

LegisLetter

FLORIDA STATE UNIVERSITY GOVERNMENTAL RELATIONS

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Revenue Summary

The Office of Economic & Demographic Research presented the updated Revenue Estimating Conference for General Revenue last week. The following is their Executive

Summary:
Since the November General Revenue Estimating Conference, weakness in the state, national and world economies has deepened.

The General Revenue Estimating Conference met on Friday the 13th to update the state's revenue projections for the current and next fiscal years, and the report they released was frightening.

For the current year, revenue collections are expected to be down by additional \$1.1 billion (4.9 percent) from the November 2008 estimates. As a result, it is possible, but not likely, that the legislature will make further cuts to this year's budget. Instead, increases from federal Medicaid reimbursements will probably be used to free up some general revenue, which will then offset this year's gap.

Revenue projections for 2009-10 were reduced by \$2.3 billion (10.6%) from previous estimates, which means available revenue for 2009-10 is expected to be \$20.1 billion, or the lowest since 1999-00 when it totaled \$19.3 billion. Comparing this probable revenue to the current year's recurring expenditures of \$24.1 billion shows that there will be a shortfall of at least \$4 billion. Consequently, additional budget reductions will have to be made for 2009-10 unless other sources of revenue are identified and/or the federal stimulus funds are used (**see Revenue Summary**).

Possibly this week, the third week of the session, or certainly next, each chamber's appropriations committee will begin the grim work of crafting their budgets for the next fiscal year with billions less to work with. Additionally, several bills continue to move through the process, but hundreds more have yet to receive even a single hearing (**see Spotlight on Bills**).

President Wetherell and University of Florida president Bernie Machen will participate in a joint meeting of the FSU and UF legislative caucuses on Wednesday to discuss the budget and differential tuition legislation.

As always, please feel free to contact me if you have questions about these or other issues that may concern you. Also, please let me know if you have been asked to testify before a legislative committee or will be contacting legislators or their staff in any way. I can be reached at **(850) 644-4453** or via email at **kdaly@fsu.edu**.

Kathleen

In response, the Revenue Estimating Conference has reduced its estimate of General Revenue collections for Fiscal Year 2008-09 by \$1.1 billion or 4.9% below the estimate from November. For Fiscal Year 2009-10, expected revenues were reduced by \$2.3 billion or 10.6% from the earlier forecast.

Estimated revenue collections for Fiscal Year 2008-09 are less than Fiscal Year 2007-08 receipts by \$3.2 billion or 13.1%. The Fiscal Year 2009-10 forecast has decreased by 4.5% over the revised Fiscal Year 2008-09 estimate, resulting in the fourth consecutive year of declining revenues. The revisions to the forecast are primarily attributable to the interplay of several economic events. First, the still dysfunctional credit market continues to constrain the housing market, consumer expenditures and business investment. Second, the spread of the worst national recession in the postwar era to a global recession has affected business expenditures in Florida and has dampened tourism and exports. Third, the deterioration of wealth from accelerating job losses, the continued depreciation of home values, and the decline in asset values have exerted pressure on discretionary spending. Fourth, Florida's population has ceased to grow in the current period and is not expected to return to historic growth rates. These factors influence revenue collections in the following ways:

- **Sales Tax**... In addition to the continued decline in home prices, worsening job losses and the drop in asset values

are undermining consumer and business confidence and reducing discretionary spending. Consumer response to these conditions has been stronger than originally anticipated. In this regard, purchases in all sectors fell sharply since the last forecast and are expected to remain below previous estimates. These adjustments persist throughout the forecast period.

- **Documentary Stamp and Intangibles Taxes**...

Tax collections are expected to be significantly below previous estimates. While existing home sales volume has improved, a significant portion of this increase is attributable to mounting foreclosures. Moreover, home prices will continue to fall, exerting downward pressure on collections until the credit market improves and the housing market stabilizes. In addition, the outlook for loans related to automobile sales has further weakened.

- **Corporate Income Tax**... Tax collections will decline in Fiscal Years 2008-09 and 2009-10 by 21.1% and 13.8%, respectively. The overall weakness is largely due to: (1) lower profits of companies previously benefiting from the overheated real estate market, (2) losses related to credit instruments, and (3) compressed profit margins caused by the economic downturn.

Revenue collections are not anticipated to exceed the Fiscal Year 2005-06 level within the three year forecast horizon.

Spotlight on Bills

SB 1906 — Joint Resolution Gov't. Revenues/Voter Approval/New Taxes & Fees by Senator Mike Haridopolis (R – Melbourne), proposes an amendment to Section 1 and the creation of a new section in Article VII of the State Constitution, to provide the following:

- Replaces the existing state revenue limit based on Florida personal income growth with new state revenue limits, and creates a local government revenue limit.
- Limits property tax revenues based on changes in local growth and school enrollment changes.
- Requires excess revenues to be deposited into budget stabilization funds and provides for distribution of the excess funds.
- Authorizes voters to permit the collection of revenues in excess of the limit.
- Authorizes the Legislature and the local government governing body to approve emergency taxes by a supermajority vote.
- Prohibits state and local government from imposing new taxes, fees, assessments, or charges for services without first obtaining approval by a supermajority vote of electors voting on the issue.
- Prohibits the state and local government from incurring multi-year debts or financial obligations without adequate cash reserves.

The proposed amendment will be submitted to the electors at the general election in 2010 or at an earlier special election specifically authorized by law for the purpose, and will take effect upon adoption. The Legislature is required to adopt implementing legislation which must take effect July 1, 2011. The bill reported favorably in the Community Affairs Committee last week and will next go to the Governmental Oversight and Accountability committee. A similar bill in the House, **HB 1263 by Representative Anitere Flores (R – Miami)** has been referred to the Military & Local Affairs Policy Committee; Finance & Tax Council; and, Rules & Calendar Council.

SB 634 — Research Commercialization Matching Grant Program by Senator Don Gaetz (R – Ft. Walton Beach), creates the

Florida Research Commercialization Matching Grant Program to assist small or startup companies that take advantage of federal and state partnerships to accelerate their growth and market penetration. Program applicants must meet several criteria, such as having attracted funding from non-government sources. The bill directs Enterprise Florida, Inc.'s, Technology, Entrepreneurship and Capital Committee, or a subcommittee, to develop program policy, establish criteria for the grant awards, approve the awards, and review the program's progress and results. The bill reported favorably in the Commerce Committee last week, and will next be heard in the Transportation and Economic Development Appropriations Committee. A similar bill in the House, **HB 881 by Representative Eric Eisnaugle (R – Orlando)** has been referred to Economic Development Policy; Economic Development & Community Affairs Policy Council; Transportation & Economic Development Appropriations; and the Full Appropriations Council on Education & Economic Development.

SB 2034 — Innovation Incentive Program by the Commerce Committee, expands the definition of "project" to include alternative and renewable energy applicants. The bill authorizes the waiver or reduction of requirements relating to matching funds for alternative and renewable energy projects and requires the Office of Tourism, Trade, and Economic Development and the recipient of an award to enter into a contract setting forth conditions for the payment of incentive funds. The program was created to provide state financing for the recruitment or expansion of three types of businesses that represent "extraordinary economic opportunities" for Florida. The types of businesses eligible for the funding are: innovation businesses, research and development (R&D) entities; and alternative and renewal energy projects. The bill was temporarily postponed in the Commerce Committee last week. There is no house companion at this time.

HB 919 — Revision of Class Size Requirements by Representative Will Weatherford (R – Zephyrhills), proposes an amendment to the State Constitution to require

class size requirements for public schools remain at current limits but be based on the average number of students at the school level, rather than on the maximum number of students who are assigned to each teacher. The bill further deletes requirements for funding annual reductions in class size to achieve maximum class size limits and clarifies that class size requirements apply by the beginning of the 2010-2011 school year and for each school year thereafter. The bill reported favorably by the PreK-12 Policy Committee last week. Comparable bills in the Senate, **SB 1828 by Senator Steven Wise (R – Jacksonville)** passed the Education Pre-K - 12 Committee last week and is now in Education Pre-K - 12 Appropriations. An another bill in the Senate relating to School Average Size, **SB 2394, by Senator Don Gaetz (R – Ft. Walton Beach)** has been referred to Education Pre-K - 12; Education Pre-K - 12 Appropriations; Policy & Steering Committee on Ways and Means; and, Rules committees.

SB1072 — Special Risk Class Retirement Benefits by Senator Carey Baker (R – Eustis), extends the maximum Deferred Retirement Option Program (DROP) participation period for "a Special Risk Class member" who is employed as a law enforcement officer, correctional officer, or community-based correctional probation officer from a maximum of 60 months to a maximum of 96 months. The bill provides that a "member of the Special Risk Class" who is employed as a law enforcement officer, correctional officer, or community-based correctional probation officer at the conclusion of his or her participation in DROP, may not be employed, reemployed, or retained in a contractual capacity by the same employing agency from which the member retired. If this member becomes reemployed or retained in a contractual capacity in violation of this requirement, his or her application for retirement benefits is voided. An exception is provided to allow the retirees who held these positions to be retained by the employing agency as part-time or auxiliary law enforcement officers if the retirees were serving

SESSION SCHEDULE

SENATE SESSION

No Session Scheduled

HOUSE SESSION

Thursday, March 19

1:00 p.m. to 2:00 p.m.

on a voluntary basis and received no more than \$1 per calendar year in remuneration for services rendered. The retiree and the employing agency are jointly and severally liable for reimbursement to the Florida Retirement System (FRS) Trust Fund of any retirement benefits received if a retirement is voided due to working for the same agency. The bill reported favorably by the Criminal Justice Committee last week. A similar bill in the House, **HB 605 by Representative William Snyder (R – Stuart)** has been referred to the Governmental Affairs Policy Committee; Economic Development & Community Affairs Policy Council; Government Operations Appropriations Committee; and, Government Operations Appropriations Committee.

SB 166 — Donors Identification/Public Buildings, by Senator Jeremy Ring (D – Margate), creates a public records exemption for information that identifies a donor or prospective donor of a donation made for the benefit of a publicly owned building or facility. The bill provides that at the request of the donor or prospective donor, identifying information would be confidential and exempt from the public records provisions of s. 119.07(1)(a), F.S., and s. 24(a), Art. I of the State Constitution. The exemption is subject to legislative review and repeal under the provisions of the Open Government Sunset Review Act. The bill reported favorably by the Higher Education Committee and is now in the Governmental Oversight and Accountability Committee. A similar bill in the House, **HB 795 by Representative Perry Thurston (D – Ft. Lauderdale)** has been referred to Governmental Affairs Policy; Economic Development & Community Affairs Policy Council; and the Policy Council.

SB 162 — Electronic Health Records, by Senator Jeremy Ring (D – Margate), creates the “Florida eHealth Initiative Act” to promote and coordinate the establishment of a

secure, privacy-protected, and interconnected statewide health information exchange. It establishes a matching grants program for eligible health information organizations and a loan program for eligible physicians for the initial costs of implementing an electronic medical records system. It creates the Florida Health Information Exchange Advisory Council to promote regional and statewide health information exchanges and to educate and guide stakeholders regarding the benefits of using a health information exchange and standards for protecting the privacy and security of electronic medical records. The bill reported favorably by the Health Regulation Committee. The House companion, HB 1097 by Representative Denise Grimsley (R – Sebring) has been referred to the Health Care Regulation Policy Committee; Civil Justice & Courts Policy Committee; Health & Family Services Policy Council; and, Health Care Appropriations Committee.

HB 1441 — State Employees by Representative Marti Coley (R – Marianna, FSU Alum) provides that certain employees may be disciplined only for just cause and authorizes progressive discipline under certain circumstances. The bill revises provisions relating to rules and procedures for transfer, layoff, and discipline of employees in career service and revises requirements relating to implementation of layoffs. The bill also revises conditions for use of state employee fee waivers and provides for determination of space available in a course and authorizes that credit hours generated by students using a state employee fee waiver may be included in the calculation of full-time equivalent enrollments for state funding purposes. The bill has been referred to the Governmental Affairs Policy Committee; Economic Development & Community Affairs Policy Council; Government Operations Appropriations Committee; and, Full Appropriations Council on General Government & Health Care. The Senate Companion **SB 2216 by Senator Don Gaetz (R – Ft. Walton Beach)** has been referred to Governmental Oversight and Accountability; Higher Education; Higher Education Appropriations; and, the Policy & Steering Committee on Ways and Means.

Update on Bills

SB 554, Legal Jurisdiction of Campus Police by Senator Charles Dean (R – Inverness, FSU Alum), redefines “mutual aid agreement” to authorize state university police officers to enforce laws within a specified jurisdictional area as agreed upon in a mutual aid agreement. The bill reported favorably by the Higher Education Committee last week and is now in the Criminal Justice Committee. The identical bill in the House, **HB 295 by Representative Kurt Kelly (R – Ocala, FSU Alum)** has been referred to Public Safety & Domestic Security Policy, State Universities & Private Colleges Policy and, Criminal & Civil Justice Policy Council.

SB 234 State University Presidents by Senator Don Gaetz (R- Ft. Walton Beach), authorizes the state university boards of trustees to appoint, terminate, and establish the terms and conditions of employment of their respective university presidents. The bill reported favorably by the Governmental Oversight and Accountability Committee last week. The identical bill in the House, **HB 489, by Representative Marti Coley (R – Marianna, FSU Alum)** reported favorably by the State Universities & Private Colleges Policy Committee and is now in the Education Policy Council.



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