

# BUDGET WATCH



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## **House and Senate Refine Their Budgets: Major Differences Remain**

The House and Senate Appropriations Committees have recently approved their FY 2003-2004 budgets with a number of difficult decisions associated with each. The full Senate has since amended its budget to add \$1.4 billion in spending, even though the revenue to pay for those enhancements does not exist. With the House vowing to not consider new taxes on gambling, a rocky budget process looms.

The animosity between both groups has been widely documented, and it appears as though their differences will not be resolved soon. Normal disagreements have been compounded by the tight budget and the divergent priorities of House and Senate leadership. This session's budget challenges have also increased because of the \$1.1 billion of non-recurring expenditures ill-advisedly spent last year on expenses that recur this year.

The House will be taking up 100 budget amendments today, and both budgets are slated for final passage next week.

Each budget represents an increase from the \$50.3 billion budget of FY 2002-2003. The budgets passed by appropriations committees had similar bottom lines – \$52.2 billion in the House and \$52.3 billion in the Senate. The details of the two plans, however, vary sharply. The budget originally put forth by the Senate represents a 4.0% increase from the previous budget, and the amendments add another \$1.4 billion to fund the enrollment growth at Florida's universities and community colleges, provide an additional \$288 million to public schools, provide \$145 million for a state employee salary increase and would fully fund the Medically Needy program. The House budget reflects a 3.8% increase.

The major sticking point will be new revenues – the House thinks the state has enough money, the Senate does not. The \$1.4 billion in amendments passed by the Senate would require \$950 million in new state revenue (\$450 million would come from increased federal match). The Senate is considering an increase in turnpike tolls, a fee increase on all home sales (to be used for the construction and maintenance of public schools), the possible repeal of several sales tax exemptions, a higher education tuition increase and video gambling. House leaders refuse to consider many of these measures and contend that their budget forces the state to "live within its means" and even allocates \$100 million for tax cuts or an economic stimulus package if needed. However, the House budget does allow universities to raise tuition by as much as 12% and community colleges by up to 7.5%. The Senate proposes a 7.5% increase in university tuition, 7% increase for community college tuition, and up to a 10% increase for out-of-state and graduate students. The House budget would also force recipients of Bright Futures scholarships to pay for any of the differences brought about by these tuition hikes.

Some other differences:

- **Class-size Reduction** – The Senate plan would provide \$465 million to hire additional teachers and \$700 million in bond sales to expand school capacity. The House includes \$300 million for new teachers and \$300 million for capital outlay.
- **High-Speed Rail** – The House budget funds the High-Speed Rail project at \$82 million, though it must be taken from existing road projects proposed by the Department of Transportation. The Senate is only funding it at \$12.1 million. A Joint Resolution is currently moving through both houses that would send the fate of the project back to the voters.
- **K-12 Student Spending** – The House budget provides an increase of \$140 per student in K-12 spending while the amended Senate budget increases spending by \$290 per student.
- **Trust Funds** – The two budgets differ in the extent to which each relies upon trust funds to shore up general revenue spending. The House budget redirects almost \$1.5 billion from trust funds, while the Senate uses approximately \$662 million. Again, Florida TaxWatch cautions that the use of trust funds to prop up general revenue dollars—especially when using non-recurring revenue to fund recurring programs – is a dangerous practice that accounts for part of the state’s current budget difficulties. One of the most intensely debated examples of this is the House taking at least \$125 million from the Affordable Housing Trust Fund, funded by the documentary stamp tax paid on the transfer of real estate, and established by the Sadowski Act in 1992.
- **Member Projects** – The Senate has taken a strict no member project policy and the Appropriations Chairman said on the floor that their budget did not contain any such projects. In fact, a string of member project amendments were all withdrawn. The House will be taking up a number of amendments and time will tell how many “turkeys” make it into the final budget.
- **OPPAGA / Auditor General** – The House budget combines The Office of Program Policy and Government Accountability (OPPAGA) and the Auditor General into the Office of Government Accountability. This move is supposed to result in a savings of \$5.5 million, and services are to stay at the same level. The Senate budget would keep the two offices separate and fund them at slightly less than they were appropriated in FY 2002-2003.

These budgets should probably be viewed more as statements of the House and Senate’s philosophies than actual final spending blueprints. Many changes are to come. The Senate began its budget debate yesterday by reciting a litany of shortcomings in its budget including no teacher raises, no enrollment increases for universities or community colleges, no medically needy program, cuts in Medicaid, no local water projects, and no new cultural or library projects. It then proceeded to pass amendments to restore much of this (without actually having the money to do so). It hopes to convince the public that without tax increases, the state will not be able to fund what the public needs.

With the House taking a strict no new tax position, the stage is set for a long and contentious budget process. Stay tuned for further developments.

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## *About Florida TaxWatch*

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Florida TaxWatch is the only statewide organization entirely devoted to protecting and promoting the political and economic freedoms of Floridians as well as the economic prosperity of our state. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard-earned tax dollars. The nationally distributed *City and State* magazine (now *Governing* magazine) published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected government watchdogs and taxpayer research institutes in the nation.

In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post*. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour*.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Membership is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens.

Florida TaxWatch's empirically sound research products recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: through the years, three-fourths of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers over \$6.2 billion (according to an independent assessment by Florida State University). That translates to approximately \$1,067 in added value for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

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