

BRINGING FLORIDA'S BUDGET BACK FROM COVID-19

A Roadmap for a
Responsible Recovery

JUNE 2020

CONTENTS

Introduction	1
Legislative Actions to Address Potential FY2020-21 Budget Deficit.....	3
Measures to Reduce State Spending	3
1. Reduce Member Projects.....	3
2. Re-evaluate All Nonrecurring Appropriations	3
3. Eliminate Non-critical Vacant Positions.....	4
4. Reduce Other Personal Services Positions	4
5. Maintain a Portion of Appropriated General Revenue Funds in Reserve.....	4
6. Issue Bonds to Fund Capital Outlay Projects.....	5
7. Reduce State Travel Costs	5
8. Increased Use of Rental Vehicles Instead of Purchased Vehicles	6
9. Reduce the Costs of Inmate Health Care.....	6
10. Ensure That Each Agency is Properly Sized to Achieve its Statutory Mission.	6
11. Consider Postponing State Employee Pay Increases.....	7
12. Consider Postponing Teacher Pay Increases.....	7
Maximizing Existing Revenue Sources	8
1. Enact E-Fairness Legislation	8
2. Negotiate and Execute a New Seminole Gaming Compact	8
3. Identify and Collect All Other Appropriate Federal Funds for Which Florida is Eligible.....	9
4. Offer Temporary Tax Amnesty to Non-compliant Florida Taxpayers and Expand Audit Coverage.....	9
5. Allow Placement of Advertising and Sponsorship on State Publications, Properties, and Vehicles	10
6. Establish Incentives for Agencies to Identify and Secure Additional Revenue	10
Long-Term Measures.....	11
Measures to Reduce State Spending.....	11
1. Enact the Florida Government Efficiency Act.....	11
2. Reduce Prison Populations Through the Supervised Release of Non-Violent Elderly Inmates	11
3. Reform the State’s Procurement System	12
4. Reform the Florida Retirement System	13
5. Reduce Prison Populations Through the Use of Judicial Safety Valves	13
6. Eliminate the Deferred Retirement Option Program.....	14
7. Require All State Employees to Pay the Same Premiums for Health Insurance.....	14
8. Benchmark Operating Expenses and Overhead for Each State Agency	15
9. Expand Use of Virtual Learning	15
10. Alternative Work Arrangements	16
11. Centralizing Vehicle Fleet Operations	16
12. Eliminate Fourth-Quarter “Dumping” of Unspent Expense Funds	17
Maximizing Existing Revenue Sources.....	17
1. Sell or Lease Unnecessary or Underutilized State Assets	17
2. Sell Ads on Dynamic Messaging Highway Signs.....	17
Conclusions	18

EXECUTIVE SUMMARY—RECOMMENDATIONS

PAGE	RECOMMENDATION	SAVINGS
Legislative Actions for Potential FY2020-21 Deficit - Measures to Reduce State Spending		
3	Florida TaxWatch recommends that the Legislature consider rescinding the appropriations for member projects that do not directly aid the state's response to and recovery from the coronavirus pandemic.	\$400-500m
3	Florida TaxWatch recommends that the Legislature consider rescinding nonrecurring appropriations for unnecessary, one-time projects that do not directly aid the state's response to and recovery from the coronavirus pandemic.	\$175m (25% cut)
4	Florida TaxWatch recommends the Legislature review positions that have been vacant for an extended period of time (e.g., 90-180 days) to determine whether these positions are mission critical. The Legislature should consider eliminating positions deemed to not be mission critical.	Significant
4	Florida TaxWatch recommends the Legislature consider eliminating or greatly reducing the \$286.9 million appropriated for OPS employees in agencies governed by the State Personnel System.	\$143.5m (50% cut)
4	Florida TaxWatch recommends that the Legislature consider placing in reserve an across-the-board specified percentage (e.g., 5 percent) of General Revenue funds. Release of these reserve funds would require a budget amendment that justifies the release of the funds and that includes a detailed operational work plan and spending plan.	\$1.7b (5% of GR appropriated)
5	Florida TaxWatch recommends that the Legislature consider using bonding to fund a greater portion of fixed capital outlay spending that is identified as being suitable for bonding. Additional bonding within the Department of Transportation would help to offset some of the anticipated losses in gas tax revenues.	\$1.17b (10% bonded)
5	Florida TaxWatch recommends the Governor and Legislature require all agencies, boards, and other entities to review their travel expenses with specific significant reduction targets (e.g., 10 percent) put in place for hotel and mileage costs. State agencies and advisory boards should be directed to conduct meetings via remote meeting platforms whenever possible, while maintaining the quality of services provided to Florida taxpayers.	Significant
6	Florida TaxWatch recommends the Legislature consider requiring a contract for a private vendor be competitively bid to provide rental vehicles to employees for short-term trips where the use of rental vehicles would reduce costs compared to the use of state-owned vehicles.	Significant
6	Florida TaxWatch recommends the Legislature ensure that inmates remain Medicaid-eligible during incarceration so that Medicaid can cover their hospitalization costs when they receive medical care in non-DOC facilities.	Significant
6	Florida TaxWatch recommends the Legislature to require each state agency to review the size and structure of its workforce following the process used by the Florida Lottery in 2000, or one that is substantially similar, to determine the most appropriate size and structure of its workforce, and the most appropriate ratio of managers to staff. Florida TaxWatch recommends that the Legislature require each agency of state government to ensure that manager-to-employee ratios fall within accepted best practices (i.e., a 1:7 ratio of managers to employees) with report cards issued by each agency annually to measure compliance levels.	Significant
7	Florida TaxWatch recommends the Legislature consider postponing appropriated salary increases, bonuses, and enhanced benefits until January 1, 2021 or, if warranted, until July 1, 2021 in the event that a budget shortfall cannot be remedied through other means.	\$64-193m
7	Florida TaxWatch recommends the Legislature consider postponing appropriated teacher pay increases until January 1, 2021 or, if warranted, until July 1, 2021 in the event that a budget shortfall cannot be remedied through other means.	\$125m/Qtr
Legislative Actions for FY2020-21 Deficit - Maximizing Existing Revenue Sources		
8	Florida TaxWatch recommends the Legislature enact e-fairness legislation similar to bills filed in 2019.	\$550m+ annually
8	Florida TaxWatch recommends the Legislature resume compact negotiations with the Seminole Tribe of Florida and make execution of a new compact a top priority.	\$350-750m (year one)
9	Florida TaxWatch recommends the Legislature consider appropriating funds to competitively bid a contract with a private vendor to identify and collect federal money to which Florida is legally entitled and which could be collected without expending any additional state revenues. The selected vendor should be obligated to meet a certain threshold (for example \$50 million) before the state makes payment, which would be taken from the amount of federal funds successfully recovered.	Significant

9	Florida TaxWatch recommends the Legislature consider authorizing a tax amnesty period in FY2020-21, similar to the one held in 2003; and Florida TaxWatch recommends the Legislature consider increasing the Department of Revenue's (DOR's) sales and use tax audit coverage by adding new auditors, creating new state positions, and contracting with private auditors. In addition, the Legislature should consider expanding the Certified Audit Program to allow recipients of Notices of Intent to Audit to use a DOR-certified private auditor in lieu of an audit by the DOR.	Significant
10	Florida TaxWatch recommends the Legislature consider enacting legislation that would permit the placement of advertisements and sponsorships on state publications, properties, and vehicles.	Significant
10	Florida TaxWatch recommends the Legislature establish an incentive program that rewards state agencies that identify and secure additional federal or private funding, a designated portion of which would be returned to the agency and could be spent as agency officials deem most appropriate.	Significant
Long-term Measures - Measures to Reduce State Spending		
11	Florida TaxWatch recommends the state consider enacting legislation to require the Governor to include as part of his or her budget recommendations, and the Legislature to consider as part of the annual General Appropriations Act, recommendations for improving governmental operations and reducing costs.	Significant
11	Florida TaxWatch recommends the Florida Commission on Offender Review amend its release eligibility standards to authorize the supervised release of certain non-violent elderly inmates. The establishment of prerequisites such as a place to live and access to services, like health care, should be added to the conditions of discretionary release.	\$75-80m
12	Florida TaxWatch recommends the state explore centralizing the state's procurement function within the Department of Management Services.	\$1.4b (w/ 28% cut)
13	Florida TaxWatch recommends the Legislature enroll all new Florida Retirement System (FRS) members in the Defined Contribution Investment Plan to ensure that the FRS is actuarially sound going forward and avoid billions in future liabilities and to increase the retirement wealth of state employees.	\$2.7m (yr. 1) \$9.8b (30 yrs)
13	Florida TaxWatch recommends the Legislature consider implementing a "judicial safety valve" which permits circuit judges to deviate from mandatory minimum sentences when mitigating circumstances are present.	Significant
14	Florida TaxWatch recommends the Legislature consider eliminating the DROP Program. As an alternative, Florida TaxWatch recommends the Legislature consider prohibiting the re-hiring of an employee who has completed the DROP period and received DROP benefits.	Significant
14	Florida TaxWatch recommends that the Legislature consider requiring SES and SMS employees to pay the same monthly premiums as Career Service and Other Personal Services employees.	\$62,039- \$2,457,900
15	Florida TaxWatch recommends that the Legislature consider using benchmarking as a tool for determining where additional reductions in spending are appropriate. State agencies should be required to compare their administrative/overhead costs to established benchmarks and report the results to the Legislature.	Significant
15	Florida TaxWatch recommends the Legislature consider expanding the use of virtual learning in public schools, colleges and universities as a way to reduce operating costs.	Significant
16	Florida TaxWatch recommends the Legislature consider implementing a compressed state workweek (e.g. four 10-hour days) and requiring agencies to expand the use of telecommuting and hoteling if significant costs savings can be demonstrated.	Significant
16	Florida TaxWatch recommends the Legislature consider consolidating management of all state agency vehicles into one statewide fleet program under one state agency (either DMS or FDOT) with uniform standards for procurement, assignment, utilization, maintenance, and disposal of fleet vehicles.	\$26.8m
17	Florida TaxWatch recommends the Legislature consider ways to reward state agencies that reduce their budgets and leave excess funds unspent at the end of the fiscal year.	Significant
Long-term Measures - Maximizing Existing Revenue Sources		
17	Florida TaxWatch recommends the Legislature consider directing the Department of Management Services to identify all unnecessary and underutilized capital assets (e.g., buildings, vehicles, real estate, etc.) to determine which can be put up for sale.	Significant
17	Florida TaxWatch recommends the Legislature consider directing the Florida Department of Transportation prepare an action plan to sell advertising space on dynamic messaging signs.	Significant

INTRODUCTION

As the nation recovers from one of the worst economic recessions in history, Florida continues to battle unprecedented fiscal challenges and budget shortfalls that have made business-as-usual in state government unsustainable.

On March 1, 2020, Florida reported its first coronavirus (COVID-19) case. Since then, the number of COVID-19 cases reported statewide has increased dramatically. In an attempt to combat and slow the spread, Governor DeSantis declared a state of emergency and the Centers for Disease Control & Prevention and the Florida Department of Health issued public safety guidelines. Despite these efforts, as of June 16, there have been more than 80,000 confirmed cases, affecting every county in Florida. More than 2,990 Floridians have lost their lives and these numbers are increasing daily.

The economic impacts of COVID-19 began to manifest themselves immediately. Conferences and meetings were cancelled. Universal Orlando Resort and Disney World closed their theme parks. The Governor ordered all bars and nightclubs to be shut down statewide. Restaurants were ordered to suspend indoor dining and switch to take-out and delivery only. State parks were closed. Local governments closed beaches and imposed curfews. “Stay at home” orders and social distancing mandates were issued for parts of the state, and then statewide. All “non-essential” businesses were ordered closed. A Florida Politics analysis of U.S. Bureau of Labor Statistics data finds that almost 1.19 million Florida workers could be in jobs directly impacted by the COVID-19 pandemic, including many workers in low-wage, low-skilled positions in Florida’s tourism and hospitality industries.¹

In response to this crisis, this report presents immediately actionable ideas in the event that a significant budget deficit occurs in FY2020-21.

The FY2020-21 budget was built on revenue estimates made before the coronavirus began impacting the economy. It still cannot be determined with any degree of certainty what the impact of the COVID-19 pandemic on the budgets for the current and prospective fiscal years will be, but it is likely the decline in revenue will be unprecedented. The state has only tallied actual general revenue (GR) collections through April 2020 and that month’s revenue largely reflects March 2020 sales tax activity. Even though we were not fully into the economic shutdown, these collections were \$878.1 million below estimate.² Coming into April, collections were running \$202.4 million above estimates, so with two months left in the current fiscal year, GR is running \$676.7 million below estimate year-to-date. May collections (April sales tax activity) will likely be the worst thus far, but those numbers will not be available until late June. By the end of the FY2019-20 fiscal year on June 30, it is likely GR collections will have fallen short of estimates by well in excess of \$2 billion.

Fortunately, Florida has significant reserves available. Prior to the pandemic, it was estimated that Florida would have approximately \$2.0 billion in unspent GR cash reserves at the end of this fiscal year; however, this will likely not cover the shortfall. The Budget Stabilization Fund (BSF) also has \$1.574 billion (another

¹ Florida Politics, “Analysis: More Than 1 Million Florida Jobs in Jeopardy by Coronavirus Shutdowns,” March 18, 2020, retrieved from <https://floridapolitics.com/archives/323826-florida-politics-analysis-more-than-1-million-florida-jobs-in-jeopardy-by-coronavirus-shutdowns>, April 10, 2020.

² Florida TaxWatch, Budget Watch - April’s General Revenue Collections Come in \$878 Million Below Estimate for the Month, May 2020.

\$100.0 million is scheduled to be added in 2020-21). The BSF can only be used to close a budget deficit and fund an emergency and it should be tapped only as a last resort in this fiscal year as that money must be restored, putting further pressure on future budgets. There may also be some unobligated trust fund balances available to be “swept” (transferred) into GR, but many trust funds will also be impacted by COVID-19-related revenue losses. In addition, some trust funds—such as the State Transportation Trust Fund—will likely be facing deficits of their own.

Federal aid provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act will help. An analysis by Florida TaxWatch³ concluded that Florida stands to receive more than \$8 billion in federal aid to be used to respond to and recover from the devastating economic impacts of the COVID-19 pandemic, including \$3.7 billion for Florida’s local governments. Florida’s state government has received \$4.6 billion in aid and more federal funds could be coming as Congress continues to debate further stimulus packages.

While it is still unclear to what extent the federal aid can be used to offset state revenue losses, Florida should be able to avoid a budget deficit this year. Next year—as well as future years—is a different story. The economy is slowly waking from its COVID-19-induced slumber but it will take an extended period of time to fully recover, especially with more than 1.2 million Floridians currently unemployed. Depleted reserves, increased Medicaid and health care spending, and additional revenue losses paint a bleak budget picture for next year. Even if all the federal aid can be used, that money will eventually dry up. Unless spending reductions and other budgetary measures are enacted for the new fiscal year, revenue collections may not cover appropriations.

As the Legislature is likely to be forced to address a budget deficit in FY2020-21, this report offers recommendations for consideration to meet those fiscal challenges. It contains two sections: the first section offers for consideration measures that can be taken to address a potential shortfall; and the second section contains what former governor Jeb Bush would have referred to as “Big Hairy Audacious Goals,” considerations designed to promote the state’s financial sustainability over the long term, because even if the federal aid allows the Legislature to avoid a special session, lawmakers will likely have to make some tough budget decisions during the next regular session in March 2021.

³ Florida TaxWatch, “The Coronavirus Aid, Relief, and Economic Security Act (CARES) Act Will Provide More Than \$8 Billion in Federal Aid to Florida State and Local Governments,” March 26, 2020.

LEGISLATIVE ACTIONS TO ADDRESS POTENTIAL FY2020-21 BUDGET DEFICIT

In this section, Florida TaxWatch offers for consideration by the Legislature measures designed to reduce state spending and maximize existing revenue sources in the event that federal funds and state reserves are insufficient to address any shortfall. Florida TaxWatch firmly believes that a combination of cost-cutting measures and revenue enhancement measures will improve the state's economic position.

Measures to Reduce State Spending

1. Reduce Member Projects

Included in the budget for FY2020-21 are record numbers of member projects: more than 800 member projects worth more than \$500 million. Some were added to the budget through the exchange of House and Senate "sprinkle lists," which happens at the very end of the budget conference without any discussion.

Florida TaxWatch understands the demands on legislators to secure state funding for projects in their districts; however, TaxWatch firmly believes that Floridians in every legislative district would be better served if the moneys appropriated for these member projects were used instead to help fund the state's response to and recovery from the COVID-19 pandemic.

Cost Savings: Eliminating all of the member projects would save \$500 million. Allowing for some projects that may be critical or aid in the response to COVID-19, Florida TaxWatch estimates the state could save \$400 million to \$500 million by reducing member projects.

Florida TaxWatch recommends that the Legislature consider rescinding the appropriations for member projects that do not directly aid the state's response to and recovery from the coronavirus pandemic.

2. Re-evaluate All Nonrecurring Appropriations

Nonrecurring expenditures are one-time, extraordinary expenses that, once incurred, are not expected to be available again. Nonrecurring revenue collections afford states an opportunity to fund capital outlay projects, pay down debt, and fund other one-time needs. A review of the FY2020-21 budget by Florida TaxWatch identified more than \$1.2 billion in nonrecurring appropriations.⁴

Cost Savings: It is important to note that member projects identified in cost-saving measure number 1 are also funded with nonrecurring funds, so there will be some duplication. Assuming the Legislature recinds all member projects, the remaining nonrecurring total would be about \$700 million. For every 25 percent of that amount reduced, the state would save \$175 million.

Florida TaxWatch recommends that the Legislature consider rescinding nonrecurring appropriations for unnecessary, one-time projects that do not directly aid the state's response to and recovery from the coronavirus pandemic.

⁴ \$617.9 million in General Revenue funds and \$655.5 million in Trust Funds.

3. Eliminate Non-critical Vacant Positions

Eliminating vacant positions is traditionally one of the first places Florida legislators go when the state needs to cut spending. It is relatively painless because, with a position unfilled, no one loses a job. Reviewing long-term vacancies (e.g., positions vacant for more than 180 days) provides legislators greater insight into determining whether positions are still needed by an agency.

Cost Savings: Annual cost savings will depend on the number of vacant positions deemed “non-critical” by the agencies and Legislature. Florida TaxWatch estimates the cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature review positions that have been vacant for an extended period of time (e.g., 90-180 days) to determine whether these positions are mission critical. The Legislature should consider eliminating positions deemed to not be mission critical.

4. Reduce Other Personal Services Positions

Other Personal Services (OPS) employment is temporary. OPS employees are paid on an hourly basis and participate in Medicare and a 401(a) FICA Alternative Retirement Plan in lieu of social security. During FY2017-18, there was a monthly average of 8,942 individuals employed as Other Personal Services in agencies governed by the State Personnel System.⁵ This represents an increase of about 3 percent since FY2016-17. A review of the General Appropriations Act by Florida TaxWatch identified \$50.7 million in General Revenue-funded OPS (135 specific line items) and \$236.2 million in Trust Fund-funded OPS (219 specific line items).

Cost Savings: Florida TaxWatch estimates that eliminating one-half of the OPS positions in state agencies would save the state \$143.5 million. Elimination one-fourth of the OPS positions in state agencies would save the state \$71.7 million.

Florida TaxWatch recommends the Legislature consider eliminating or greatly reducing the \$286.9 million appropriated for OPS employees in agencies governed by the State Personnel System.

5. Maintain a Portion of Appropriated General Revenue Funds in Reserve

The Governor, as Chief Budget Officer, is responsible for ensuring that revenues collected will be sufficient to meet appropriations, and that no deficit occurs in any state fund.⁶ The Governor is authorized to implement any directions provided in the General Appropriations Act related to eliminate deficits and to reduce agency and judicial branch budgets, including the use of those legislative appropriations voluntarily placed in reserve.

Cost Savings: Florida TaxWatch estimates that placing 5 percent of the \$33.93 billion in General Revenue appropriated in reserve would reduce state spending by \$1.7 billion.

⁵ Department of Management Services, “State Personnel System Annual Workforce Report, 2017-18 Fiscal Year.”

⁶ Subsection 216.221(1), Florida Statutes.

Florida TaxWatch recommends that the Legislature consider placing in reserve an across-the-board specified percentage (e.g., 5 percent) of General Revenue funds. Release of these reserve funds would require a budget amendment that justifies the release of the funds and that includes a detailed operational work plan and spending plan.

6. Issue Bonds to Fund Capital Outlay Projects

Current Florida law includes a number of bond programs authorizing the issuance of debt for the purpose of financing or refinancing fixed capital outlay (FCO) projects. Bonding is generally used in the areas of transportation, education, environment, and state facilities. With the exception of transportation, tax-supported bonding in Florida has not been used in much in the last ten years, other than refunding bonds designed to lower interest rates and debt service costs. Paying for FCO largely with cash instead of bonding has allowed Florida to reduce its outstanding direct debt from \$28.2 billion in 2010 to \$20.6 billion in 2019 (a 27 percent reduction), a commendable achievement. Florida maintains a good bond rating and, with interest rates low, it is a good time to borrow money. A review of the FY2020-21 budget by Florida TaxWatch identified \$13.4 billion in Fixed Capital Outlay appropriations for transportation, \$9.3 billion of which is in the Department of Transportation's work program. Total FCO spending includes \$1.7 billion in debt service payments.

Cost Savings: If the state were able to identify an additional 10 percent of non-debt service FCO spending as suitable for bonding, it would free up \$1.17 billion in cash to spend elsewhere. While interest rates are still low, more volatility in the market is expected. Bonds should only be issued if attractive rates are still available.

Florida TaxWatch recommends that the Legislature consider using bonding to fund a greater portion of fixed capital outlay spending that is identified as being suitable for bonding. Additional bonding within the Department of Transportation would help to offset some of the anticipated losses in gas tax revenues.

7. Reduce State Travel Costs

The state incurs significant travel costs for state agency travel and advisory boards. Although most of this travel is conducted within the state, lodging and mileage costs can be high. One benefit of the "stay at home" and "work from home" orders in response to COVID-19 is the dramatic increase in the use of commercial remote meeting platforms such as GoToMeeting and Zoom. The continued use of these and other remote meeting platforms after the "work from home" order is lifted will further reduce state expenditures for travel.

Cost Savings: Florida TaxWatch estimates the cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Governor and Legislature require all agencies, boards, and other entities to review their travel expenses with specific significant reduction targets (e.g., 10 percent) put in place for hotel and mileage costs. State agencies and advisory boards should be directed to conduct meetings via remote meeting platforms whenever possible, while maintaining the quality of services provided to Florida taxpayers.

8. Increased Use of Rental Vehicles Instead of Purchased Vehicles

Several other states have significantly reduced vehicle fuel and maintenance costs by contracting with private rental car companies to provide state employees with rental cars at discounted rates for short-term travel.

Cost Savings: Florida TaxWatch estimates the cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider requiring a contract for a private vendor be competitively bid to provide rental vehicles to employees for short-term trips where the use of rental vehicles would reduce costs compared to the use of state-owned vehicles.

9. Reduce the Costs of Inmate Health Care

Inmates who require medical care in non-Department of Corrections (DOC) facilities cost the state millions of dollars annually. Medicaid does not pay for care in DOC facilities; however, costs for medical care provided at non-DOC facilities (e.g., community hospitals) can be shifted to Medicaid.

Cost Savings: Florida TaxWatch estimates the cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature ensure that inmates remain Medicaid-eligible during incarceration so that Medicaid can cover their hospitalization costs when they receive medical care in non-DOC facilities.

10. Ensure That Each Agency is Properly Sized to Achieve its Statutory Mission.

In 1999, then-Governor Jeb Bush directed Lottery Secretary David Griffin to significantly reduce the size of the Florida Lottery workforce. Consider the approach taken by the Florida Lottery in early 2000. First, all vacant non-critical positions were eliminated. Second, the reporting relationships of managers and supervisors were reviewed. The Lottery saw a number of “silos”, where one manager might supervise 3-4 employees, each of whom might supervise 3-4 employees. These extra supervisory positions were identified and eliminated. Third, the Lottery looked at eliminating duplication and anything that did not add value. Core business processes were mapped to make sure they functioned efficiently. Program units with similar duties and responsibilities were combined and any extra mid-manager positions were eliminated. Unnecessary program units were eliminated. Fourth, the Lottery then looked for things that just didn’t look right (e.g., too many mid-managers, etc.) and did what was necessary to make it look right and function properly. As a result, the Lottery workforce was reduced from 715 FTEs to 525 FTEs (a reduction of 190 FTEs). Of these 190 FTEs, 65 were supervisors/managers. The ratio of managers-to-staff increased from 1 manager for every 4.65 employees to 1 manager for every 7 employees.

Cost Savings: Florida TaxWatch estimates the cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature to require each state agency to review the size and structure of its workforce following the process used by the Florida Lottery in 2000, or one that is substantially similar, to determine the most appropriate size and structure of its workforce, and the most appropriate ratio of managers to staff. Each agency should report its findings and recommendations to the Governor, President of the Senate, Speaker of the House of

Representatives, and the Executive Director of the Office of Program Policy Analysis and Government Accountability no later than December 31, 2020.

Florida TaxWatch recommends that the Legislature require each agency of state government to ensure that manager-to-employee ratios fall within accepted best practices (i.e., a 1:7 ratio of managers to employees) with report cards issued by each agency annually to measure compliance levels.

11. Consider Postponing State Employee Pay Increases

The FY2020-21 budget includes a 3 percent across-the-board pay increase for state employees. In addition to the 3 percent increase, some state employees are getting extra enhancements:

- Correctional officers and security personnel in the Department of Children & Families and the Agency for Persons with Disabilities will receive bonuses of \$500 to \$2,500 based on longevity;
- Child protective investigators will receive a 10 percent increase;
- Corrections teachers will receive a 15 percent increase;
- Certain criminal conflict and civil regional counsel managerial staff will get enhanced retirement benefits; and
- Guardian Ad Litem attorneys will get enhanced health insurance and annual leave benefits.

Cost Savings: During conference, the budget chairs agreed to postpone the pay raise by three months, to October 1, 2020, saving 64 million. Postponing appropriated salary increases, bonuses, and enhanced benefits until January 1, 2021 would save the state an additional \$64 million; until July 1, 2021 would save the state \$193 million.

Florida TaxWatch recommends the Legislature consider postponing appropriated salary increases, bonuses, and enhanced benefits until January 1, 2021 or, if warranted, until July 1, 2021 in the event that a budget shortfall cannot be remedied through other means.

12. Consider Postponing Teacher Pay Increases

The budget for FY2020-21 includes \$500 million for teacher pay increases, 80 percent of which (\$400 million) will be used to increase the minimum base salary for full-time classroom teachers and certified prekindergarten to at least \$47,500, or to the maximum amount achievable based on the school district's allocation. Twenty percent (\$100 million) of the total appropriation, plus any remaining funds from the district's share of the 80 percent allocation, may be used to provide salary increases to classroom and pre-K teachers who did not get an increase or received one of less than two percent from raising the minimum base and other full-time personnel.

Cost Savings: Delaying the implementation of the teacher pay raises would save the state \$125 million for every quarter of the fiscal year the raises are postponed. Implementing the raises mid-year would save \$250 million. Postponing the raises until FY2021 would save the entire \$500 million.

Florida TaxWatch recommends the Legislature consider postponing appropriated teacher pay increases until January 1, 2021 or, if warranted, until July 1, 2021 in the event that a budget shortfall cannot be remedied through other means.

Maximizing Existing Revenue Sources

1. Enact E-Fairness Legislation

The non-collection of sales taxes on sales to Florida customers by remote (out-of-state) sellers has been the most significant tax compliance and collection issue facing Florida and other states for many years.

Remote vendors sell products by the internet, telephone, and mail. Not collecting sales taxes on remote sales not only costs Florida governments millions in legally owed revenue, it also puts Florida retailers and a competitive disadvantage, distorts purchasing decisions, is unfair to Floridians that do pay the tax, and makes millions of Floridians (often unwittingly) lawbreakers. In June 2019, the U.S. Supreme Court (*South Dakota v. Wayfair, et al*) ruled that states can apply reasonable requirements for remote vendors to collect sales and use taxes on sales to residents even if the vendor does not have a physical presence in the state.

During the 2019 legislative session, Senate Bill 1112 (Sen. Greuters) would have required retailers with no physical presence in Florida to collect Florida's sales tax on sales of taxable items delivered to purchasers in Florida if they make a substantial number of sales into Florida. The bill died in the Appropriations Committee.

Revenue Impact: Revenue Impact: The Florida Revenue Estimating Conference estimates that not collecting taxes on remote sales costs Florida state government \$478 million annually and local governments \$88 million annually in legally owed revenue. This would grow to \$699 million and \$129 million, respectively, annually in five years. The virus has led to increased on-line sales and new converts may stick with remote shopping even after the pandemic. These revenue estimates may be understated.⁷

Florida TaxWatch recommends the Legislature enact e-fairness legislation similar to bills filed in 2019.

NOTE: It is important to understand that this is not a tax increase; it is a currently legally owed tax that some pay while many others do not.

2. Negotiate and Execute a New Seminole Gaming Compact

The state's \$350 million annual gaming compact with the Seminole Tribe of Florida (Tribe) expired in May 2019 after the state and the Tribe failed to reach agreement on banked card games, on-line gaming, and newly legalized gambling on sporting events. and the Tribe stopped payments to the State.

Proposed legislation in 2020 would have authorized the state to enter into a new compact with the Tribe that recognizes the Tribe's right to offer certain Class III gaming and provides substantial exclusivity of such activities in conjunction with a reasonable revenue sharing arrangement between the Tribe and the state that will entitle the state to significant revenue participation. The Tribe would share revenue with the state over the 20-year term of the compacts, based on its net win, with a guaranteed minimum of \$750 million a year for the first four years, with no minimum or maximum after that.

⁷ Florida Revenue Estimating Conference, Fiscal Impact SB 126/HB 159, December 19, 2019. http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2020/_pdf/page166-176.pdf and http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2020/_pdf/page166-176.pdf

Revenue Impact: Negotiating and executing a new gaming compact with the Seminole Tribe of Florida could generate at least between \$350 and \$750 million annually, depending on the terms of the agreement.

Florida TaxWatch recommends the Legislature resume compact negotiations with the Seminole Tribe of Florida and make execution of a new compact a top priority.

3. Identify and Collect All Other Appropriate Federal Funds for Which Florida is Eligible

In 2003, the Chief Financial Officer of Florida issued a five-year (competitively selected) contract to find and help secure federal funds to which the state was legally entitled. Under this contract, the state collected approximately \$150 million with a minimal amount of effort and no out-of-pocket costs to secure the funds.⁸ There is a good possibility that there are hundreds of millions of dollars of federal money to which Florida is legally entitled and which could be collected without expending any additional state revenues.

Revenue Impact: Florida TaxWatch estimates the revenue impact to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider appropriating funds to competitively bid a contract with a private vendor to identify and collect federal money to which Florida is legally entitled and which could be collected without expending any additional state revenues. The selected vendor should be obligated to meet a certain threshold (for example \$50 million) before the state makes payment, which would be taken from the amount of federal funds successfully recovered.

4. Offer Temporary Tax Amnesty to Non-compliant Florida Taxpayers and Expand Audit Coverage

Many taxpayers who are not in compliance with Florida's tax laws may be unaware of all their obligations. Tax amnesty programs provide taxpayers the opportunity to pay overdue taxes without late penalties, with reduced interest charges and with avoidance of criminal prosecution. Voluntary compliance is important given the high costs of identifying and collecting taxes not paid voluntarily. The last tax amnesty in 2010 collected over \$277 million in payments under amnesty agreements and paved the way for additional increases in tax collections by registering more than 2,800 businesses to pay taxes or fees on an ongoing basis.⁹ A tax amnesty program would also help taxpayers who find it difficult to meet their tax obligations due to the impacts of COVID-19.

Revenue Impact: Florida TaxWatch estimates the revenue impact to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider authorizing a tax amnesty period in FY2020-21, similar to the one held in 2003.

⁸ Florida TaxWatch, "Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force for FY2012-13."

⁹ Florida Department of Revenue, Florida Cabinet meeting materials, September 20, 2011. A portion of this revenue would have been collected without the amnesty. <https://floridarevenue.com/opengovt/pdf/cm092011.pdf>

Increasing the number of auditors (either state employees or private auditors), along with enhancing the state's Certified Audit Program, can help ensure tax compliance and collect more of the revenue currently owed to the state.

Florida TaxWatch recommends the Legislature consider increasing the Department of Revenue's (DOR's) sales and use tax audit coverage by adding new auditors, creating new state positions, and contracting with private auditors. In addition, the Legislature should consider expanding the Certified Audit Program to allow recipients of Notices of Intent to Audit to use a DOR-certified private auditor in lieu of an audit by the DOR.

5. Allow Placement of Advertising and Sponsorship on State Publications, Properties, and Vehicles

The 2012 Florida Legislature considered a bill (House Bill 19), that would have authorized school districts to sell advertisements on the exterior of school buses to raise revenue. School districts could have used 50 percent of the revenue generated for school district transportation, 40 percent for other programs as determined by the school district, and 10 percent for driver's education programs.

Revenue Impact: Florida TaxWatch estimates the revenue impact to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider enacting legislation that would permit the placement of advertisements and sponsorships on state publications, properties, and vehicles.

6. Establish Incentives for Agencies to Identify and Secure Additional Revenue

There are currently few, if any, incentives for state agencies to identify and pursue federal and private funding above and beyond that which is included in the state budget. Establishing a program whereby state agencies that identify and secure additional federal or private funds could keep a portion of those funds to spend as deemed appropriate (e.g., new laptop computers, etc.) would serve as an incentive to maximize revenues. There would be no additional cost to taxpayers, who would see additional savings.

Revenue Impact: Florida TaxWatch estimates the revenue generated to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature establish an incentive program that rewards state agencies that identify and secure additional federal or private funding, a designated portion of which would be returned to the agency and could be spent as agency officials deem most appropriate.

LONG-TERM MEASURES

Once the Legislature takes appropriate actions to mitigate the economic impacts of COVID-19 on the state budgets for fiscal years 2019-20 and 2020-21, it is critical that the Legislature not stop there. Florida TaxWatch offers for consideration the following “long-term” measure to continue to reduce state spending and maximize state revenues.

NOTE: There is nothing that would preclude the Legislature from considering any or all of these measures during any adjustments that may be necessary to the FY2020-21 state budget.

Measures to Reduce State Spending

1. Enact the Florida Government Efficiency Act

The 2015-16 Government Efficiency Task Force recognized the importance of demonstrating a strong and recurring commitment to improving governmental operations and reducing costs. The Task Force recommended legislation be enacted that would require the Governor to include as part of his or her budget recommendations, and the Legislature to consider as part of the annual General Appropriations Act, recommendations for improving governmental operations and reducing costs. These recommendations would consider reports and recommendations issued by the Auditor General, the Office of Program Policy Analysis and Government Accountability, the Government Efficiency Task Force, agency inspectors general, and state agencies.

Cost Savings: The 2015-16 Government Efficiency Task Force estimates the additional cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the state consider enacting legislation to require the Governor to include as part of his or her budget recommendations, and the Legislature to consider as part of the annual General Appropriations Act, recommendations for improving governmental operations and reducing costs.

2. Reduce Prison Populations Through the Supervised Release of Non-Violent Elderly Inmates

Florida continues to bear the increasing medical and housing costs of a growing elderly prison population. Roughly one out of every three prisoners in Florida will be elderly.¹⁰ This imposes a huge and unsustainable fiscal burden on Florida taxpayers. Elderly prisoners cost the most to incarcerate but pose the least danger to public safety. The National Institute of Corrections estimates that states spend on average \$70,000 per year to incarcerate someone age 50 or older, nearly three times what it costs to house a younger prisoner, largely because of the difference in healthcare costs.¹¹ Many of Florida’s elderly inmates were originally incarcerated for a non-violent primary offense and would pose little if any risk to the public if they were released from prison.

¹⁰ Florida TaxWatch, Center for Smart Justice, “Florida’s Aging Prisoner Problem,” September 2014.

¹¹ Kevin McCarthy and Carrie Rose, “State Initiatives to Address Aging Prisoners”, Office of Legislative Research, March 4, 2013

Cost Savings: The 2015-16 Government Efficiency Task Force estimated that the supervised release of only those elderly inmates who are 70 years of age or older could result in estimated annual savings of \$75.5 million to \$79.9 million.¹²

Florida TaxWatch recommends the Florida Commission on Offender Review amend its release eligibility standards to authorize the supervised release of certain non-violent elderly inmates. The establishment of prerequisites such as a place to live and access to services, like health care, should be added to the conditions of discretionary release.

3. Reform the State's Procurement System

State and local government agencies spend a tremendous amount of taxpayer money procuring commodities and services, and even a small improvement in efficiency will generate a large cost savings. Florida's procurement program is neither consolidated nor unconsolidated, but a combination of the two. The Department of Management Services' Division of State Purchasing is charged with providing uniform commodity and contractual service procurement policies, rules, procedures, and forms for use by agencies and eligible users.¹³ The Division negotiates state terms for services and commodities used by all state agencies to leverage the state's buying power.

State agencies and other public entities are granted a certain level of independence from DMS and are authorized to process, oversee, and/or approve purchases up to certain dollar thresholds and negotiate their own contracts. Further, each agency has its own budget for procurement staff and activities. The DMS website identifies 36 state agencies, committees, commissions and other governmental entities that have their own agency purchasing officer and staff.¹⁴

An analysis by McKinsey & Company found that the highest performing private-sector procurement organizations take a centralized, or similar, approach to managing procurement.¹⁵ In more than 500 purchasing projects that the management consulting firm McKinsey & Company has supported in both the private and public sectors, improved purchasing in the public sector yields an average savings of 28 percent.¹⁶

Cost Savings: The 2015-16 Government Efficiency Task Force estimated that a 28 percent savings would save Florida taxpayers an estimated \$1.4 billion annually.

Florida TaxWatch recommends the state explore centralizing the state's procurement function within the Department of Management Services.

¹² Government Efficiency Task Force, "Final Report," June 30, 2016.

¹³ Subsection 287.032(2), Florida Statutes.

¹⁴ www.dms.myflorida.com/business_operations/state_purchasing/vendor_resources/state_agency_purchasing_contacts, retrieved April 16, 2020.

¹⁵ McKinsey & Company. "Global Procurement Excellence: A Quantitative way to determine PSM best practices." Presentation to the EIPM Annual Conference, Geneva, Switzerland. December 8, 2006.

¹⁶ Christian Husted and Nicolas Reinecke, "Improving public sector purchasing." McKinsey on Government, Summer 2009.

4. Reform the Florida Retirement System

While nearly all private sector companies offer only Defined Contribution (DC) retirement plans to employees, the majority of Florida Retirement System (FRS) members participate in the Defined Benefit (DB) pension plan. Under a DB plan an employee receives a specified payment amount upon retirement, based upon the employee's salary, length of service, and other factors. The state bears the risk of making sure that the specified payment will be available. DB plans require complex actuarial projections and insurance for guarantees, which makes their administrative costs high.

In contrast, a DC plan allows the employee to invest funds over time to save for their retirement. Because the state no longer has any obligation for the performance of the contributions after they are deposited, the work required by, and the risk to, the state are low. As of June 30, 2019, the state's Unfunded Actuarial Liability (UAL)¹⁷ for the FRS was \$30.3 billion, an increase of \$8.1 billion since June 30, 2015.¹⁸

Cost Savings: An analysis of the actuarial study by the professional staff of the Florida House of Representatives determined an initial cost of \$2.7 million in FY2014-15, then an estimated savings of \$12.9 million in FY2015-16, out to an estimated \$9.8 billion in savings in FY2042-43.¹⁹

Florida TaxWatch recommends the Legislature enroll all new Florida Retirement System (FRS) members in the Defined Contribution Investment Plan to ensure that the FRS is actuarially sound going forward and avoid billions in future liabilities and to increase the retirement wealth of state employees.

5. Reduce Prison Populations Through the Use of Judicial Safety Valves

As a result of Florida's current framework of mandatory minimum sentences, judges have little discretion to consider any mitigating circumstances (e.g., whether it is a first offense, whether it is a low-level offense, etc.) when handing down a sentence. Drug dealers with multiple arrests are treated the same as a first-time offender arrested for simple possession.

Florida's index crime²⁰ rate per 100,000 population has decreased from 4,092.7 in 2010 to 2,666.7 in 2018.²¹ Despite this significant reduction in crime, Florida's prison population has not experienced a similar decrease. Two competing trends have led to the stabilized prison population: a decline in prison admissions, driven by major reductions in crime rates, arrests, and criminal prosecutions, balanced out by longer sentences for those who are sent to prison. Due to mandatory minimum sentences, sentence enhancements, and statutory time served requirements, prisoners in Florida serve significantly longer periods in prison than in other states, including for nonviolent crimes.²²

¹⁷ The difference between the plan's actuarial value of assets and the actuarial value of liabilities as of the measurement date.

¹⁸ Department of Management Services, "Florida Retirement System Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019."

¹⁹ Florida House of Representatives, "Press Release and Analysis of Actuarial Study, 2013."

²⁰ Index crimes represent the total number of violent and property crimes in a given year.

²¹ Florida Crime Rates 1960-2018, retrieved from <http://www.disastercenter.com/crime/flcrime.htm>, April 20, 2020.

²² Crime and Justice Institute, "An Examination of Florida's Prison Population Trends," May 2017.

Cost Savings: Florida TaxWatch estimates the additional cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider implementing a “judicial safety valve” which permits circuit judges to deviate from mandatory minimum sentences when mitigating circumstances are present.

6. Eliminate the Deferred Retirement Option Program

The Deferred Retirement Option Program (DROP) permits an employee who has reached retirement age to retire without terminating their employment for up to five years. During this time, the employee’s retirement benefits earn interest and remain in the Florida Retirement System Trust Fund. Upon termination, the employee is paid as a lump sum, a rollover, or as a combination partial lump sum and rollover.

Overall, the continued use of the DROP in the public sector has been lucrative for employees and costly to taxpayers. The practice termed “double-dipping” occurs when a participant completes the DROP period, receives DROP benefits, but continues employment, thus collecting salary and retirement benefits.²³ As of June 30, 2019, there were 32,670 participants in DROP. The total liability was \$265.7 million.²⁴

Cost Savings: Florida TaxWatch estimates the additional cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider eliminating the DROP Program. As an alternative, Florida TaxWatch recommends the Legislature consider prohibiting the re-hiring of an employee who has completed the DROP period and received DROP benefits.

7. Require All State Employees to Pay the Same Premiums for Health Insurance

The State of Florida offers four different health plans for employees, each of which provides comprehensive major medical and prescription drug coverage, as well as preventive care benefits and wellness programs:

- The standard preferred provider organization (PPO) which provides coverage in and out of network. Participants must meet a deductible and pay coinsurance or pay copayments.
- The high-deductible PPO works like the standard PPO except participants have a higher deductible to meet before the plan pays for anything (except for certain preventive services).
- Standard health maintenance organization (HMO) services which only in-network services, except in certain emergency situations. Participants are required to pay copayments for services provided in the HMO’s network.
- The high deductible HMO has the same in-network requirements as the standard HMO. Participants must meet a deductible before the plan pays for anything (except for certain preventive services). Once the deductible is met, participants pay coinsurance for all services and prescription drugs.

²³ Florida TaxWatch. “Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force for FY2012-13.”

²⁴ Department of Management Services, “Florida Retirement System Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019.”

Career Service and Other Personal Services employees pay monthly premiums of \$50 (single) or \$180 (family) to participate in the standard PPO and HMO plans, and monthly premiums of \$15 (single) or \$64.30 (family) to participate in the high-deductible PPO and HMO programs. In contrast, Select Exempt Service (SES) and Senior Management Service (SMS) employees pay monthly premiums of \$8.34 (single) or \$30 (family) to participate in the standard PPO and HMO plans, and monthly premiums of \$8.34 (single) or \$30 (family) to participate in the high-deductible PPO and HMO programs.²⁵

Cost Savings: As of June 30, 2018, there were 575 SMS members and 15,811 SES members of the state personnel system. Given the difference in monthly premiums paid by SES/SMS employees, requiring SES/SMS employees to pay the same monthly premiums as Career Service and Other Personal Services employees could save as little as \$62,039 or as much as \$2,457,900 annually.

Florida TaxWatch recommends that the Legislature consider requiring SES and SMS employees to pay the same monthly premiums as Career Service and Other Personal Services employees.

8. Benchmark Operating Expenses and Overhead for Each State Agency

Benchmarking permits clear comparisons of the cost and performance of the same function (e.g., administrative/overhead) across different agencies. Creating a benchmark against which to compare expenditures over time shows legislators where discretionary operating expenses have grown more than would be expected due to normal inflation and increased workforce.

Cost Savings: Florida TaxWatch estimates the additional cost savings to be indeterminate, but significant.

Florida TaxWatch recommends that the Legislature consider using benchmarking as a tool for determining where additional reductions in spending are appropriate. State agencies should be required to compare their administrative/overhead costs to established benchmarks and report the results to the Legislature.

9. Expand Use of Virtual Learning

During the last two months of the 2019-20 school year, public education services have been delivered virtually rather than through the traditional classroom model. Virtual learning can reduce the costs of public-school transportation, utilities, and maintenance. The expanded use of virtual education is a cost-effective way to comply with Florida's constitutionally-mandated class size limits, and can reduce the need for new and/or renovated education facilities.

Cost Savings: Florida TaxWatch estimates the additional cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider expanding the use of virtual learning in public schools, colleges and universities as a way to reduce operating costs.

²⁵ Department of Management Services, "Benefits Guide 2019 Plan Year."

10. Alternative Work Arrangements

In addition to a four-day workweek, the Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) examined telecommuting and hoteling.²⁶ Telecommuting allows employees to work from home a day or two during the week, whereas hoteling allows employees to work off-site most of the time and at office locations as needed. Although Florida statutes (Section 110.171(2)) already address telecommuting, there remains wide inconsistencies in telecommuting policies between departments and even among agencies in the same department. These inconsistencies have become even more pronounced during the COVID-19 pandemic due to the absence of a comprehensive, statewide telework policy. All together, these three measures could save costs by reducing office space needs, reducing office energy consumption, and producing personnel benefits.

Cost Savings: Florida TaxWatch estimates the additional cost savings to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider implementing a compressed state workweek (e.g. four 10-hour days) and requiring agencies to expand the use of telecommuting and hoteling if significant costs savings can be demonstrated.

11. Centralizing Vehicle Fleet Operations

The Department of Management Services (DMS) is responsible for the oversight of the state's fleet of motor vehicles, which includes approximately 25,000 automobiles and light trucks, medium and heavy trucks, aircraft, construction and industrial equipment, marine equipment (e.g., boats, airboats, boat engines, etc.), trailers, tractors and mowers, small utility, motorcycles and all-terrain vehicles.²⁷ Although DMS has authority to manage fleet operations, it has delegated much of its authority to state agencies, permitting the agencies to independently manage their vehicle fleets. This decentralized model hinders coordination, which reduces efficiency and increases costs.

Cost Savings: The professional staff of the Senate Committee on Appropriations estimated that the cost savings from centralized vehicle fleet management include a five year cumulative benefit of implementing the operating best practice recommendations (estimated at \$8.8 million annually) and right sizing recommendations (estimated at \$2.1 million annually) that total \$26.8 million in projected savings.²⁸

Florida TaxWatch recommends the Legislature consider consolidating management of all state agency vehicles into one statewide fleet program under one state agency (either DMS or FDOT) with uniform standards for procurement, assignment, utilization, maintenance, and disposal of fleet vehicles.

²⁶ Office of Program Policy Analysis and Government Accountability, "Some Alternative Work Arrangements Can Reduce Costs and Provide Employee Benefits," Report No. 10-04, January 2010.

²⁷ Professional Staff of the Committee on Appropriations, "Bill Analysis and Fiscal Impact Statement, PCS/CS/SB 326," Bill Analysis and Fiscal Impact Statement," March 2, 2016.

²⁸ Professional Staff of the Committee on Appropriations, "Bill Analysis and Fiscal Impact Statement, PCS/CS/SB 326," Bill Analysis and Fiscal Impact Statement," March 2, 2016.

12. Eliminate Fourth-Quarter “Dumping” of Unspent Expense Funds

The rush to spend appropriated funds at the end of the fiscal year is a well-known tactic in government circles at all levels. This “fourth-quarter dumping” or “use-it-or-lose-it” practice stems from fears that program administrators who return unspent funds at the end of the fiscal year will see their budgets reduced the following year by appropriations committees who think the money must not have needed in the first place.

Cost Savings: Florida TaxWatch estimates the cost savings from the elimination of fourth quarter dumping to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider ways to reward state agencies that reduce their budgets and leave excess funds unspent at the end of the fiscal year.

Maximizing Existing Revenue Sources

1. Sell or Lease Unnecessary or Underutilized State Assets

Unnecessary or underutilized state assets can be sold or leased to raise capital and reduce management and maintenance expenses. In addition to revenue generated by the sale of these assets, significant cost savings would be achieved for years to come by reducing the need to manage and maintain these buildings.

Revenue Impact: Florida TaxWatch estimates the revenue impact to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider directing the Department of Management Services to identify all unnecessary and underutilized capital assets (e.g., buildings, vehicles, real estate, etc.) to determine which can be put up for sale.

2. Sell Ads on Dynamic Messaging Highway Signs

Dynamic messaging signs (also known as changeable message signs) are the signs that stretch horizontally over the highway and show travel times, AMBER Alert messages, or national security or emergency messages with an LED display. Although advertising on dynamic messaging signs is currently prohibited, California estimates that tens of millions of dollars could be generated by selling advertising space on these signs.

Revenue Impact: Florida TaxWatch estimates the revenue impact to be indeterminate, but significant.

Florida TaxWatch recommends the Legislature consider directing the Florida Department of Transportation prepare an action plan to sell advertising space on dynamic messaging signs.

CONCLUSIONS

The Governor and Legislature face a daunting challenge mitigating the impacts of the COVID-19 pandemic on the state budgets for FY2019-20 and 2020-21. The challenge is made more difficult by the limited information currently available on the extent of these impacts. The most recent unemployment data released by the Department of Economic Opportunity show Florida's unemployment rate, which has remained steady at 2.8 percent, has increased to 12.9 percent as of April 2020.

Revenue collection data have begun to reflect the economic impacts of COVID-19 on the state budget. The closure of Florida's non-essential businesses and "stay-at-home" orders have had a chilling effect on the amount of money legislators have to appropriate in FY2020-21. It is unclear whether the federal relief provided to the state through the CARES Act and other stimulus packages, coupled with the state's budget stabilization fund, will be sufficient to offset the anticipated cuts to the FY2019-20 and 2020-21 state budgets.

In anticipation of a special session, Florida TaxWatch offers the recommendations contained in this report as a starting point to address the economic impacts of COVID-19 on the state budget.

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.

Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants, and does not accept government funding. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves since 1979.

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