

PROPOSED HOUSE AND SENATE BUDGETS FOR FY2016-17 ARE \$1 BILLION APART

The House and Senate passed their respective state budgets for FY2016-17 with four weeks remaining in the 2016 Session. They will now go into the budget conference process to negotiate the differences. Conference meetings could start as early as this week (the week of February 22). First, the House Speaker and Senate President must agree on allocations, the amount of money available for each policy area in the budget (education, human services, criminal justice, general government, etc.). These negotiations take place in private.

The Senate proposes to spend nearly \$1 billion (\$988 million) more than the House, due in part to its plan to propose far less in tax reductions than the House's \$1 billion tax cut package. The Senate has not settled on its tax cut proposal.

The House budget totals \$79.981 billion and the Senate budget comes in at \$80.969 billion, which would be the largest budget in history. The House proposal is \$1.584 billion (2.0 percent) more than current year spending and \$728 million (1.0%) more than the Governor recommended. The Senate budget would be a 3.3 percent increase over current year spending.

The House is proposing a budget increase for 20 state agencies, and a decrease for 12 agencies. Under the Senate plan, 20 agencies would receive an increase. (see table on page 8)

Comparison of Proposed Budgets \$ billions

	Total	General Revenue	Trust Funds	Employee Positions
Current Year Budget	\$78.397	\$28.869	\$49.528	113,687
Governor's Budget	\$79.252	\$29.260	\$49.992	112,823
House Budget	\$79.981	\$29.550	\$50.431	112,691
Senate Budget	\$80.969	\$30.169	\$50.800	112,909

EDUCATION

The House provides a total education budget of \$23.261 billion, \$126.6 million more than the Senate. The two chambers are close in funding for early learning, public schools, colleges, and universities. The difference is largely due to the House spending \$105.3 million more in Public Education Capital Outlay (PECO) funds for educational facility construction and maintenance. The House provides \$90 million for maintenance of charter schools, while the Senate provides no funding for charters. The Senate does give state colleges \$10 million more for maintenance than does the House.

The House provides \$18.9 million more for college construction projects and \$8.6 million more for university construction. Neither chamber has specified what higher education construction projects would be funded. The House achieves this increased capital outlay funding by transferring \$105.3 million from general revenue to the PECO trust fund.

Both chambers propose a significant increase in funding for the Florida Education Finance Program (FEFP), which funds public schools (see table below). The \$20 billion investment allows for per-student funding of \$7,232 in the House budget and \$7,249 in the Senate. Both figures represent record per-student funding (not inflation adjusted), eclipsing the previous high of \$7,126 in FY2007-08. The Senate provides \$83.4 million for FEFP allocation for exceptional student education and \$52.9 million for the 300 lowest performing elementary schools. The House does provide more funding for the new Digital Classrooms FEFP allocation, proposing an increase from \$60.0 million to \$80.0 million. The Senate proposes no increase in funding for Digital Classrooms.

The \$20 billion in FEFP funding includes both state dollars and local property taxes. The amount of these property taxes, known as Required Local Effort (RLE), are set in the budget by the Legislature, but do not count as state appropriations. Most of the more than \$600 million increase in total FEFP funding in the House and Senate budgets are local funds—84 percent in the House and 78 percent in the Senate. This means property taxpayers would pay more than \$500 million in additional school property taxes under both plans.

Funding for the Florida Education Finance Program (FEFP)

\$ billions

	Current Year	House	Senate	House +/-(-) Current Year	Senate +/-(-) Current Year
State Funds	\$10.926	\$11.021	\$11.069	\$.095	\$.143
Local Funds	\$8.773	\$9.279	\$9.281	\$.506	\$.508
Total Funds	\$19.699	\$20.300	\$20.349	\$.601	\$.651
Per Student (in dollars)	\$7,107	\$7,232	\$7,249	\$124	\$142

In higher education, the chambers are very close on total funding for colleges and universities—around \$1.2 billion for colleges and \$4.7 billion for universities. This represents increased funding over the current year of approximately \$25 million for colleges and \$200 million for universities. The Senate provides \$475 million for university performance funding, \$225 million of which is new state dollars and the universities are required to redistribute \$250 million from their base budgets. The House provides \$500 million, \$250 million of which is new state dollars. College performance funding is \$60 million in both budgets, but the House provides \$40 million of that from new state money, and the Senate provides \$30 million. Both chambers propose a small reduction in financial aid funding, due to a decrease in Bright Futures enrollment. The Senate does increase the per student amount of the ABLE and FRAG grants for private colleges.

HUMAN SERVICES

The six agencies that make up the Human Services budget would receive a total of \$34.132 billion in the Senate budget and \$33.699 billion in the House. All agencies, with the exception of a small reduction for the Department of Veterans' Affairs, would receive an increase in funding over the current year.

The largest agency in this area by far is the Agency for Health Care Administration (AHCA), which administers the state's \$24 billion Medicaid program. AHCA would receive a \$652.6 million (2.6 percent) increase over current funding from the House and a \$1.024 billion (4.0 percent) increase from the Senate. It is expected that Medicaid costs (price level and caseload increases) will grow by approximately \$1.6 billion next year.

The big healthcare budget issue is again the Low-Income Pool, which reimburses hospitals and other providers for uncompensated (charity) care. The federal authorization for this program is ending, along with the funds that come with it. The feds have extended the program through the next fiscal year, but funding has fallen to just over \$600 million, down from \$1 billion last year and \$2 billion in prior years. This was one of the issues that stalemated the budget process last year, but the two chambers appear to be close this year. Both chambers offer \$608 million in funding, with a tier system that rewards providers who do the most charity care.

Other Human Services budget issues include:

Community Substance Abuse and Mental Health Services – The House funds an increase of \$23 million and the Senate funds a \$30 million increase.

County Health Departments – Both the House and Senate reduce staff positions by 507, the majority of which are vacant.

Medicaid Long Term Care Waitlist – The Senate provides \$9.2 million and the House provides \$10.8 million to reduce the number of people on the waitlist by at least 570.

iBudget Waiver – The House provides \$15.0 million and the Senate provides \$36.4 million to remove up to 1,350 persons with disabilities from the waitlist.

Maintenance Adoption Subsidies – Both chambers provide a funding increase of \$6.7 million.

Children's Action Teams – The Senate increases funding by \$3.7 million and the House by \$3.0 million to provide mental health and substance abuse services.

Veterans' Nursing Homes – Both chambers provide \$8.8 million in fixed capital outlay funding for the homes, including construction of the state's seventh veterans' nursing home.

ENVIRONMENT

The Legislature continues to implement Amendment 1, which requires 33 percent of documentary stamp taxes to be distributed to the Land Acquisition Trust Fund (LATF) for specified environmental purposes. This year, the LATF will receive \$767.1 million in documentary stamp taxes, including \$171.2 million dedicated to debt services on existing land acquisition bonds. Again, amendment backers feel the Legislature is not following the intent of the amendment by spending too little on land acquisition. The Senate includes \$82.6 million for land acquisition, including \$22.3 million for Florida Forever, the state's main land buying program. The Senate also funds \$27.7 million for to acquire wetlands related to Everglades restoration. The House has \$80.2 million for Florida Forever, but \$35.0 million of that is for acquisition of agricultural lands through conservation easements, not outright purchases. Another \$30.0 million is provided to water management districts to fund water resource programs.

Other Environmental Funding Highlights

- Everglades Restoration – The House provides \$198.0 million, the Senate provides \$82.0 million.
- Drinking Water Revolving Loan Program – Both budgets include \$104.4 million.
- Wastewater Revolving Loan Program – Both budgets provide \$151.1 million.
- Local Water Projects – Both the House and Senate include \$50.0 million for projects yet to be specified.
- Springs Restoration – The Senate provides \$50.0 million and the House provides \$31.9 million.
- Beach Renourishment – The Senate provides \$28.1 million, the House provides \$30.0 million, both down from \$32.1 million last year
- Florida Recreation Development Assistance Grants (FRDAP) – The Senate provides \$10.0 million, the House provides \$4.4 million.

ECONOMIC DEVELOPMENT AND TRANSPORTATION

The agency with the largest difference in funding between the House and Senate budgets is Department of Economic Opportunity (DEO). The House offers just over \$1.0 billion, but the Senate proposes 43 percent more: \$1.4 billion.

The Senate provides \$393.6 million for DEO's Strategic Business Development program, \$235.8 million more than the House. The Governor's proposal for a \$250 million economic development incentive fund may prove to be one of the most contentious budget debates. This fund—The Florida Enterprise Fund—would replace the state's Quick Action Closing Fund. The Senate provides \$250 million for the new fund while the House provides only \$18 million for the current economic development tools.

The Senate also proposes more funding than the House for these programs:

- Quick Response Training – The Senate offers \$15 million, \$3 million more than the House.
- Institute for the Commercialization of Public Research – The Senate offers \$6.5 million, the House \$1.0 million.
- Local Member Projects – The House budget contains 25 local member projects—costing just less than \$10 million—under the Housing and Community Development and Economic Development projects line-items. The Senate spends over \$25 million on 61 projects.

The House spends more than the Senate on:

- Enterprise Florida – The House provides \$23.5 million and the Senate provides \$15.0 million, the difference is \$8.5 million for marketing the state’s business brand; and
- Space Florida – The House provides \$19.5 and the Senate provides \$12.5 million. The House includes \$7.0 million for the shuttle launch facility, which the Senate does not fund.

Both chambers provide \$80.0 million for Visit Florida, a \$6 million increase.

Affordable Housing – This is the other major difference in the DEO budget. The Senate proposes \$311.6 million for the state’s affordable housing programs. The House proposes \$141.4 million. The House budget sweeps \$172.0 million from the Local Government Housing Trust Fund, transferring the funds to the General Revenue (GR) to shore up the amount of available GR, which can be used for anything.

Transportation - The House and Senate budgets both fully fund the Department of Transportation’s (DOT) \$9.1 billion work program, which makes up most of DOT’s budget. The total DOT budget is \$10.0 billion in the both the House and Senate. There are some differences, such as the Senate providing \$25 million more than the House for the Small County Road Assistance Program. The Senate has also placed more local member projects in the DOT budget, including \$5.4 million for six local trail projects. Both chambers specify numerous local projects under the Economic Development Transportation Projects appropriation. However, the Senate adds \$10 million for many more projects. Neither chamber sweeps the State Transportation Trust Fund.

CRIMINAL JUSTICE AND COURTS

The two chambers are very close in the Criminal Justice budget area. The House provides \$4.416 billion, while the Senate provides \$4.428 billion. The largest agency in this area, the Department of Corrections (DOC), receives \$2.405 billion in the Senate and \$2.401 billion in the House. Based on state estimates of declining prison population, the department could have received a \$24 million reduction in its operating budget. Instead the Legislature keeps the funding so the department “can continue to improve its operations.”¹

1 Florida House of Representatives, “Florida House Passes Balanced Budget,” press release, February 11, 2016.

The House funds a current year DOC deficit of \$2.5 million, as well as current year deficits in the Justice Administration Commission (\$4.5 million) and the Criminal Conflict and Civil Regional Counsels (\$900,000). The Senate provides \$27.3 million for community substance abuse services, \$1.6 million more than the House.

The largest budget increase in the criminal justice area is for the Department of Legal Affairs/Attorney General. Both chambers fund this agency at just over \$300 million, a 33 percent increase over the current year. This is due to an additional \$92.5 million in federal funds through the Victims of Crime Assistance Grants to help victims of child abuse, domestic abuse, sexual assault, and other crimes.

The Senate is proposing \$34.0 million more for the state court system than the House. The Senate puts \$13.0 million into courthouse construction in two District Courts of Appeal and \$2.8 million for local courthouses in four counties. The House does not fund any courthouses. The Senate also proposes \$1.3 million more than the House for Child Advocacy Centers and \$1.7 million more for drug and veterans courts.

MAJOR DIFFERENCES THAT STILL MUST BE RESOLVED

There are many differences that must be resolved before a final budget agreement is reached. Some of the major differences are:

Taxes – The House Finance and Tax Committee has approved a “\$1 billion” tax cut package. The impact to state revenue in the upcoming budget year is only \$300 million, but approximately \$600 million in each of the next two years. The Senate has not released a complete tax package but its budget contemplates much less in tax cuts, probably around \$250 million. The Senate Finance and Tax Committee has passed some individual tax cut bills, some of which are also in the House tax plan. These include two Florida TaxWatch research priorities, making the sales tax exemption for manufacturing machinery and equipment permanent and reducing the Business Rent Tax.

Trust Fund Sweeps – The House budget would take \$402 million from trust funds to shore up available General Revenue, including \$172 million from the Local Government Housing Trust Fund and \$79.5 million from the State Economic Enhancement and Development (SEED) Trust Fund. The Senate budget sweeps \$120 million (none from housing or economic development.) The sweep of the housing trust results in the Senate proposing \$311.6 million for the state’s affordable housing programs while the House proposes \$141.4 million. Last year, the Governor vetoed a sweep of the SEED Trust Fund.

PECO – The Senate provides \$369 million for education fixed capital outlay, the House provides \$474 million. The biggest difference is the House gives \$90 million to charter schools, the Senate does not provide charters with any PECO funding.

Economic Development Tools – One the top priorities of the Governor is his recommended \$250 million fund to use to incentivize business to invest in Florida—in addition to \$38 million in current economic development “tools.” The Senate provides \$250 million, but that includes all tools. The House only provides \$18 million. Both chambers are also advancing legislation (with differences) this session to revamp the process for many of the state’s economic development incentives.

Environmental Funding – The two chambers are about \$200 million apart, with the House spending more on Everglades restoration and land acquisition and the Senate spending more on springs restoration.

Public School Funding – The two chambers are very close on funding levels, but the mix of state funds and local property taxes may become a major sticking point. Required Local Effort (RLE) is the property taxes school districts must levy to participate in the public school funding program. The Legislature sets the dollar amount of the RLE in the budget. Both the House and the Senate budgets would keep the same RLE millage rate as last year. The growth in property values would provide more than \$500 million in addition revenue, allowing the Legislature to reach a record funding level for per-student funding.

There has been some resistance to this, especially in the Senate, as it would be a tax increase under Florida law. Any rate in excess of the rolled back rate is considered a tax increase, but many legislators do not interpret it that way. The Senate has discussed amending its plan by splitting the increased funding evenly between state and local revenue. This would reduce the local property tax share by \$183 million from the current Senate plan, but would still mean local taxpayers would pay \$324 million more in property taxes than in the current year. The would also increase the Senate's proposed General Revenue spending, leaving less money for negotiating between the two chambers.

The state budget tends to get larger during conference negotiations. However, this year, the final budget should not come in much higher than the Senate plan, at least in terms of General Revenue (GR) spending. The Senate budget would leave \$1.2 billion in GR cash reserves, and this is before accounting for any tax cuts the Senate may want. Senate leaders likely do not want the final reserve to be much lower, so absent any reduction in their GR spending plans, they are likely considering a tax cut proposal that minimizes the GR impact in FY2016-17. Using \$400 million in trust fund sweeps to increase available GR, the House plan leaves more GR to budget negotiators to work with. Even with its tax cut proposal, the House plan should leave reserves of more than \$1.5 billion. Although it is described as a \$1 billion tax cut, the House cuts have a yearly impact on the state budget that is well below \$1 billion. For the upcoming fiscal year, the impact is only \$300 million. But the Senate is legitimately concerned about the recurring GR impact of the House tax cuts, which grows to approximately \$500 million in the next two years. The Legislature's *Long Range Fiscal Outlook*,² which predicted a \$635 million surplus for this upcoming budget, also said that there was only an additional \$74 million in recurring dollars that could be spent without creating a deficit in two years. In addition, after the recent reduction in the state's revenue estimates, the Legislature has \$263 million less in available GR than the amount the *Outlook's* surplus was based on.

Florida TaxWatch urges the Legislature to deliberate thoughtfully and conservatively in the budget conference negotiations and refrain from adding new expenditures, particularly local member projects that do not have a statewide impact.

² The Long Range Fiscal Outlook can be accessed on the Office of Economic and Demographic Research website <http://edr.state.fl.us/Content/long-range-financial-outlook/index.cfm>. Also see the Florida TaxWatch September 2015 Budget Watch at <http://www.floridataxwatch.org/library/periodicals/budgetwatch/september2015.aspx>

FY2016-17 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
Admin. Funds (Statewide)	\$178.9	\$469.3	\$(290.4)	\$78.4	\$100.5	\$390.9
Ag. & Consumer Services	\$1,733.0	\$1,667.2	\$65.8	\$1,529.4	\$203.6	\$137.8
Business & Professional Reg.	\$153.3	\$153.1	\$0.2	\$151.1	\$2.2	\$2.0
Children & Families	\$3,061.4	\$3,066.9	\$(5.5)	\$3,009.3	\$52.1	\$57.6
Citrus	\$49.1	\$41.9	\$7.2	\$41.8	\$7.3	\$0.1
Comm. on Offender Review	\$9.9	\$9.9	-	\$10.0	\$(0.1)	\$(0.1)
Corrections	\$2,401.0	\$2,405.5	\$(4.5)	\$2,363.2	\$37.8	\$42.3
Economic Opportunity	\$1,003.1	\$1,437.3	\$(434.2)	\$1,059.7	\$(56.6)	\$377.6
Education	\$23,261.1	\$23,134.5	\$126.6	\$22,924.6	\$336.5	\$209.9
Elder Affairs	\$306.1	\$301.3	\$4.8	\$295.8	\$10.3	\$5.5
Environmental Protection	\$1,564.3	\$1,526.6	\$37.7	\$1,442.0	\$122.3	\$84.6
Financial Services	\$345.7	\$346.4	\$(0.7)	\$326.9	\$18.8	\$19.5
Fish & Wildlife Cons.	\$376.1	\$384.7	\$(8.6)	\$359.0	\$17.1	\$25.7
Governor's Office	\$362.5	\$356.6	\$5.9	\$368.6	\$(6.1)	\$(12.0)
Health	\$2,842.8	\$2,881.4	\$(38.6)	\$2,821.7	\$21.1	\$59.7
Health Care Admin.	\$26,164.6	\$26,536.4	\$(371.8)	\$25,512.0	\$652.6	\$1,024.4
Hwy Safety & Motor Vehicles	\$462.9	\$467.4	\$(4.5)	\$453.9	\$9.0	\$13.5
Justice Administration	\$873.6	\$877.1	\$(3.5)	\$860.0	\$13.6	\$17.1
Juvenile Justice	\$547.4	\$537.8	\$9.6	\$540.3	\$7.1	\$(2.5)
Law Enforcement	\$280.8	\$290.2	\$(9.4)	\$270.0	\$10.8	\$20.2
Legal Affairs	\$303.1	\$307.8	\$(4.7)	\$204.3	\$98.8	\$103.5
Legislature	\$203.8	\$203.6	\$0.2	\$203.9	\$(0.1)	\$(0.3)
Lottery	\$167.0	\$167.1	\$(0.1)	\$169.6	\$(2.6)	\$(2.5)
Management Services*	\$693.0	\$680.9	\$12.1	\$702.9	\$(9.9)	\$(22.0)
Military Affairs	\$76.4	\$70.2	\$6.2	\$96.3	\$(19.9)	\$(26.1)
Persons with Disabilities	\$1,218.9	\$1,240.2	\$(21.3)	\$1,208.9	\$10.0	\$31.3
Public Service Commission	\$25.0	\$24.6	\$0.4	\$25.1	\$(0.1)	\$(0.5)
Revenue	\$575.1	\$584.6	\$(9.5)	\$574.2	\$0.9	\$10.4
State	\$131.1	\$136.4	\$(5.3)	\$132.1	\$(1.0)	\$4.3
State Courts	\$499.0	\$533.0	\$(34.0)	\$519.1	\$(20.1)	\$13.9
Transportation	\$10,005.2	\$10,023.9	\$(18.7)	\$10,034.2	\$(29.0)	\$(10.3)
Veterans Affairs	\$105.6	\$105.6	-	\$108.5	\$(2.9)	\$(2.9)
Totals	\$79,980.7	\$80,969.5	\$(988.8)	\$78,396.8	\$1,584.0	\$2,572.6

* includes the new Agency for State Technology

Source: Florida TaxWatch, compiled using data from the Florida Legislature and the Executive Office on the Governor, February 2016

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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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