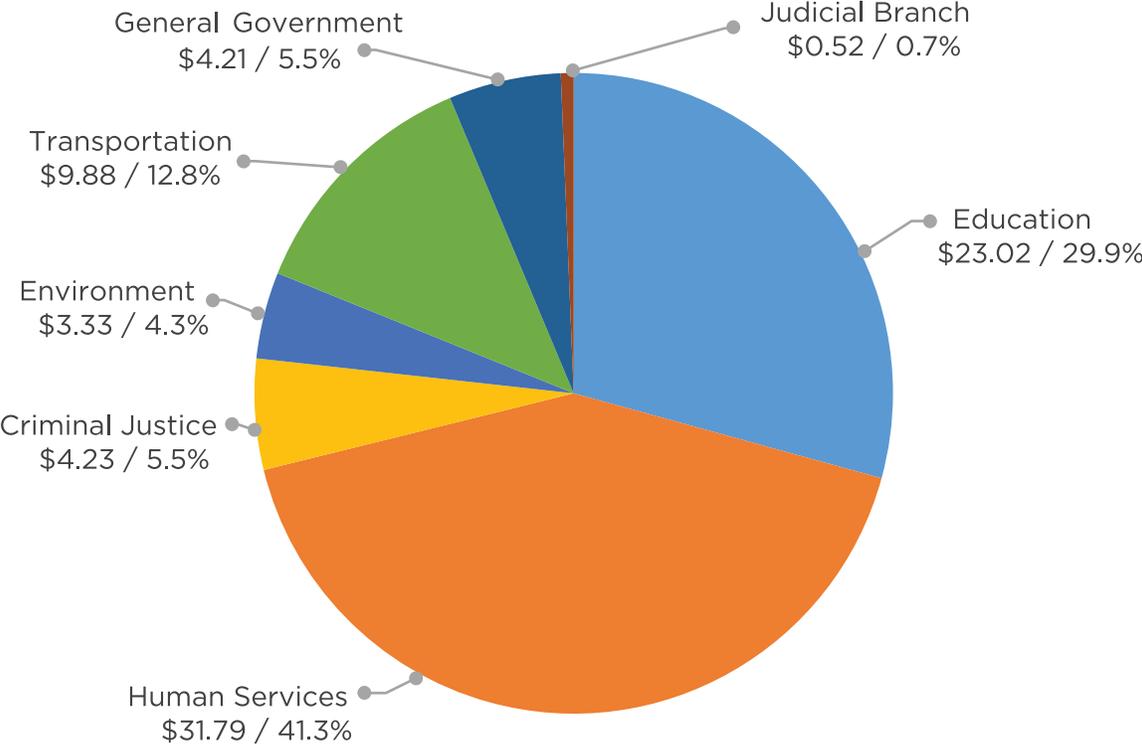
⁵ Florida TaxWatch, “Reducing the Business Rent Tax,” October 2015.

FY2017-18 Governor’s Recommended Tax Cuts (\$ in millions)						
Department/Agency	General Revenue		Local		Total	
	First Year	Recurring	First Year	Recurring	First Year	Recurring
Sales Tax						
Cut Business Rent Tax Rate (6%-4.5%)	\$167.70	\$402.50	\$21.60	\$51.90	\$189.30	\$454.40
10 Day Back-to-School Sales Tax Holiday	\$58.50	\$-	\$13.50	\$-	\$72.00	\$-
3 Day Veteran’s Sales Tax Holiday	\$15.00	\$-	\$3.40	\$-	\$18.40	\$-
9 Day Hurricane Preparedness Holiday	\$5.80	\$-	\$1.20	\$-	\$6.90	\$-
1 Day Hunting & Fishing Tax Holiday	\$0.40	\$-	\$0.10	\$-	\$0.50	\$-
Exemption for College Textbooks (1 year)	\$39.10	\$-	\$8.90	\$-	\$48.00	\$-
Exemption for School Book Fairs	\$2.50	\$2.50	\$0.50	\$0.50	\$3.00	\$3.00
Corporate Income Tax						
Exemption Increase from \$75k to \$100k	\$6.10	\$15.20	\$-	\$-	\$6.10	\$15.20
Total Tax Relief	\$(295.10)	\$(420.20)	\$(49.20)	\$(52.40)	\$(344.20)	\$(472.60)
The Governor arrives at his -\$618.4 million total by adding the first-year non-recurring state and local cuts (-\$145.8 million) to the recurring value of the other cuts (-\$472.6 million)						
Note: These cuts would have an insignificant impact on Trust Fund revenues.						

General Revenue Fund Outlook
Impact of Governor's Recommendations (\$ millions)

Funds Available 2017-18	Recurring	Non-recurring	Total
Current Reserves	\$-	\$1,384.50	\$1,384.50
Estimated revenues	\$30,724.10	\$(14.60)	\$30,709.50
BP Settlement Payment	\$106.70	\$(106.70)	\$0
Reversions and Other Adjustments	\$(0.20)	\$109.40	\$109.20
Budget Stabilization Fund	\$-	\$(32.10)	\$(32.10)
Total GR Available for 2017-18	\$30,830.60	\$1,340.50	\$32,171.10
Governor's Recommendations			
Tax & Fee Relief	\$(423.60)	\$124.70	\$(298.90)
Trust Fund Sweeps	\$-	\$319.50	\$319.50
Appropriations	\$(29,779.70)	\$(1,067.20)	\$(30,846.90)
New GR Reserves	\$627.30	\$717.50	\$1,344.80

Governor's Budget - Appropriations by Program Area
\$ billions



\$50,000 in 2012. Increasing the exemption to \$75,000 would result in income taxes being eliminated for more than 80 percent of Florida's corporations. This would save \$15.2 million annually (all state general revenue). Since it will apply to tax years beginning on or after January 1, 2018, the FY2017-18 impact would be only \$6.1 million.

Sales Tax Exemption for College Textbooks–

For the third year in a row, the Governor is recommending a one-year exemption. College textbooks would be exempt from both state and local sales taxes and the exemption would apply to textbooks for both public and private institutions. College students would save an estimated \$48.0 million next year. State revenue would be reduced by \$39.1 million, local government revenue would drop by \$8.9 million. An exemption was passed in 2015, but not last year.

Sales Tax Holidays – The Governor is recommending four separate sales tax holidays, including another of the popular “**back to school**” holidays⁶ which would run from August 4-13, 2017. The 10-day sales tax holiday would exempt clothing priced at \$100 or less, school supplies at \$15 or less, and the first \$750 of the price of a computer or computer-related accessories. The exemption is only supposed to apply to computers purchased for noncommercial use. This would save consumers \$72.0 million, \$13.5 million of which would be local revenue. He is also recommending a 9-day (May 27-June 4) holiday for **disaster preparedness** items, such as self-powered lights and radios, tarps, generators, first-aid kits, and batteries. This would save consumers an additional \$6.9 million, \$1.2 million of which would be local revenue. A three-day (November 9-11) **veteran's holiday** would

exempt purchases by veterans of a wide range of items, including clothing, books, computers, recreational equipment, televisions and household appliances. This would save veterans \$18.4 million, including \$3.4 million in local taxes. A one-day (July 1) **camping & fishing** holiday would save consumers \$500,000 on purchases of equipment for these two activities.

Sales Tax Exemption for School Book Fairs – The Governor wants to create a permanent exemption for reading materials bought at book fairs held for the benefit of public, parochial, or private K-12 schools. This would save \$3.0 million annually (\$0.5 million in local taxes).

PROPOSED FEE REDUCTIONS

In addition to the proposed tax cut, the Governor is recommending cutting several fees that would save consumers \$7.5 million annually. The fees mostly affect seniors, veterans, and businesses.

Seniors – Persons over 80 years of age would be exempt from the \$25 fee for renewal and replacement IDs, as well as the original ID when surrendering their driver license. The \$70 fee for retitling a vehicle would be waived in the case of a spouse's death. These fee cuts would save seniors \$4.6 million annually.

Veterans – The \$75 fee for an original commercial driver license would be waived for veterans. The \$1 or \$2 fee for having a veteran's designation on an ID or driver license would be eliminated. These fee cuts would save veterans \$199,000 annually.

Businesses – Renewals of professional licenses are imposed a fee of \$25-\$260 when delinquent. The Governor is proposing a flat \$25 delinquency fee. He is also proposing cutting the Florida Building Code surcharge on building permits from 1.5

⁶ Florida TaxWatch, “Supporting Sunshine State Shoppers: Examining Florida's Back to School Sales Tax Holidays,” February 2017.

percent to 1.0 percent. The \$5 fee for businesses filing paper sales tax returns (as opposed to online filing) would be eliminated. Lastly, all fees for commercial driving schools would be cut by 50 percent. The fee cuts would save businesses \$3.4 million annually.

EDUCATION

K-12 Education – Recommended total funding for the Florida Education Finance Program (FEFP) is \$20.998 billion (\$11.552 billion in state funding), \$815.2 million (4.0 percent) more than the current year. Per-student spending of \$7,421 would be \$216 per student more (3.0 percent) than the current year. However, as opposed to last year, local taxpayers will pay for most of this funding increase; Required Local Effort (RLE) and discretionary property taxes will rise by \$557.9 million (6.3 percent). The state contribution will increase by only \$257.2 million (2.3 percent).

Although the Governor is proposing to keep the current millage rate, increasing property values will mean higher school property tax bills. Under the state Truth in Millage Law, this should be considered a tax increase (except for the added tax revenue coming from new construction). While the Legislature sets the amount of RLE in the budget, it is not considered a state appropriation and does not add to the budget's bottom line. The more than 28,000 new students expected for next year will cost \$203.1 million at the Governor's recommended funding level.

The Governor is recommending \$66.5 million for teacher recruitment, retention, and professional development. He does not include funding for the Best and Brightest Teacher Scholarship Program.

Higher Education - Florida Colleges are funded at \$1.25 billion, a \$10.5 million increase over the current year. This includes \$100 million

for performance funding, \$5.6 million for dual enrollment courses for high school students, and \$10 million for students earning industry certifications in specified high-demand areas. Universities would receive \$4.85 billion, a \$78.6 million increase. This includes \$600 million in performance funding, \$50 million of which is new money. Universities would provide \$300 million by redirecting funding from their base budgets. The Governor would provide \$12.9 million to increase Bright Futures Scholarships awards by 10 percent per credit hour and \$34.7 million to cover credit hours taken during the summer term. No tuition increase is recommended. In fact, the Governor is proposing freezing college tuition and freezing fees at both colleges and universities.

Early Learning – The Office of Early Learning, which runs the state's Pre-K programs would receive \$1.084 billion, a \$36.1 million increase. This will provide a \$50 per student increase (\$43 per student in the summer program). The Governor's budget also includes \$25 million in federal funds to serve 4,600 additional children in Florida's school readiness program.

Education Fixed Capital Outlay – Excluding debt services, the Governor recommends \$336.4 million for education facility projects. The remainder includes nearly \$240 million for maintenance, repair and renovation of public schools (\$75 million), charter schools (\$75 million), universities (\$54 million), and colleges (\$36 million). Hamilton and Taylor counties would receive \$16 million for public school construction projects. Another \$61.5 million is provided for new college (\$20.5 million) and university (41.0 million) building projects, for which the Governor would require a 1 to 1 match from the institution or private sources. The Board of Governors and the State College System requested \$133.7 million (no match requirement) for these projects.

HEALTH AND HUMAN SERVICES

Medicaid – The Governor recommends \$27.0 billion for the Agency for Health Care Administration, which runs the state’s Medicaid program. This is \$413.4 million more than the current year but \$1.2 billion less than was requested by the agency. This is because the Governor is recommending saving \$929 million by reducing Medicaid payments to hospitals. Because he says hospitals made record profits of \$4.3 billion last year, his budget would eliminate the automatic increase in hospital reimbursement rates, saving \$50 million. He also proposes to reduce “arbitrary and inconsistent” supplemental payments to hospital that provide less charity and uncompensated care than average, reducing hospital payments by another \$298 million. He is also recommending allowing managed care plans to reimburse hospitals at lower rates, saving an additional \$581 million.

The Governor’s budget includes \$608 million for the Low Income Pool (LIP), which reimburses providers for indigent care; however, it is doubtful the federal government will fund the program. The Governor does not recommend using state dollars to offset the loss of federal funds for LIP.

Persons with Disabilities – The budget would allocate \$3.3 million to provide employment services to 2,500 individuals with developmental disabilities. \$7.4 million in additional funding is provided to enroll all individuals with critical needs from the waiting list into the Developmental Disabilities Waiver Program, which provides home and community based services to assist people with developmental disabilities in living, learning, and working in their communities. This will add 680 persons to the program.

Children and Families – The Governor recommends \$18.7 million in additional funding to better coordinate and enhance mental health and substance abuse services, as has been recommended by a Florida TaxWatch report.⁷ The Governor is also recommending what he says is record funding of \$632 million to community based care organizations (CBCs) for child welfare. He is also recommending that the state’s Social Services Estimating Conference begin determining the needed funding levels for CBCs.

Elder Affairs – The Governor is recommending \$3.0 million in new funding to enroll 249 additional individuals into the Alzheimer’s Disease Initiative program, \$4.0 million to enroll 497 additional individuals into the Community Care for the Elderly Program, and \$4.7 million to provide services to an additional 1,300 seniors through the Home Care for the elderly program.

Infectious Disease Outbreaks – An additional 21 epidemiologists (\$1.9 million) are provided to county health departments to help combat Zika and other illnesses. The Governor is also recommending a new \$2.2 million recurring revenue source to award grants for infectious disease research.

Veteran Affairs – The Governor proposes \$20.0 million to complete the new state veteran nursing homes in St. Lucie County. Also recommended are \$2.5 million for veterans’ employment support, \$1.4 million for Veterans Treatment Courts, \$1.0 million for Building Homes for Heroes, and \$2.0 million for the Florida Defense Support Task Force.

⁷ Florida TaxWatch. *Challenges Facing Florida’s Community-Based Child Welfare System*. November 2015

CRIMINAL JUSTICE

The Governor's total Public Safety budget recommendation is \$5.1 billion, an increase of \$150.5 million (3.0 percent). The Department of Corrections' budget would increase by \$126.7 million (5.3 percent). This includes \$38 million to increase salaries of the majority of the state's correctional and probation officers and \$9.0 million to add 209 new correction officer positions.

Other funding issues:

Juvenile Justice – Prevention program funding would be increased by \$5.5 million, including \$4.7 million to allow the Department of Juvenile Justice to contract for evidence-based prevention programs that have been proven to reduce juvenile delinquency. Also recommended is \$5.2 million to support 60 additional residential beds.

Law Enforcement - \$14.6 million is recommended to give a 5 percent pay raise to the state's 4,800 sworn law enforcement officers that serve in 13 different state agencies. The Department of Law Enforcement (FDLE) would also receive \$5.8 million to hire 46 new employees dedicated to counterterrorism. FDLE would also receive \$3.0 million upgrade its crime labs and sexual offender database.

The State Court System – The Governor's recommending funding is \$17.1 million (3.3 percent) less than current funding and \$48.2 million (8.7 percent) less than requested by the courts.

Justice Administration - The Governor also did not fund the significant increases recommended by State Attorneys and Public Defenders. While he does fund 50 new state attorney positions, he did not recommend 754 other positions that were requested by state attorneys, public defenders, and regional conflict counsels.

ENVIRONMENT

Environmental highlights include:

Everglades Restoration - \$225.0 million, a \$21.2 million increase over this year. This includes \$32.0 million in recurring state funding that was established last year.

Indian River Lagoon and Caloosahatchee Cleanup - \$60.0 million, including a \$40 million matching grant program to encourage residents to move from septic tanks to sewer systems. The other \$20 million would go to muck dredging and other capital improvements.

Springs Restoration - \$65 million, which is \$15 million above the \$50 million in recurring springs funding.

Land Acquisition - \$178 million for land acquisition and management. This includes \$25.5 million for Florida Forever land purchases, \$10.3 million for the Florida Community Trust Program, and \$5.0 million for land acquisition in the Florida Keys.

Beach Restoration - \$50.0 million for the state's annual program, a \$17.4 million increase. In addition, \$61.2 million is provided for the state's share of hurricane-related restoration.

Water Storage - \$215 million for projects around Lake Okeechobee to provide 170 billion gallons of storage. The Governor's recommendation does not include any money to purchase land for water storage south of Lake Okeechobee, as proposed by the Senate President.

Water supply - \$100 million for water supply projects.

State Parks - \$49.9 million for repairs and improvements.

Agriculture – The Governor’s recommendation for the Department of Agriculture and Consumer Services is \$1.696 billion, a \$51.6 million (3.0 percent) decrease from current spending. It is \$141.6 million (7.7 percent) and 87 employee positions below what was requested by the Agriculture Commissioner. The largest reductions are in the Florida Forest Service (\$64.3 million) and the Division of Licensing (47 positions).

ECONOMIC DEVELOPMENT

This part of the recommended budget is setting up a showdown between the Governor and the House. The Governor is recommending \$1.265 billion for the Department of Economic Opportunity, a \$162.7 million (14.8 percent) increase over the current year. The includes maintaining current levels of funding for Enterprise Florida and VISIT Florida, which the House is proposing to eliminate. Florida TaxWatch research has shown the value in funding tourism marketing and economic development incentives and strongly cautions against eliminating VISIT Florida and Enterprise Florida.⁸

The Governor is also recommending \$90.5 million (including spending authority for \$5.5 million in local match dollars) in “economic development tools,” which are business recruitment incentives. The Legislature provided \$18.0 million in these tools for the current year and the House Speaker opposes any incentives this year.

The Governor is also recommending record funding of \$20.0 million Quick Response Training (Florida Flex), an \$11.0 million increase. These funds would be used to provide training for workers moving into new Florida jobs.

⁸ Florida TaxWatch, “A Catalyst for Growth: An Analysis of Florida’s Economic Development Incentive Programs,” February 2016 and “Investing in Tourism: Analyzing the Economic Impact of Expanding Florida Tourism,” January 2013.

TRANSPORTATION

The Governor’s budget funds the Department Transportation’s work program at \$10.1 billion, including:

- \$4.1 billion to expand capacity, including 206 new lane miles;
- \$978.2 million for maintenance and operation;
- \$658.6 million for resurfacing 2,142 lane miles;
- \$257.8 million for aviation improvements;
- \$618.0 million for transit program improvements;
- \$300.8 million for the repair of 61 bridges and replacement of 16 bridges;
- \$175.6 million for safety initiatives;
- \$178.2 million in seaport infrastructure improvements; and
- \$82.7 million for bike and pedestrian trails.

CONCLUSION

The Governor’s proposed budget is simply the starting point for the legislative budget process. While it will serve as the framework for the new budget, the spending plan passed by the Legislature could look much different.

Some key areas of potential conflict between the Governor and the two chambers are already emerging. The Governor is a strong supporter of Enterprise Florida, the state’s business development agencies, and VISIT Florida, the state’s tourism marketing arm. He is also recommending \$85 million in business recruitment incentives. The House has recently advanced a bill⁹ that would eliminate both Enterprise Florida and VISIT Florida, and the Speaker has been adamant that the House will not have any incentives in its budget.¹⁰ The Senate appears to be more supportive of these economic development issues.

⁹ House Careers and Competition Subcommittee, Proposed Committee Bill CCS1, submitted as a committee bill on February 8, 2017. (Now House Bill 7005)

¹⁰ Floridapolitics.com, “Richard Corcoran: ‘No incentives’ in House budget,” January 31, 2017.

Public school funding is also shaping up to be a battlefield. The Governor is proposing keeping the same school millage rate as this year, and rising property values would result in \$557.9 million in additional property taxes for schools, funding most of the Governor's public school increase. Last year the Legislature reduced the millage rate, and this year the Speaker has said the House will not increase taxes. The Governor's position, like that of many others, is that rising property values do not constitute a tax increase. However, Florida's Truth in Millage (TRIM) law characterizes it as such, requiring local governments to advertise any rate over the "rolled-back rate" as a tax increase.¹¹ Florida TaxWatch's position is that any adopted millage rate over the "rolled-back rate" is a tax increase. Reducing that property tax increase would require more state funds to reach the Governor's recommended funding level.

The Senate also has its priorities. The Senate President wants to increase university funding by \$1.0 billion over two years (the Governor has recommended a \$78.6 million increase next year). The President has also proposed a \$2.4 billion plan, with federal help, to acquire 60,000 acres of land south of Lake Okeechobee in hopes of reducing harmful discharges to the St. Lucie and Caloosahatchee estuaries. It would require selling \$100 million in bonds annually for 20 years. However, the plan has its detractors and the Governor has made reducing state debt a priority.

There is certainly support for cutting taxes in the Legislature, but it is likely that lawmakers, particularly the Senate, will roll out smaller tax relief packages. Florida TaxWatch reiterates its recommendation that the Legislature include the largest reduction to the Business Rent Tax it can.¹²

Florida TaxWatch also reminds the Legislature to think beyond the next budget year. The Long-Range Economic Outlook cautioned that while there is a

slight surplus for the next budget, shortfalls of over a billion dollars loom in the next two years, if "business as usual" continues. The Outlook estimates it will take some combination of revenue or spending adjustments worth \$483 million in each year, starting with the upcoming budget, to erase the shortfall in FY2019-20. If the Legislature waits until FY2018-19 to address that year's shortfall, it will take \$1.3 billion in adjustments to clear it. Even if all those adjustments are recurring, another \$600 million will be needed the following year.

Legislative leaders have pledged to examine the base budget carefully to cut waste and unnecessary spending. Florida TaxWatch applauds the Legislature's commitment to scrutinizing state spending but cautions against "penny-wise and pound-foolish" cuts such as reducing state advertising aimed at bringing tourists to Florida. Care should also be taken to protect spending for direct essential services to individuals.

One way to help achieve the needed budget fix is to implement the recommendations of the 2016 Government Efficiency Task Force (GETF). The 29 recommendations within the final GETF report range on issues from telehealth, to criminal justice, to efficiency in state contracting. The state could realize savings and a cost avoidance upwards of \$2 billion if these recommendations were implemented.

Hopefully, the new House rules regarding member projects¹³ will help shine a light on this spending and reduce spending on questionable parochial projects. Florida TaxWatch will continue to work this session to help ensure that cost savings and improvements in the way government does business continue to be priority, that the tax package creates the most "bang for the buck" possible, and that added appropriation items get the scrutiny and debate they deserve.

¹¹ Section 200.65, Florida Statutes.

¹² Florida TaxWatch, "Reducing the Business Rent Tax," October 2015.

¹³ The TaxWatch Blog, "Speaker Corcoran's New Rules Spotlight Budget Turkeys," January 25, 2017. <http://www.floridatxwatch.org/blog.aspx>

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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