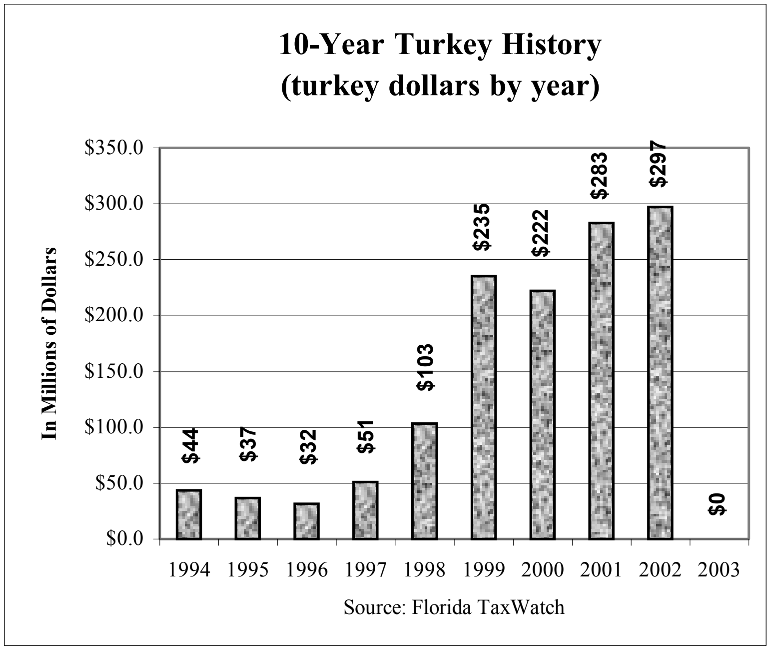
The 2003 Turkey Watch Report

The 2003-2004 State Budget Is the First Since 1991-92 To Be Apparently Turkey-Free; However, This Does Not Mean It Is A Perfect Budget

After four years of record turkey stuffing in the state budget, the 2003 Florida Legislature has produced a "turkey-free" budget for FY 2003-04. Florida TaxWatch's annual budget review uncovered no traditional turkeys—local member projects placed in the budget by legislators outside the proper appropriations process.



The annual turkey report spotlights member projects placed in the budget without proper public review; which circumvent competition and lawfully established procedures; which benefit a very limited special interest or local area of the state or are low priority items that get funded over higher priority needs.

A turkey-free designation does not mean that each appropriation in the budget is a good one or that the Legislature's spending plan truly reflects the state's priorities. It does mean that this year legislators largely put aside their local concerns for the good of the state as a whole. The Governor may still veto some items with which he does not agree. In addition, other measures used by the Legislature to balance the budget are going to lead to even tougher budget years in the future (see section on non-recurring funds and trust funds.)

Of course it must be noted that an extremely tight budget year also contributed to the absence of turkeys. However, in last year's only slightly better fiscal situation, the Legislature managed to include a record $297 million of these projects.

This is the first year since 1991-92 that the state has a turkey-free budget and follows four years of annual member projects exceeding $200 million.

The agreement on no turkeys was one of the keys to a final resolution to a very contentious budget process. Senate leadership declared a member project moratorium early on as it became obvious that pork barrel spending would be hard to justify when important statewide funding was struggling for dollars. The House's insistence on including turkeys was a major obstacle that couldn't be overcome in the regular session, derailing the budget and requiring a special session. Negotiations fell apart partly because House leadership refused to budge on some of their closely held projects. Member projects continued to be a focus, until House leadership acquiesced and the final budget was approved.

Florida TaxWatch commends the Florida Senate, especially President Jim King and Appropriations Chairman Ken Pruitt, for holding fast to their position that turkeys had no place in this year's budget. In the end, all legislators are to be commended for putting parochial spending aside for at least one year.

And make no mistake, turkeys will be back. Hopefully, this year's focus on member projects has heightened the debate, and legislators will not be so cavalier about placing local projects in the budget without following proper review, competition and deliberation procedures.

Florida TaxWatch Budget Turkey Criteria

1. *Projects or programs that did not go through a legitimate review process allowing for proper evaluation: agency budget requests, governor's recommended budget or legislative committee hearings.*

2. *Appropriations that were inserted in the Budget Conference, meaning they did not appear in either the Senate or House final budget.*

3. *Subsidies to private organizations, councils or committees that can and should obtain funding from private sources.*

4. *Local government projects benefiting local area residents but lacking significant local funding support and/or overall benefit to the state as a whole.*

5. *Appropriations that circumvent competition and mandate that a specific vendor or project receive funding.*

6. *Low priority projects that get funded over higher priority items.*

What Is A Budget Turkey?

Florida TaxWatch has been declaring war on budget turkeys since 1983, and the battle continues. As in previous years, it is important to note that the "budget turkey" label does not denote condemnation of a budget item's worthiness but reflects rather its not having received a thorough review in the context of legislative due process and public accountability. The term suggests too that, with the state's vast and pressing needs and limited resources, the question must be asked, "Is this the best use of Floridians' state tax dollars?" The priorities of all citizens must be considered. This and previous Turkey

Watch reports are not attempts to record only government waste or inefficiency. While in some cases that may be a factor, this report offers an independent assessment about the honesty, integrity and public review of the state's $53.5 billion 2003-2004 budget.

Turkeys are added onto the budget during the legislative process, some very late in the session. This maneuver circumvents normal planning and budgeting processes that, by necessity, require close scrutiny by state agencies, the Governor's Office of Policy and Budget, legislative committees, staff and meaningful citizen input. Florida TaxWatch's Turkey Watch criteria allow for a considerable amount of legislative initiative. Too often, the normal processes are bypassed or given less than full consideration.

Parochial projects may or may not have merit, but such spending can undercut the spirit of true performance-based program budgeting. Moreover, such spending circumvents accountability, disrupts logical program prioritizations and subordinates statewide concerns to the exclusive needs or desires of localized areas of the state.

Reliance on $1.3 Billion of Non-Recurring Revenue to Fund Recurring Expenses in the Budget Creates a Big Problem for Future Years

Despite being turkey-free, the new state budget does contain a feature that is bad fiscal policy. The significant reliance on non-recurring revenue to fund recurring programs spells more trouble for future budget writers.

In the wake of slowed revenue growth, the Legislature looked for ways to increase funds for the budget. In addition to some increased fees and measures such as a tax amnesty program, lawmakers took hundreds of millions of dollars out of trust funds to transfer to general revenue. Since most of these transfers are non-recurring ($725 million out of $844 million), next year’s Legislators will have to find the money again.

The use of non-recurring revenue to fund recurring programs is a bad budget policy that Florida TaxWatch has urged the Legislature to avoid whenever possible. When you use revenue from a source that is not going to be there next year to pay for a program that will be there, it will make it all the more difficult to balance the budget the next time.

This has become an all too common occurrence in recent years. The revenue slowdowns of the last few years and the resultant scramble to "find" money have made such actions perhaps even more attractive to budget makers.

Even before any budgeting maneuvers by the 2003 Legislature, the state had a significant amount of non-recurring revenue to use in the FY 2003-04 budget. A total of $709 million in general revenue is available for this budget is non-recurring. Of this amount, $323 million is unspent money from last year and $384 million is new tax money.

On top of this, the Legislature transferred $844 million from trust funds to general revenue. Of this amount, $725 million were one-time transfers and $119 million were the result of legislation that changed the statutory distribution of revenue going into trust funds. This $119 million will be recurring.

In addition, $44.4 million of the $66.6 million in general revenue expected to be collected through the Tax Amnesty program is non-recurring.

All this results in a significant amount of non-recurring revenue in the new budget, most of it spent on recurring programs. According to the Senate Appropriations Chair, the 2003-04 budget contains $1.3 billion of such spending.

Current forecasts estimate there will be about $1 billion (5%) in growth general revenue next year. Most, or all, of that will go for normal growth. With mounting spending pressures, the Legislature is going to be hard pressed to come up with the revenue necessary to fund all recurring programs.

During the next year, Florida will be receiving almost $950 million from the federal government from a state fiscal relief package recently passed by Congress (part of the federal tax cut bill.) $543 million will be a flexible grant and $404 million will be Medicaid funding. While this aid is welcome, the Legislature must remember that this too is non-recurring money and not exacerbate the problem already worsened by the new budget.

Appropriations for University and K-12 Facilities Require Added Scrutiny from Governor

There are a small number of appropriations in the educational facilities area that—while not quite deserving of the “turkey” label—raise some questions and require special scrutiny by the Governor as he prepares his possible vetoes.

State universities, community colleges and public schools share access to public education capital outlay (PECO) dollars. State education facility needs are assessed, placed on one-year, three-year, and five-year priority lists. The State Board of Education approves annual legislative budget requests based on these priority assessments.

The Legislature largely stuck to the Florida Board of Education’s (FBE) Legislative Budget Request, funding each item. However, after the original budget request was approved by the FBE, additional PECO dollars became available for distribution. The Universities prepared a new “priority list” in light of the additional revenue.

All but one project on that list got funded, although some projects received less money than requested. Eight additional projects got funded. While everything that was funded appeared somewhere on a second-, third-, fourth-, or fifth-year agency priority list, it is not clear that these added projects truly reflect universities' priorities or promote fairness in distribution.

It appears that there were some winners and losers. Seven universities received more than $26 million more than the agency had recommended, while two universities received nearly $17 million less.

Since all the projects were requested (even if in out-years) and all projects on the original (one-year) request were funded, these projects avoided the "turkey" label.

Similar irregularities were noted in the Community College distributions. At least two projects that did not appear on the 2003-04 requested got funded. And one of these, got funding to start construction right away, not just the funds for planning that were requested. Again, since these projects were requested by Community Colleges and everything on the first year list was funded, they are not traditional turkeys.

Given the increasing numbers of persons seeking to influence decisions about the distribution of these PECO funds—the Governor, Legislators, the newly appointed local university Boards of Trustees, university presidents and legislative liaisons, and the newly appointed Board of Governors established by constitutional mandate to provide state oversight of the universities—there is ever-increasing room for miscommunication as well as politicization.

The Governor needs to review the PECO funding closely to ensure that funding is fairly distributed and truly reflect the priorities of universities and students and not the wishes of a few decision-makers.

In addition, in the K-12 facilities area, an appropriation tucked into the back (section 19) of the conference committee report needs additional scrutiny. It is a $3.4 million general revenue appropriation for a grant program for the building of K-12 schools in high growth districts, relative to their ability to fund that growth. The fact that this appropriation was added to the Conference also raises a red flag. Since no specific districts are identified as recipients and a grant process is established for district selection, this too avoided the "turkey label." However, qualifying criteria described in the implementing bill may have been written so that only one county qualifies. Again, we urge the Governor to assure that the appropriation doesn't benefit one district at the expense of other high-growth districts that too have stretched their ability to pay.

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About Florida TaxWatch

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* and *Fortune* magazine. 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.