LEGISLATIVE

BUDGET

COMMISSION

Commission Meeting Packet
for
Thursday, February 13, 2003

(Please bring this packet to the committee meeting. Duplicate materials will not be available.)

LEGISLATIVE BUDGET COMMISSION AGENDA
February 13, 2003
1:00 – 5:00 pm
Room 212, Knott Building

Members:

Representative Bruce Kyle
Representative Gus Bilirakis
Representative Frederick Brummer
Representative Wilbert "Tee" Holloway
Representative Sandra Murman
Representative David Simmons
Representative Leslie Waters

Senator Ken Pruitt
Senator Lisa Carlton
Senator Dennis Jones
Senator Ron Klein
Senator Tom Lee
Senator Lesley Miller
Senator Rod Smith

I. Consideration of the following budget amendments for Fiscal Year 2002 – 2003:

A. EOG B0472 - Department of Agriculture and Consumer Services
B. EOG B0492 - Department of Agriculture and Consumer Services
C. EOG B0493 - Department of Agriculture and Consumer Services
D. EOG B0494 - Department of Agriculture and Consumer Services
E. EOG B0495 - Department of Agriculture and Consumer Services
F. EOG B0497 - Department of Agriculture and Consumer Services
G. EOG B0498 – Department of Agriculture and Consumer Services
H. EOG B0499 – Department of Agriculture and Consumer Services
I. EOG B0500 – Department of Agriculture and Consumer Services
J. EOG B0501 – Department of Agriculture and Consumer Services
K. EOG B0502 – Department of Agriculture and Consumer Services
L. EOG B0506 – Department of Environmental Protection
M. EOG B0485 – Department of Lottery
N. EOG B0459 – Department of Health
O. EOG B0503 – Department of Health
P. EOG B0511 – Department of Health
Q. EOG B0512 – Department of Health
R. EOG B0513 – Department of Health
S. EOG B0514 – Department of Health
T. EOG B0504 – Agency for Health Care Administration
U. EOG B0505 – Agency for Health Care Administration
V. EOG B0524 – Agency for Health Care Administration

Budget amendments will be taken in order as determined by the Chair.

II. Consideration of Agency Spending Plan

Plan for Shands Jacksonville Medical Center

III. Technology Review Workgroup Recommendations and Reports

IV. Objections to Agency Actions or Proposed Agency Actions

Department: **Agriculture and Consumer Services**

EOG Number: **B0472**

Problem Statement:

The Department of Agriculture, Division of Plant Industry, has a cooperative agreement with the United States Department of Agriculture (USDA), Animal and Plant Health Inspection, Plant Protection and Quarantine Agency as follows:

As part of the Homeland Security endeavor, USDA has provided additional funding of $332,020 on a reimbursement basis, to the Division of Plant Industry, for the continuation of the Cooperative Agricultural Pest Survey Program (CAPS) which was started several years ago with federal funds.

The new agreement was signed on 11/26/02 and covers the period 10/01/02 through 9/30/03, and provides for the continuation of the statewide survey program developed with special emphasis on fruits, vegetables, field crops, and citrus. Surveys will focus on detection of non-indigenous pests and include confirmation of the absence of regulatory pests in specific agricultural commodities and associated native plant resources. State survey personnel will continue to liaison with industry stakeholders and other state and federal cooperators (USDA/ARS, UF/IFAS Cooperative Extension Service, UF/IFAS Research Centers, Master Gardener Program, and the Federal Emergency Management Agency (FEMA)) to maximize survey efforts and sharing of data into the National Agricultural Pest Information System (NAPIS) data base.

The Department anticipates that this grant will be continued for FY2003/04 and is including an issue in their Amended Legislative Budget Request for FY 2003/04 to cover the anticipated funds from the federal government.

Agency Request:

The Department requests additional spending authority in the Division of Plant Industry's Contracts and Grants Trust Fund as follows: (Although the new agreement is for $332,020 for the period 10/01/02 through 09/30/03, only $259,018 is requested herein for the period of 10/10/02 through 06/30/03.

	Contract	10/01/02-06/30/03	07/01/03-09/30/03
Other Personnel Services	$ 209,470	$ 157,104	$ 52,366
Expenses	76,550	55,914	20,636
Operating Capitol Outlay (OCO) - Equipment	46,000	46,000	0
Total Requested	$ 332,020	$ 259,018	$ 73,002

Governor's Recommendation: Recommend approval to increase budget authority by $259,018 in the Contracts and Grants Trust Fund for federal funds received for the Cooperative Agricultural Pest Survey Program.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government ***Senate Analyst:*** Sandra Blizzard ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** sandra.blizzard@laspbs.state.fl.us	***House Subcommittee:*** Agriculture and Environment ***House Analyst:*** Lynn Dixon ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** lynn.dixon@laspbs.state.fl.us

Line Item No.	Budget Entry / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development / Plant Pest and Disease Control				
	Contracts and Grants Trust Fund				
1469	Other Personal Services 42170600-030000-00-2133		157,104	157,104	
1470	Expenses 42170600-040000-00-2133		55,914	55,914	
1471	Operating Capital Outlay 42170600-060000-00-2133		46,000	46,000	

Department: **Agriculture & Consumer Affairs**

EOG Number: **B0492**

Problem Statement: On September 19, 2002, the Florida Department of Agriculture and Consumer Services (FDACS) entered into a partnership agreement for $100,000 with the Florida Department of Education to develop nutrition education materials and to disseminate them to every public school in Florida as part of the "Fresh 2 U Campaign." The major goal of the project is to reduce childhood obesity through a campaign of nutrition education and heightened awareness of nutrition issues. Activities will include but not be limited to the following: develop and disseminate nutrition education materials to every public school in Florida; produce and distribute public service announcements featuring nutrition and food safety messages for children; work with the farm industry to provide presentations in schools on how fruits and vegetables are grown; work with Florida grocery chains to provide a "Fresh Fruit Club"; and develop school cafeteria materials to feature a Florida fruit or vegetable each month.

Delay in spending authority will prevent the department from meeting the specified time frames for delivery of this important program.

Furthermore, if FDACS is unable to perform the scope of work as specified, the total $100,000 will revert to the Florida Department of Education and ultimately to the United States Department of Agriculture. Default in performance can potentially jeopardize future opportunities for grant funding.

The cooperative partnership agreement with the Florida Department of Education is contingent on receiving spending authority.

Agency Request: The Department requests an increase in spending authority in the amount of $100,000 in the Contracts and Grants Trust Fund in the Division of Marketing's Expenses appropriation category for the Food & Nutrition Management – Florida Fresh 2 U contract. The funds will be used as follows: develop, publish and distribute a "Fresh 2 U Food Service Guide" to all Florida schools on or before February 28, 2003 - $7,000; provide final design, graphics and layout of the food service guides - $8,000; complete printing and distribution of 3,500 copies to all Florida Schools on or before May 15, 2003 - $60,000; develop 10 health and nutrition posters on or before April 15, 2003 - $5,000; and print and distribute 3,500 copies each of the 10 posters on or before May 15, 2003 - $20,000.

Governor's Recommendation: Recommend approval to increase budget authority by $100,000 in the Contracts and Grants Trust Fund for federal funds received through the Florida Department of Education for the Fresh 2 U Campaign.

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.

HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government	***House Subcommittee:*** Agriculture & Environment
Senate Analyst: Sandra Blizzard	***House Analyst:*** Lynn Dixon
Phone Number: (850) 487-5140 or SunCom 277-5140	***Phone Number:*** (850) 488-6204 or SunCom 278-6204
E-mail Address: sandra.blizzard@laspbs.state.fl.us	***E-mail Address:*** lynn.dixon@laspbs.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title		REQUESTED BY AGENCY	RECOMMENDED BY GOVERNOR	APPROVED BY LEGISLATIVE BUDGET COMMISSION
	LAS/PBS Account Number	CF	Appropriation	Appropriation	Appropriation
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development / Division of Marketing and Development				
	Contracts and Grants Trust Fund				
1435	Expenses 42170200-040000-00-2133		100,000	100,000	

Department: **Agriculture & Consumer Services**

EOG Number: **B0493**

Problem Statement: A $400,000 grant was received from the United States Department of Agriculture-Risk Management Agency to conduct risk management training for agricultural producers statewide (Budget amendment EOG #B2002-0501 was approved by the LBC on 1-10-02). This was a reimbursement grant; no cash would be reimbursed until expenditures were made. A total of 31 training projects were conducted prior to June 30, 2002, at a cost of $287,613.91, leaving a balance of $112,386 in budget authority. This grant expired September 30, 2002.

The Department has determined that additional budget authority is needed to replenish funding for the Temporary Emergency Feeding Program (TEFAP). The training costs ended up not costing as much as had been estimated. The final costs totaled $62,512_which is the amount of authority the Department needs re-established. This appropriation will be used to cover per diem costs, contractual services for training and educational supplies in the Emergency Feeding Program.

This training provided specialty crop producers with information regarding the use of financial management, crop insurance, marketing contracts, and other existing and emerging risk management tools.

If this appropriation is not restored to the Emergency Feeding Organization, the Division of Marketing will run out of existing spending authority around March 2003 and would be unable to pay for the distribution of USDA commodities. These foods will have to remain in storage until July 2003 which could cause spoilage of foods as well as not being able to get the food to the needy citizens of Florida.

The food banks and mass household distribution organizations depend on TEFAP administrative funds to help pay some of the expenses incurred with distributing food to low-income and needy Florida citizens. Without these funds, many would not be able to continue to participate in the program and there would be counties where the needy would not be served.

The TEFAP program involves contracts with 67 counties along with 23 Food Banks covering the whole State of Florida. These agencies include community action agencies, Board of Commissioners, and 2nd Harvest Food Banks. Each of these agencies would need to be notified of possible reductions in the programs if this authority is not restored.

Agency Request: The Department requests an increase in budget authority of $62,512 in the Contracts and Grants Trust Fund for the Division of Marketing and Development. This increased authority will cover training expenditures that have already been made; thus, allowing the replenishment of the Emergency Feeding Organization appropriation.

Governor's Recommendation: Recommend approval to increase budget authority by $62,512 in the Contracts and Grant Trust Fund for reimbursement of expenditures made for Risk Management Training.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government	***House Subcommittee:*** Agriculture & Environment
Senate Analyst: Sandra Blizzard	***House Analyst:*** Lynn Dixon
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Line Item No.	Budget Entry / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development / Division of Marketing and Development				
	Contracts and Grants Trust Fund				
1435	Expenses 42170200-040000-00-2133		62,512	62,512	

Department: **Agriculture & Consumer Services**

EOG Number: **B0494**

Problem Statement: The Agri-Journal - $31,400 / Contract #007319

This is a new grant funded by a United States Department of Agriculture (USDA) Risk Management Cooperative Agreement authorized on September 27, 2002. The contract period is effective from September 27, 2002 through September 30, 2003.

Under the Agreement, the Department and the Florida Farm Bureau are to distribute a monthly publication to more than 3,000 Florida specialty crop producers to help them significantly decrease the financial risk they face as an inherent part of the business of supplying food and fiber to consumers. The journal is to contain information on crop insurance, risk management, marketing and financial information which will help Florida Specialty Crop growers make informed decisions regarding what to grow, the acreage, the risks, pricing information and trade leads. The pricing information and trade leads help the growers know when to grow and sell particular products and the going rate. The journal will also contain a financial planning article written by a professional planner to cover topics such as tax planning, cash flow and how to select the best crop insurance.

This initiative translates to less than a dollar per issue per recipient for a full year's worth of timely information to Florida producers. The Cooperative Agreement provides that a journal will be published and distributed every 30 days. The Agreement was signed after the September Legislative Budget Commission meeting, therefore, the Department used existing budget authority in the Florida Agriculture Promotion Campaign (FAPC) Program to comply with the scheduled provisions of the federal contract.

The Department has statutory authority to market specialty products using FAPC money, however the Department applied for and received this federal grant for these specialty crops; therefore, we can reimburse the FAPC program this $31,400, allowing us to reach more consumers with other marketing campaigns.

Without approval, the Department cannot reimburse the FAPC program for the 3 months budget authority that was borrowed and will have to discontinue this publication that the federal government intended to have provided to help these specialty producers. Further delay means that the Department cannot meet the publishing schedule as provided in the agreement. The funding will revert due to noncompliance with the agreement. The contract cannot be extended.

This journal is distributed to all counties in the state.

Agency Request:

The Department requests budget authority of $31,400 in Contracts and Grants Trust Fund in the Expenses appropriation category to reimburse budget authority borrowed from the Florida Agricultural Promotion Campaign program and to allow the Department and the Florida Farm Bureau to provide a monthly information journal to more than 3,000 Florida specialty crop producers.

Governor's Recommendation: Recommend approval to increase budget authority by $31,400 in the Contracts and Grant Trust Fund for federal funds received for the publication of the Agri-Journal.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government ***Senate Analyst:*** Sandra Blizzard ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** sandra.blizzard@laspbs.state.fl.us	***House Subcommittee:*** Agriculture & Environment ***House Analyst:*** Lynn Dixon ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** lynn.dixon@laspbs.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
	DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES				
	Agricultural Economic Development / Division of Marketing and Development				
	Contracts and Grants Trust Fund				
1435	Expenses 42170200-040000-00-2133		31,400	31,400	

Department: **Agriculture and Consumer Services**

EOG Number: **B0495**

Problem Statement:
Farm Raised Clams - $75,000 – Contract #007325

This is a new federal grant from the United States Department of Agriculture (USDA) authorized on September 27, 2002, for a grant period effective from September 27, 2002, through September 20, 2003, although the major deliverables of the agreement are to be completed by June 30, 2003. The Department believes it is appropriate to request that interim action be taken prior to the Legislative Session because of lead-time needed in order to implement this program. Without timely approval of spending authority there will be insufficient time to perform the deliverables outlined below.

The Division of Marketing and Development assists Florida seafood and aquaculture industries in identifying national and international potential buyers. The Florida farm-raised clam industry is Florida's fastest growing segment of aquaculture. However, most clam farmers are small family-run businesses with little experience in how to market their products. Statistics have shown that two-thirds of businesses that do not implement a marketing plan are usually out of business within five years.

Florida has done an outstanding job of developing a hard clam aquaculture industry, especially in the area of re-training fishermen who were displaced with the constitutionally mandated net restrictions for fishing. The State of Florida encouraged fishermen to enter into this business and even participated in the training needed for them to become clam farmers. The Department has actively pursued these federal funds in order to assist this valuable aquaculture industry. In an effort to promote this industry, the Legislature mandated that the Department of Agriculture enhance, promote and encourage aquaculture development including leasing additional submerged lands. As a result, additional submerged lands are leased every year, encouraging new clam farmers.

The Florida farm-raised clam producers have continuously asked the Department for assistance in market development. These federal funds will provide this industry with the necessary educational tools to: identify and characterize the national and international potential buyers' preferences for Florida farm-raised clams; determine the means and message content needed for the producer to positively influence purchasing decisions; and provide the producers with training and educational materials.

The deliverables under this grant are as follows:

Identify the preferences of potential buyers through focus groups with wholesalers, food service, retailers and consumers in major markets. The Department will compile the information and incorporate the findings into the curriculum to be developed. Timeframe – Within 150 days after the notification of the award and the approval for spending authority by the State of Florida.

Develop Risk Management Curriculum that will provide Florida clam producers with the knowledge and tools to extend their markets. The Department will deliver a copy of the curriculum to the Federal Risk Management Agency for review and approval prior to use. Timeframe – To begin within 210 days of notification of the award and the approval for spending authority by the State of Florida.

Develop and Conduct a Promotional Program using print media, aquaculture letters, direct mail and Internet to ensure the Florida clam farmers and buyers are aware of the training workshops. Timeframe – To begin within 210 days of notification of the award and the approval for spending authority by the State of Florida and continue through project completion.

Deliver Education and Information to Producers with a minimum of three (3) workshops reaching at least a minimum of 200 clam producers. Timeframe – Complete by June 30, 2003.

Document, Evaluate and Prepare a Report from the Department to include at a minimum: an executive summary; an analysis of the project, including success stories or testimonials by project participants gathered over the course of the project that would help to communicate the results achieved to interested parties; a listing of dates, places, instructors, number of participants and instructional topics for all educational activities conducted during the project; a description of the roles of all subcontractors and partnering individuals or organizations and recommendations to improve the project. Timeframe – Complete by December 31, 2003.

Agency Request: The Department requests an increase in budget authority in the amount of $75,000 in the Contracts and Grants Trust Fund for the Division of Marketing and Development, to spend the federal dollars as outlined in the Partnership Agreement with the USDA.

Governor's Recommendation: Recommend approval to increase budget authority by $75,000 from the Contracts and Grants Trust Fund for federal funds received for the Farm Raised Clams Program.

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.

HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government ***Senate Analyst:*** Sandra Blizzard ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** sandra.blizzard@laspbs.state.fl.us	***House Subcommittee:*** Agriculture and Environment ***House Analyst:*** Lynn Dixon ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** lynn.dixon@laspbs.state.fl.us

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DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development / Division of Marketing and Development				
	Contracts and Grants Trust Fund				
1435	Expenses 42170200-040000-00-2133		75,000	75,000	

Department: **Agriculture & Consumer Services**

EOG Number: **B0497**

Problem Statement: The Department of Agriculture and Consumer Services, Division of Plant Pest and Disease Control, has entered into a Cooperative Agreement No.# 02-8100-0707-CA for $42,000 with the United States Department of Agriculture, Animal and Plant Health Inspection, Plant Protection and Quarantine Agency, to assist with the development and implementation of a biologically-based regional management program for the control of the Imported Fire Ant (IFA) in the southern United States and Florida. This grant is effective July 1, 2002, through June 30, 2003.

This is to assist with the operational costs such as diet, microscopes, and supplies and utilities at the department's mass-rearing facility in Gainesville, Florida for phorid decapitating flies, as well as promoting the release and evaluation of these agents. This grant is supplemented by Grant No. # 02-8312-0262-CA, Budget Amendment EOG #B0498 which requests the funding for five Other Personal Services (OPS) positions. Because the funds are coming from two different agencies within USDA, there are two grants for the same purpose. One is for operational expenses, EOG #B0497. The other is for OPS personnel for the mass rearing of the flies that is labor intensive, EOG #B0498.

The Phorid Fly endeavor was started in July 2001, and includes not only Florida but 11 other states (Alabama, Louisiana, North Carolina, Oklahoma, Mississippi, South Carolina, Tennessee, Arkansas, Texas, California, Georgia) and Puerto Rico. The Department received budget authority through a budget amendment for $130,000 in FY 2001-2002 to remodel the Division's existing Bio Control Rearing Facility, construct the rearing boxes, establish a distribution procedure, and cover some operational costs.

The United States Department of Agriculture (USDA) raised the flies initially until the facility in Gainesville was ready. The Department is now raising the flies with the ultimate goal of distributing adequate numbers to the member states to satisfy their needs (shipments will range between 6,000 to 12,000 flies per shipment).

The flies must be ready to be distributed during the early Spring and Summer months. To be able to meet this deadline, a basic colony had to be started in August and September 2002 and sufficient numbers accumulated so the colony would be large enough by early Spring to meet shipment demands. The funds received for this program last year have been depleted and the program will not be able to continue without this authority.

Agency Request:
The Department requests additional spending authority in the Contracts and Grants Trust Fund for the Division of Plant Pest and Disease Control as follows:

Contract Number	007194
Expense	$30,000
Operating Capital Outlay	12,000
Total	$42,000

Governor's Recommendation: Recommend approval to increase budget authority by $42,000 in the Contracts and Grants Trust Fund for federal funds received for the Fire Ant Control Program for the grant period July 1, 2002, through June 30, 2003.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government
Senate Analyst: Sandra Blizzard
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House Subcommittee: Agriculture & Environment
House Analyst: Lynn Dixon
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Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development Plant Pest and Disease Control				
	Contracts and Grants Trust Find				
1470	Expenses 42170600-040000-00-2133		30,000	30,000	
1471	Operating Capital Outlay 42170600-060000-00-2133		12,000	12,000	

Department: **Agriculture & Consumer Services**

EOG Number: **B0498**

Problem Statement: The Department of Agriculture and Consumer Services, Division of Plant Pest and Disease Control, has entered into Cooperative Agreement No. #02-8312-0262-CA for $115,000 with the United States Department of Agriculture (USDA), Animal and Plant Health Inspection, Plant Protection and Quarantine Agency, to assist with the development and implementation of a biologically-based regional management program for the control of the Imported Fire Ant in the southern United States and Florida. This grant is effective September 15, 2002, through September 14, 2003.

Although this grant is for $115,000, the Department has reduced Other Personal Services (OPS) costs by three months to $86,250 to cover this fiscal year only. The difference will be reflected in the Department's Legislative Budget Request next year. This is the second year of this program related to rearing decapitating flies. This Cooperative Agreement supplements the activities already being carried out between USDA/APHIS and the Department under Cooperative Agreement 01-8100-0707-CA, except that it provides for additional funding for five OPS positions, and a different beginning and ending date for optimum utilization of these new resources. The funding for these positions is needed to maintain the mass rearing facility. The rearing process is extremely labor intensive and requires specifically designed attack boxes. Because the funds are coming from two different agencies within USDA, there are two grants for the same purpose. One is for operational expenses, EOG #B0497, and this one is for OPS personnel for the mass rearing of decapitating flies, EOG #B0498.

The Phorid Decapitating Fly endeavor was started in June 2001 and includes not only Florida but 11 other states (Alabama, Louisiana, North Carolina, Oklahoma, Mississippi, South Carolina, Tennessee, Arkansas, Texas, California, Georgia) and Puerto Rico. The Department received authority through a budget amendment for $130,000 in FY 2001-2002 to remodel the Division's existing Bio Control Rearing Facility, construct the rearing boxes, establish a distribution procedure, and cover some operational costs.

The USDA raised the flies initially until the facility in Gainesville was ready. Gainesville is now raising the flies with the ultimate goal of distributing adequate numbers to the member states to satisfy their needs (shipments will range between 6,000 to 12,000 flies per shipment).

The flies must be ready to be distributed during the early Spring and Summer months. To be able to meet this deadline, a basic colony had to be started in August and September 2002 and sufficient numbers accumulated so the colony would be large enough by early Spring to meet shipment demands. The funds received for this program last year have been depleted and the program will not be able to continue without this authority.

Agency Request:
The Department requests additional spending authority in the Contracts and Grants Trust Fund for the Division of Plant Pest and Disease Control as follows:

Contract Number	007281
Other Personal Services (9 months in FY2002/2003)	$86,250

Governor's Recommendation: Recommend approval to increase budget authority by $86,250 in the Contracts and Grants Trust Fund for federal funds received for the Fire Ant Control Program for the grant period September 15, 2002, through June 30, 2003.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government
Senate Analyst: Sandra Blizzard
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E-mail Address: sandra.blizzard@laspbs.state.fl.us

House Subcommittee: Agriculture & Environment
House Analyst: Lynn Dixon
Phone Number: (850) 488-6204 or SunCom 278-6204
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Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development Plant Pest and Disease Control				
	Contracts and Grants Trust Fund				
1469	Other Personal Services 42170600-030000-00-2133		86,250	86,250	

Department: **Agriculture & Consumer Services**

EOG Number: **B0499**

Problem Statement:

The Department of Agriculture and Consumer Services, Plant Pest and Disease Control, has entered into a Cooperative Agreement No.# 02-8312-0174-CA for $187,000 with the United States Department of Agriculture, Animal and Plant Health Inspection, Plant Protection and Quarantine Agency, to provide assistance to the state to prevent the spread of Imported Fire Ants (IFA) into non-infested areas. This agreement is effective August 29, 2002, through August 28, 2003.

This Cooperative Agreement is a continuation of an agreement received during FY2001/2002 for $187,000, (Budget Amendment EOG #0431). This program has been in existence since 1988; however, this is the second year at this level of funding. Without this program, the state's nurseries will be without the certification program that allows them to ship millions of dollars of plant and plant materials into non-quarantined states and countries.

This Cooperative Agreement is to assist with conducting a regulatory and survey program for the Imported Fire Ant. The Other Personal Services category (OPS) has been reduced for 3 months ($24,825) reducing the contract for this fiscal year to $162,175. The balance of the funding for this agreement will be requested in the Department's Amended Legislative Budget Request for FY 2003-04.

Inspectors survey nurseries and farms to verify the absence of the Imported Fire Ants in nursery plants and other plant products such as hay and pine straw in order for the producers to ship their products to other non-infested states and foreign countries. A survey is needed to determine the extent of the general infestation boundaries of Imported Fire Ants, to detect isolated infestations, and to determine regulatory status within those boundaries. At a later time this information will be used to determine where the biological control agent, decapitating flies, should be released.

Florida has 1,534 nurseries with approximately 12,560 acres under compliance agreement for IFA certification which must be certified in order to be allowed to ship into and through non-regulated states. Without this Certification Program, the nursery industry would lose millions of dollars in revenue due to not being able to ship products into other states and countries.

Agency Request: The Department requests additional spending authority in the Contracts and Grants Trust Fund for the Division of Plant Pest and Disease Control as follows:

Contract Number	007276
Other Personal Services (9 months in FY2002/2003)	$74,475
Expense	52,700
Operating Capital Outlay	35,000
Total	$162,175

Governor's Recommendation: Recommend approval to increase budget authority by $162,175 in the Contracts and Grants Trust Fund for federal funds received for the Fire Ant Control Program for the grant period August 29, 2002, through August 28, 2003.

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.

HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government
Senate Analyst: Sandra Blizzard
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House Subcommittee: Agriculture & Environment
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Line Item No.	Budget Entry / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development Plant Pest and Disease Control				
	Contracts and Grants Trust Fund				
1469	Other Personal Services 42170600-030000-00-2133		74,475	74,475	
1470	Expenses 42170600-040000-00-2133		52,700	52,700	
1471	Operating Capital Outlay 42170600-060000-00-2133		35,000	35,000	

Department: **Agriculture & Consumer Services**

EOG Number: **B0500**

Problem Statement: The Temporary Emergency Food Assistance Program (TEFAP) is a United States Department of Agriculture (USDA) program that helps supplement the diets of low-income Americans, including the elderly, by providing them with emergency food and nutrition at no cost. In Florida, TEFAP commodities are made available by the USDA and are distributed to the needy through (1) Food Banks which provide food to other organizations such as food pantries, soup kitchens, hunger relief centers, or other food or feeding centers which in turn provide it to eligible recipients; and (2) Mass Household Distribution Organizations which distribute a specified number of USDA commodities per month to low-income and unemployed households.

The USDA has notified the Department of Agriculture & Consumer Services (DACS) that the state's contract for FY 2002-03 for the Temporary Emergency Food Assistance Program (TEFAP) will be $799,655 (Contract Amount $1,066,207 for 10/1/02 – 9/30/03 prorated for 9 months) more than anticipated for FY 2002-03. The food is free from the federal government under this agreement. The state's responsibility is the storage and distribution of that food. Without this additional appropriation, it is estimated that DACS will run out of budget authority by March 2003, and approximately 90,339 families/households will not be served each month. $300,041 will be used to reimburse food banks for costs related to the storage and distribution of USDA commodities. $499,614 will be used to pay storage and distribution costs at the state contracted warehouses.

Federal regulations require at least 40% of TEFAP funds be passed through to the TEFAP recipient agencies. DACS' policy is to do much more than that, passing through 94% of the funding to food banks and mass household distribution organizations.

The contracts are based on the federal fiscal year of October through September on an annual basis. Depending on Congress, DACS usually will not receive its final allocation from the USDA until January. Therefore, six months of the state fiscal year is gone before the actual allocation is known. In order to provide continuity of the program and the distributions of food, DACS has current contracts with the various organizations based on the previous year's allocation. DACS has to order food 3 to 6 months in advance and this year more food was available; thus, costs have increased. There is a clause in the contract which states that the contract is "subject to the receipt and availability of federal funds by DACS; otherwise the agreement shall be null and void." Therefore, once DACS receives approval of the funds from the federal government, contracts are signed with warehouse and distribution vendors.

Without this budget authority, the state will be unable to pay for the state contracted warehouse storage and distribution of USDA commodities from approximately March through June of 2003. DACS would have to give a 90-day notice to warehouse owners that contracts will be terminated; however, the Department would incur late payments and interest penalties in the meantime. This would result in loss of valuable storage space that DACS may not be able to get back.

The TEFAP program involves contracts with 67 counties along with 23 Food Banks covering the State of Florida. These agencies include community action agencies, county Board of Commissioners and 2nd Harvest Food Banks. Each of these agencies would need to be notified of possible reductions in the programs if this amendment is not approved.

Agency Request: The Department requests an increase of $799,655 in budget authority in the Contracts and Grants Trust Fund for the Division of Marketing and Development's Special Category--Emergency Feeding Organization.

Governor's Recommendation: Recommend approval to increase budget authority by $799,655 in the Contracts and Grants Trust Fund for an increase in federal funds for the Emergency Food Assistance Program.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government ***Senate Analyst:*** Sandra Blizzard ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** sandra.blizzard@laspbs.state.fl.us	***House Subcommittee:*** Agriculture & Environment ***House Analyst:*** Lynn Dixon ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** lynn.dixon@laspbs.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development / Division of Marketing and Development				
	Contracts and Grants Trust Fund				
	Special Category Grants and Aids				
1441	Emergency Feeding Organizations 42170200-102878-00-2133		799,655	799,655	

Department: **Agriculture & Consumer Services**

EOG Number: **B0501**

Problem Statement:

The United States Department of Agriculture (USDA) has notified the state that the Women, Infants and Children Farmers' Market Nutrition Program (WIC/FMNP) funding level will be $366,543 for October 2002 – September 2003, which is $16,543 above the spending authority provided in the General Appropriations Act for FY 2002-03. WIC/FMNP helps to provide fresh nutritious fruits and vegetables from farmers' markets to women, infants and children who are nutritionally at risk and are participating in the WIC program. Eligible WIC clients are issued coupons that can be redeemed for the purchase of locally grown fresh fruits and vegetables from authorized farmers. This helps to expand the awareness and use of farmers' markets, as well as increase sales at the markets. This federal award does require a state match. However, the Department already has sufficient funds appropriated for this purpose; therefore, no additional budget authority is needed for the state match.

This appropriation will be used to expand the program in two new counties (Sumter and Walton). These funds will be used to provide approximately 1,530 additional coupons for redemption by eligible WIC participants in the new counties. Specifically, the additional funds will be used to enroll farmers' markets; print additional coupons, stamps, handbooks, brochures, posters, signs, and surveys; and advertise markets days and times in local newspapers.

The coupons are issued to WIC participants in April of each year and are good from April to the end of July. The reason the Department needs authority now is because the growing season for fresh fruits and vegetables in the counties where the programs are in place is from April – July. Farmers' Markets have until July 31st to receive these coupons and farmers have another month to cash the coupons at a local bank. Therefore, the program will be completed by September 1, 2003. If the Department waits until July to obtain the additional budget authority, WIC participants will only have one month to spend the coupons.

Agency Request:

The Department requests an increase in budget authority in the amount of $16,543 in the Contracts and Grants Trust Fund for the Division of Marketing and Development.

Governor's Recommendation: Recommend approval to increase budget authority by $16,543 from the Contracts and Grants Trust Fund for an increase in federal funds for the Women, Infants and Children Farmers Market Nutrition Program (WIC/FMNP).

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.

HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government	***House Subcommittee:*** Agriculture & Environment
Senate Analyst: Sandra Blizzard	***House Analyst:*** Lynn Dixon
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Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
	DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES				
	Agricultural Economic Development / Division of Marketing and Development				
	Contracts and Grants Trust Fund				
1435	Expenses 42170200-040000-00-2133		16,543	16,543	

Department: **Agriculture & Consumer Services**

EOG Number: **B0502**

Problem Statement: The department has entered into a new Cooperative Agreement with the United States Department of Agriculture (USDA) authorized September 25, 2002, for a period effective from September 25, 2002, through September 30, 2003, for $52,000 – Contract #007320.

To date, more than 1.6 million commercial citrus trees have been destroyed, and the federal government has spent more than $76 million in grower compensation for citrus trees lost to the citrus canker disease. Florida producers have battled invasives and have asked for help to take proactive steps to identify and detect invasive pests and plant diseases. This federally funded grant will be used to develop materials (field guide publications) to assist growers in the identification and detection of invasive pests and plant diseases. The Division of Plant Industry will collaborate with Florida Citrus Mutual, a member-based association of citrus growers, to develop a class curriculum and educational materials and make this available to approximately 11,000 plus citrus growers. The Department spends a considerable amount of time combating invasives and needs to take a proactive approach to prevent additional outbreaks.

Unused funds will revert back to the USDA at the end of the contract period. It is imperative that the Department has enough lead-time to schedule meetings and develop materials. Without timely approval of spending authority, there will be insufficient time to perform the following deliverables outlined in the contract:

Assemble a Risk Management Curriculum for Citrus Producers to serve as an on-site risk management tool specifically to help growers detect and correctly identify invasives. Timeframe – Within 30 days after notification of the award. Because the completion date of this project is April 15, 2003, the Division has accrued minor expenditures within our base expenses to begin implementation of this project.

Develop/Conduct a Promotional Program to ensure that each and every risk management and/or educational opportunity is promoted in a successful way in order to create public awareness. Timeframe – Within 45/90days after notification of the award and continue through project completion.

Conduct a Seminar that will provide hands-on learning experience for citrus growers enabling them to detect and identify invasives. A video will be used to provide training as well as an educational booklet. Timeframe – Complete by April 15, 2003.

Document the activities through an evaluation of the project. Timeframe – June 30, 2003.

The Department estimates reaching 11,000 growers – 2,500 growers by personal contact, 6,500 growers by direct mail, 1,000 by direct E-Mail and 1,000 via its website.

Agency Request: The Department requests an increase in budget authority in the amount of $52,000 in the Contracts and Grants Trust Fund for the Division of Plant Industry to spend the federal dollars as outlined in the Partnership Agreement with the USDA.

Governor's Recommendation: Recommend approval to increase budget authority by $52,000 from the Contracts and Grants Trust Fund for federal funds received for the identification and detection of invasive pests and plant diseases.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government	***House Subcommittee:*** Agriculture & Environment
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Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES					
	Agricultural Economic Development / Division of Plant Industry				
	Contracts and Grants Trust Fund				
1435	Expenses 42170200-040000-00-2133		52,000	52,000	

Department: **Environmental Protection**

EOG Number: **B0506**

Problem Statement: The Department requests $545,718 in Grants and Donations Trust Fund budget authority to provide for expenditures from the Leaking Underground Storage Tank (LUST) Grant #10 received by the Division of Waste Management from the U.S. Environmental Protection Agency (EPA). The increase is necessary to allow the Department to expend Federal funds instead of State Inland Protection Trust Fund dollars for contract oversight of cleanup of leaking underground storage tank sites.

The Department has approximately eleven months in which to spend the federal funds and apply for reimbursement (October 2002 - September 2003). The total grant award is $1,200,000. The program has $436,100 in budget authority available this fiscal year for this purpose. The department plans to perform the work allowed for the use of these funds at a consistent rate of approximately $109,091 per month. Therefore, the department will need an additional $545,718 in budget authority for this fiscal year and will need $218,182 for FY03-04 to be expended during the months of July and August. It will be difficult to utilize these funds in September 2003 because the actual payment of the contractors' invoices will be beyond the ending date of the grant.

Agency Request: The agency requests an increase in budget authority of $545,718 in the Grants and Donations Trust Fund to cover the expenditure of the dollars awarded under the above grant.

Governor's Recommendation: Recommend approval to increase budget authority by $545,718 from the Grants and Donations Trust Fund for federal funds received for the Leaking Underground Storage Tank Clean Up Program.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government	***House Subcommittee:*** Agriculture & Environment
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BUDGET AMENDMENT FORM

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
	ENVIRONMENTAL PROTECTION				
	<u>Waste Management</u>				
	Waste Cleanup				
	Grants and Donations Trust Fund				
1786	Underground Storage Tanks Cleanup				
	37450100-104132-00-2339		545,718	545,718	

Department: **Lottery**

EOG Number: **B0485**

Problem Statement: The Lottery purchases instant tickets and on-line game services from contract vendors. The contracts require vendor payments based on a percent of ticket sales. The funding in Specific Appropriations (SA) 2727 and 2729 is provided to pay contractual services based on projected sales as determined by the January 31, 2002, Lottery Revenue Estimating Conference (REC). The Department is authorized, in proviso language, to request appropriation increases if ticket sales are greater than the projected sales used to calculate the amounts appropriated. Based on the latest sales forecast by the Lottery, ticket sales have increased and additional funding for contractual services is required.

In addition, the online vendor contract requires the Department to pay data line charges totaling $426,400 that were not funded in the current-year budget. Also, on January 1, 2003, a fee adjustment was implemented in the instant-ticket contract which is projected to reduce vendor payments by $267,325.

	Ticket Sales			Appropriation Adjustments			
	January 31, 2002 REC	November 2002 forecast by Department	Projected Increase	Due to Increased Sales	Due to Contract Fee Adjustment	Due to Data Line Charges	Projected Appropraition Deficiencies
Instant Tickets	$ 642,800,000	$ 974,887,726	$ 332,087,726	$ 7,638,018	$ (267,325)		$ 7,370,693
On-line Tickets	$ 1,655,600,000	$ 1,725,909,918	$ 70,309,918	$ 2,081,174		$ 426,400	$ 2,507,574
Totals	$ 2,298,400,000	$ 2,700,797,644	$ 402,397,644	$ 9,719,192	$ (267,325)	$ 426,400	$ 9,878,267

If contract obligations are not met, ticket sales could be impacted.

Agency Request: The Department is requesting an additional $9,879,000 in budget authority from the Administrative Trust Fund to cover the projected appropriation deficiencies for instant-ticket and on-line vendor contracts.

	Current Budget	Projected Total Need	Increase Needed	Increase Requested
SA 2727 Special Categories: Instant Ticket Purchase	$ 16,358,250	$ 23,728,943	$ 7,370,693	$ 7,371,000
SA 2729 Special Categories: Online Games Contract	$ 31,462,432	$ 33,970,006	$ 2,507,574	$ 2,508,000
Totals	$ 47,820,682	$ 57,698,949	$ 9,878,267	$ 9,879,000

Governor's Recommendation: Recommend approval to increase budget authority by $9,879,000 from the Administrative Trust Fund to cover instant ticket and on-line games contracts obligations through June 30, 2003, based on the latest sales forecast by the Lottery.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: General Government
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House Subcommittee: Commerce & Local Affairs
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Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF THE LOTTERY					
	Program: Lottery Operations				
	Lottery Operations				
	Administrative Trust Fund				
2727	Special Categories - Instant Ticket Purchase 36010000-101740-00-2021		7,371,000	7,371,000	
2729	Special Categories - Online Games Contract 36010000-102381-00-2021		2,508,000	2,508,000	

Department: **Health**

EOG Number: **B0459**

Problem Statement:
The Department of Health received the Rural Access to Emergency Devices Act Grant Program grant September 26, 2002, from the federal Department of Health and Human Services, Health Resources and Services Administration. The grant will be used to purchase automatic external defibrillators for use in rural areas.

The department does not have sufficient Federal Grants Trust Fund budget authority in the Community Health Resources budget entity necessary to support the grant expenditures.

Agency Request:
The Department of Health requests a $224,637 increase in Federal Grants Trust Fund budget authority for the Community Health Resources budget entity to carry out the terms and conditions of the grant award. If the amendment is not approved, the department will not be able meet to financial obligations and will not accomplish the initiatives submitted to the grantor.

Governor's Recommendation:
Recommend approval to increase budget authority by $224,637 from the Federal Grants Trust Fund for federal funds received from the U.S. Department of Health and Human Services to support the Rural Access to Emergency Devices Act grant to purchase automatic external defibrillators for use in rural areas.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations	***House Subcommittee:*** Health Appropriations
Senate Analyst: Paul Belcher	***House Analyst:*** Stephanie Massengale
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Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF HEALTH					
637	<u>Community Health Resources</u> Federal Grants Trust Fund G/A Rural Health Network 64400200-101242-00-2261		224,637	224,637	

Department: **Health**

EOG Number: **B0503**

Problem Statement:
The Department of Health received a State Cardiovascular Health Program grant June 26, 2002, from the Centers for Disease Control and Prevention. The grant will be used to provide epidemiological data collection and analysis, a mass media awareness campaign for heart disease and stroke in women, and nutrition, obesity and diabetes technical assistance for community-based intervention projects. Funding will allow for contracted services and one position transferred from within in the department to administer and monitor the grant.

The department does not have sufficient Federal Grants Trust Fund budget authority in the Family Health Services budget entity necessary to support the grant expenditures.

The grant requires a 20 percent match of state funds, which is provided by expenditures incurred in the Office of Minority Health, the Racial and Ethnic Disparity Project.

Agency Request:
The Department of Health requests the transfer of one position, associated salary rate and $26,106 in unobligated Federal Grants Trust Fund budget authority from the Statewide Health Support Services budget entity and an $872,373 increase in Federal Grants Trust Fund to the Family Health Services budget entity.

Governor's Recommendation:
Recommend approval to increase budget authority by $872,373 from the Federal Grants Trust Fund to support a State Cardiovascular Health Program grant from the Centers for Disease Control and to transfer one position, $44,700 salary rate, and $26,106 appropriations from Statewide Health Support Services.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations ***Senate Analyst:*** Paul Belcher ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** paul.belcher@laspbs.state.fl.us	***House Subcommittee:*** Health Appropriations ***House Analyst:*** Stephanie Massengale ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** stephanie.massengale@laspbs.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF HEALTH					
	Family Health Services				
	Positions		1.0		
	Salary Rate		44,700		
	Federal Grants Trust Fund				
512	Salaries and Benefits				
	64200300-010000-00-2261		26,106	26,106	
514	Expenses				
	64200300-040000-00-2261		96,772	96,772	
527	G/A Contracted Services				
	64200300-100778-00-2261		775,601	775,601	
	Statewide Health Support Services				
	Positions		(1.0)		
	Salary Rate		(44,700)		
	Federal Grants Trust Fund				
579	Salaries and Benefits				
	64200800-010000-00-2261		(26,106)	(26,106)	

Department: **Health**

EOG Number: **B0511**

Problem Statement:
The Department of Health received the Small Rural Hospital Improvement Grant Program grant September 29, 2002, from the federal Department of Health and Human Services, Health Resources and Services Administration. The grant will be used to assist small rural hospitals 1) to pay for costs related to the implementation of prospective payment systems; 2) to comply with the provisions of the Health Insurance Portability and Accountability Act (HIPAA) of 1996; and 3) to reduce medical errors and support quality improvement.

The department does not have sufficient Federal Grants Trust Fund budget authority in the Community Health Resources budget entity to support the Small Rural Hospital Improvement Grant Program expenditures.

Agency Request:
The Department of Health requests a $174,305 increase in Federal Grants Trust Fund budget authority for the Community Health Resources budget entity to carry out the terms and conditions of the grant award. If the amendment is not approved, the department will not be able meet financial obligations and will not accomplish the initiatives submitted to the grantor and as a result may lose future funding.

Governor's Recommendation:
Recommend approval to increase budget authority by $174,305 from the Federal Grants Trust Fund for federal funds received from the U.S. Department of Health and Human Services to support the Small Rural Hospital Improvement Program.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations ***Senate Analyst:*** Paul Belcher ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** paul.belcher@laspbs.state.fl.us	***House Subcommittee:*** Health Appropriations ***House Analyst:*** Stephanie Massengale ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** stephanie.massengale@laspbs.state.fl.us

BUDGET AMENDMENT FORM

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF HEALTH					
637	<u>Community Health Resources</u> Federal Grants Trust Fund G/A Rural Health Network 64400200-101242-00-2261		174,305	174,305	

Department: **Health**

EOG Number: **B0512**

Problem Statement:

The Department of Health received the Trauma Emergency Medical Services grant September 29, 2002, from the federal Department of Health and Human Services, Health Resources and Services Administration. The grant will be used to evaluate the effectiveness of trauma alert criteria on patients in Orange County. The results of the evaluation will be used for increased statewide trauma care.

The department has budget authority to cover the personnel costs of the grant, but does not have sufficient Federal Grants Trust Fund budget authority in the Community Health Resources budget entity to support the entire Trauma Emergency Medical Services grant expenditures.

Agency Request:

The Department of Health requests a $25,218 increase in Federal Grants Trust Fund budget authority for the Community Health Resources budget entity to carry out the terms and conditions of the grant award. If the amendment is not approved, the department will not be able meet financial obligations and will not accomplish the initiatives submitted to the grantor.

Governor's Recommendation:

Recommend approval to increase budget authority by $25,218 from the Federal Grants Trust Fund for federal funds received from the U.S. Department of Health and Human Services for the Trauma Emergency Medical Services Program.

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations	***House Subcommittee:*** Health Appropriations
Senate Analyst: Paul Belcher	***House Analyst:*** Stephanie Massengale
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Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF HEALTH					
	Community Health Resources				
	Federal Grants Trust Fund:				
628	Expenses 64400200-040000-00-2261		22,368	22,368	
N/A	Operating Captial Outlay 64400200-060000-00-2261		2,850	2,850	

Department: **Health**

EOG Number: **B0513**

Problem Statement:
The Department of Health received an increase in the Primary Care Offices grant July 23, 2002, from the federal Department of Health and Human Services, Health Resources and Services Administration. The grant will be used to purchase consultant services in the areas of community development and data analysis.

The department does not have sufficient Federal Grants Trust Fund budget authority in the Community Health Resources budget entity necessary to support the Primary Care Offices grant expenditures.

Agency Request:
The Department of Health requests an $85,000 increase in Federal Grants Trust Fund budget authority for the Community Health Resources budget entity to carry out the terms and conditions of the grant award. If the amendment is not approved, the department will not be able meet financial obligations and will not accomplish the initiatives submitted to the grantor.

Governor's Recommendation:
Recommend approval to increase budget authority by $85,000 from the Federal Grants Trust Fund for federal funds received from the U.S. Department of Health and Human Services to support the Primary Care Offices to purchase consultant services in the areas of community development and data analysis.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations ***Senate Analyst:*** Paul Belcher ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** paul.belcher@laspbs.state.fl.us	***House Subcommittee:*** Health Appropriations ***House Analyst:*** Stephanie Massengale ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** stephanie.massengale@laspbs.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF HEALTH					
628	<u>Community Health Resources</u> Federal Grants Trust Fund Expenses 64400200-040000-00-2261		85,000	85,000	

Department: **Health**

EOG Number: **B0514**

Problem Statement:
The Department of Health received an increase in the Rural Hospital Flexibility Program grant August 14, 2002, from the federal Department of Health and Human Services, Health Resources and Services Administration. The increase in grant funding will be used to provide program seminars, workshops, and an evaluation, as well as funding for a telemedicine project.

The department does not have sufficient Federal Grants Trust Fund budget authority in the Community Health Resources budget entity to support the Rural Hospital Flexibility Program grant expenditures.

Agency Request:
The Department of Health requests a $105,187 increase in Federal Grants Trust Fund budget authority for the Community Health Resources budget entity to carry out the terms and conditions of the grant award. If the amendment is not approved, the department will not be able meet financial obligations and will not accomplish the initiatives submitted to the grantor.

Governor's Recommendation:
Recommend approval to increase budget authority by $105,187 from the Federal Grants Trust Fund for federal funds received from the U.S. Department of Health and Human Services for the Rural Hospital Flexibility Program.

Commission Staff Comments:
SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations	***House Subcommittee:*** Health Appropriations
Senate Analyst: Paul Belcher	***House Analyst:*** Stephanie Massengale
Phone Number: (850) 487-5140 or SunCom 277-5140	***Phone Number:*** (850) 488-6204 or SunCom 278-6204
E-mail Address: paul.belcher@laspbs.state.fl.us	***E-mail Address:*** stephanie.massengale@laspbs.state.fl.us

BUDGET AMENDMENT FORM

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
DEPARTMENT OF HEALTH					
628	<u>Community Health Resources</u> Federal Grants Trust Fund Expenses 64400200-040000-00-2261		105,187	105,187	

Department: **Agency for Health Care Administration**

EOG Number: **B0504**

Problem Statement:

Proviso language following Specific Appropriation 199 of the General Appropriations Act for FY 2002-03 (Ch. 2002-394, Laws of Florida) authorizes the Agency for Health Care Administration to seek and receive additional budget authority to implement a Physician Upper Payment Limit (UPL) Program to increase Medicaid fees for health professionals by utilizing increased federal reimbursements. The budget authority is contingent upon the availability of state match from existing state funds or local sources that do not increase the requirement for state General Revenue or Tobacco Settlement Trust Funds.

An amendment to the Medicaid State Plan has been submitted to the Centers for Medicare and Medicaid Services. This amendment requests federal approval to make supplemental payments for services provided by doctors of medicine and osteopathy employed by or under contract with either (1) a medical school that is part of the public university system; (2) a private medical school that places over fifty percent (50%) of their residents with a public hospital; (3) Nova Southeastern University or (4) a public hospital. Supplemental payments may also be made to those doctors of medicine and doctors of osteopathy affiliated with the Florida Department of Health, Division of Children's Medical Services. The supplemental payments will be based on a maximum of the difference between the lower of the provider's usual and customary charges or a ceiling established by the Agency and the actual payment by Medicaid to the physician or osteopathic physician under the current physician fee schedule. When combined with other payments under the plan, the total payment shall not exceed the provider's usual and customary charges. Intra-governmental transfers and the certification of state matching funds from the universities to the Agency for Health Care Administration will provide the state match of $50.12 million.

The Dade County Public Health Trust will contribute an additional $18.2 million to Grants and Donations Trust Fund in addition to the amount required to participate in the Physician UPL Program. Total contributions from the Dade County Public Health Trust will be $39.8 million. Nova University will contribute an additional $81,724 to Grants and Donations Trust Fund in addition to the amount required to participate in the Physician UPL Program. Total contributions from Nova University will be $179,061. Florida State University (FSU) will contribute $13,713 to the Grants and Donations Trust Fund in addition to certifying state matching funds of $16,333.

Agency Request:

As authorized by proviso language included in the FY 2002-03 General Appropriations Act, the Agency for Health Care Administration is requesting trust fund authority of $93,365,488 million ($21,752,217 million in the Grants and Donations Trust Fund and $71,613,271 million in the Medical Care Trust Fund) to provide payments to doctors of medicine and osteopathy affiliated with designated teaching medical schools, public hospitals and other associated doctors of medicine and osteopathy providing care through the Florida Department of Health's, Division of Children's Medical Services. These payments are based upon the practitioner's usual and customary charges applied against an upper limit ceiling determined by the Agency for Health Care Administration.

If the budget amendment is not approved, the special payments cannot be made and additional federal funds of $71.6 million will not be realized in FY 2002-03.

Reductions in the Department of Education's (DOE) budget are contingent upon Centers for Medicare and Medicaid Services (CMA) approval of the physician UPL program as described. Any change to the physician UPL calculation necessary to meet CMS approval that reduces UPL distributions shall be incorporated into the determination of the DOE reductions and payments to physician practices on an equivalent basis.

Governor's Recommendation:

Recommend approval to increase budget authority by $21,752,217 from the Grants and Donations Trust Fund and by $71,613,271 from the Medical Care Trust Fund in the Agency for Health Care Administration for state matching funds and additional federal funds, respectively, for the Physicians Upper Payment Limit Program; and to place $23,800,534 of General Revenue budget authority in the Department of Education in reserve for partial state matching funds from the University of Florida Health Center and the University of South Florida Medial Center. The transfer of $23,800,534 of General Revenue to reserve is contingent on federal approval of the Medicaid State Plan amendment and actual receipt of the associated federal funds to the respective medical schools. If federal approval has not been granted by the time the Office of Policy and Budget is scheduled to release the fourth quarter of the approved operating budget, thirty percent of the $23,800,534 will be released at that time. A proportionate share of the remaining $16,660,374 will be released monthly until the end of the fiscal year or until federal approval is received, whichever happens first. This reduction shall be considered a one-time, nonrecurring reduction to implement current year policy direction in the Physicians Upper Payment Limit Program. In the event the Medicaid State Plan amendment is approved for any funding less than that used to calculate the proposed federal participation, these reductions shall be revised to reflect the same proportional amount.

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.
HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations	***House Subcommittee:*** Health Appropriations
Senate Analyst: Elaine Peters	***House Analyst:*** Bill Speir
Phone Number: (850) 487-5140 or SunCom 277-5140	***Phone Number:*** (850) 488-6204 or SunCom 278-6204
E-mail Address: elaine.peters@laspbs.state.fl.us	***E-mail Address:*** william.speir@laspbs.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
	AGENCY FOR HEALTH CARE ADMINISTRATION				
	Medicaid Services to Individuals				
	Grants and Donations Trust Fund				
234	Physician Services 68501400-102541-00-2339		21,752,217	21,752,217	
	Medical Care Trust Fund				
234	Physician Services 68501400-102541-00-2474		71,613,271	71,613,271	

BUDGET AMENDMENT FORM

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Reserve	RECOMMENDED BY GOVERNOR Reserve	APPROVED BY LEGISLATIVE BUDGET COMMISSION Reserve
	Educational and General Activities				
	General Revenue Fund				
166W	G/A - UF Health Center				
	48900100-052325-00-1000		20,192,970	20,192,970	
166V	G/A - USF Medical Center				
	48900100-052320-00-1000		3,607,564	3,607,564	

Department: **Agency for Health Care Administration**

EOG Number: **B0505**

Problem Statement:

Proviso language following Specific Appropriation 199 of the General Appropriations Act for FY 2002-03 (Ch. 2002-394, Laws of Florida) authorizes the Agency for Health Care Administration to seek and receive additional budget authority to implement the expansion of existing programs utilizing increased federal reimbursement.

The General Appropriations Act for FY 2002-03 includes appropriations for making special Medicaid payments to hospitals under provisions of federal regulations relating to upper payment limits on hospital reimbursement by Medicaid. The payments are contingent upon the state matching funds being provided by local governmental entities. The Agency for Health Care Administration has determined that there is a balance of $55,466,015 in the Hospital Upper Payment Limit Program, and that additional local matching funds are available to be used as the required state matching funds of $22,835,358. The federal share of the payments will be $32,630,657. The additional reimbursement would be reimbursed to hospitals receiving special Medicaid payments for hospitals currently receiving those payments for the following services: rural, trauma, primary care, graduate medical education and family practice.

Participating local and county governments have also agreed to contribute $8,500,000 to the Grants and Donations Trust Fund. Total contributions from local and county governments, including this amount, would be $31,335,358.

Agency Request:

As authorized by proviso language included in the FY 2002-03 General Appropriations Act, the Agency for Health Care Administration is requesting an increase in trust fund budget authority of $55,466,015 ($22,835,358 in the Grants and Donations Trust Fund and $32,630,657 in the Medical Care Trust Fund) in order to increase supplemental payments to hospitals under the program for special Medicaid payments to hospitals under the federal provisions relating to upper payment limits. $22.8 million in local funds transferred to the Agency for Health Care Administration will be used to draw an additional $32.6 million in federal funds. Additional local funds of $8,500,000 have also agreed to be contributed to the Grants and Donations Trust Fund.

If the budget amendment is not approved, the increased special Medicaid supplemental payments cannot be made and additional federal funds of $32.6 million will not be realized in FY 2002-03.

Governor's Recommendation:

Recommend approval to increase budget authority by $31,335,358 from the Grants and Donations Trust Fund and by $32,630,657 from the Medical Care Trust Fund for state matching funds and additional federal funds, respectively, for the hospital upper payment limit program.

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.

HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health & Human Services Appropriations	***House Subcommittee:*** Health Appropriations
Senate Analyst: Elaine Peters	***House Analyst:*** Bill Speir
Phone Number: (850) 487-5140 or SunCom 277-5140	***Phone Number:*** (850) 488-6204 or SunCom 278-6204
E-mail Address: elaine.peters@laspbs.state.fl.us	***E-mail Address:*** william.speir@laspbs.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
	Medicaid Services to Individuals (68501400)				
	Grants and Donations Trust Fund				
222	Hospital Inpatient Services 68501400-101582-00-2339		31,335,358	31,335,358	
	Medical Care Trust Fund				
222	Hospital Inpatient Services 68501400-101582-00-2474		32,630,657	32,630,657	

Department: **Agency for Health Care Administration**

EOG Number: **B0524**

Problem Statement:
Proviso language following Specific Appropriation 199 of the General Appropriations Act for FY 2002-03 (Ch. 2002-394, Laws of Florida) authorizes the Agency for Health Care Administration to seek and receive additional budget authority to implement the expansion of existing programs utilizing increased federal reimbursement. AHCA is authorized in proviso to create a special Medicaid payment to increase reimbursement to Medicaid participating organ transplant facilities or to implement a global fee for transplantation services.

The General Appropriations Act for FY 2002-03 includes appropriations for making special Medicaid payments to hospitals providing transplants under provisions of federal regulations relating to upper payment limits on hospital reimbursement by Medicaid. The payments are contingent upon the state matching funds being provided by local governmental entities. The Agency for Health Care Administration has determined that there is a balance of $5,505,057 in the upper payment limit, and that additional local matching funds are available for the required state matching funds of $2,266,432. The federal share of the payments will be $3,238,625. This will provide additional reimbursement to hospitals for providing care to Medicaid beneficiaries and other low-income persons receiving liver transplants.

Agency Request:
As authorized by proviso language included in the FY 2002-03 General Appropriations Act, the Agency for Health Care Administration is requesting trust fund spending authority of $5,505,057 ($2,266,432 in the Grants and Donations Trust Fund and $3,238,625 in the Medical Care Trust Fund) to increase supplemental payments to hospitals under the program for special Medicaid payments to hospitals that provide service to Medicaid beneficiaries receiving liver transplants. $2,266,432 in local funds transferred to the Agency for Health Care Administration will be used to draw an additional $3,238,625 in federal funds.

If the budget amendment is not approved the increased special Medicaid supplemental payments cannot be made and additional federal funds of $3,238,625 will not be realized in FY 2002-03.

Governor's Recommendation:
Recommend approval to increase budget authority by $2,266,432 from the Grants and Donations Trust Fund and by $3,238,625 from the Medical Care Trust Fund for state matching funds and additional federal funds, respectively, for the Hospital Upper Payment Limit Program.

Commission Staff Comments:

SENATE: Recommend approval by the Legislative Budget Commission as recommended by the Governor's Office.

HOUSE: There appear to be no technical errors or inconsistencies with the General Appropriations Act.

Senate Subcommittee: Health and Human Services Appropriations ***Senate Analyst:*** Elaine Peters ***Phone Number:*** (850) 487-5140 or SunCom 277-5140 ***E-mail Address:*** elaine.peters@LASPBS.state.fl.us	***House Subcommittee:*** Health Appropriations ***House Analyst:*** Bill Speir ***Phone Number:*** (850) 488-6204 or SunCom 278-6204 ***E-mail Address:*** william.speir@LASPBS.state.fl.us

Line Item No.	Budget Entity / Fund / Appropriation Category Title LAS/PBS Account Number	CF	REQUESTED BY AGENCY Appropriation	RECOMMENDED BY GOVERNOR Appropriation	APPROVED BY LEGISLATIVE BUDGET COMMISSION Appropriation
	AGENCY FOR HEALTH CARE ADMINISTRATION				
	Medicaid Services to Individuals (68501400)				
	Grants and Donations Trust Fund				
222	Hospital Inpatient Services 68501400-101582-00-233		2,266,432	2,266,432	
	Medical Care Trust Fund				
222	Hospital Inpatient Services 68501400-101582-00-2474		3,238,625	3,238,625	

SHANDS
HealthCare

December 24, 2002

Paul M. Rosenberg*
Sr. Vice President and
General Counsel

RECEIVED

MEDICAID OFFICE

Mr. Kenneth L. Thurston
Assistant Deputy Secretary for Medicaid Finance
Agency for Health Care Administration
2727 Mahan Drive, MS 8
Building 3, Room 2413B
Tallahassee, Florida 32308

Re: Shands Jacksonville Medical Center

Dear Ken:

In connection with funding for Shands Jacksonville Medical Center contained in Item 222 of the 2002 Legislative Budget Conference Report, House Bill 27E, you have been requested to review Shands Jacksonville's completion of the requirements for funding. I will address each requirement individually. The following exhibits will be referenced:

1. Shands Jacksonville Health Care, Inc. and Subsidaries Consolidated Statement of Operations.
2. Shands Jacksonville FY2003 Budget Summary.
3. Cambio Implementation Update.
4. Capital equipment list.
5. Executed Shands Jacksonville Funding Agreement.

Development of a breakeven budget based on the Cambio recommendations: Shands Jacksonville's FY2003 Budget Summary (Exhibit 2) calls for positive operating results. With the assistance of Cambio Health Solutions, LLC, Shands Jacksonville is currently implementing the operational improvement recommendations contained in the Cambio report. Exhibit 1, Shands Jacksonville HealthCare Inc. and Subsidiaries Consolidated Statement of Operations, displays the impact of the Cambio plan on the budget in columnar form. The first column contains FY2002 audited results. The second column shows budget without recommended Cambio improvements. The third column identifies the improvements adopted in the budget. The fourth column displays the final budget integrating the Cambio recommendations. Detail on the adopted Cambio recommendations is contained in notes 1-3 to Exhibit 1. Exhibit 2 is the Budget Summary as adopted by the Shands Jacksonville Board of Directors.

Shands Jacksonville is currently operating on budget and anticipates attaining its budgeted positive operating results in FY2003. You will note that there are some differences between the specific revenue enhancement targets contained in the Budget Summary, Exhibit 2, and the Cambio Implementation Report, Exhibit 3. These differences are the result of continuous evaluation of the effectiveness of each project

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*Not licensed in Florida; authorized House Counsel, Florida Bar Rule 17.

with some projects being assigned lower adjusted targets and others greater adjusted targets. The total target amount remains identical. Managed care contract re-negotiations have been completed and new rates are expected to yield the targeted revenue increases. While the timing and outcome of cost report items are outside of the hospital's control, we are confident these items will be resolved as budged.

It should be noted that the Cambio revenue improvements account for approximately $14 million in projected FY2003 improvements. Other factors accounting for the budgeted year to year improvement are summarized on page 13 of the Budget Summary, Exhibit 2.

Submit an approved expenditure plan for the appropriated funds: Shands Jacksonville will expend these funds on high priority patient care capital equipment items included in the Major Clinical Equipment List, Exhibit 4. The items are listed in order of their priority weight. Items are displayed along with their individual cost and a summary of whether the item will enhance patient safety/satisfaction, increase efficiency/reduce expense, increase revenue and/or increase patient throughput.

Two to one match of appropriated funds from the City of Jacksonville and Shands Teaching Hospital & Clinics, Inc. (Shands HealthCare/Gainesville): Exhibit 4 is the executed Shands Jacksonville Funding Agreement among Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc., Shands Teaching Hospital & Clinics, Inc. and the City of Jacksonville. Payments will be made according to Schedule 1 of the agreement including $23M from Shands HealthCare and $42M from the City of Jacksonville in this fiscal year. Shands HealthCare support will total $50M and the City of Jacksonville support will total $70M.

Debt reduction and capital acquisition will constitute the principal uses of the contributions. In order to reduce high cost or otherwise complicated debt, Shands Jacksonville has issued a tender offer to redeem $20M of outstanding Methodist Medical Center bonds at a discount and offered to retire the $36.6M outstanding Sumitomo Mitsui Bank consortium debt.

With these actions, Shands Jacksonville has satisfied the conditions for funding. I would be pleased to meet with you and other interested parties in Tallahassee to discuss this or to answer questions.

Sincerely,

Paul

Paul M. Rosenberg

Enclosure

cc: Senator King
Donna Arduin
Mike Hansen

Shands Jacksonville HealthCare, Inc and Subsidiaries
Consolidated Statement of Operations

	For the Fiscal Year Ended June 30				
	2002	2003 Budget			
	Actual Audited	Without Cambio	Cambio Improvements		With Cambio Improvements
Unrestricted revenue and other support:					
Net patient service revenue	$ 308,045	$ 308,509	$ 14,255	(1)	$ 322,764
Capitated revenue	58,571	67,550	-		67,550
City and state support	72,308	80,418	-		80,418
Other revenue	12,891	12,125	-		12,125
Total unrestricted revenue and other support	451,815	468,602	14,255		482,857
Expenses:					
Salaries, wages and benefits	150,849	155,152	(1,373)	(2)	153,779
Supplies and other	190,353	201,835	(2,976)	(3)	198,859
Provision for bad debt	75,027	74,003	-		74,003
Depreciation and amortization	20,623	20,993	-		20,993
Interest	14,872	15,765	-		15,765
Total Expenses	451,724	467,748	(4,349)		463,399
Subtotal	91	853	18,604		19,457
Non-operating gains, net	2,350	2,349	-		2,349
Excess of revenue and other support over expenses	$ 2,441	$ 3,202	$ 18,604		$ 21,806

Cambio revenue enhancements and expense reductions:

(1) Net patient service revenue	
Improved billing and collections	$ 3,567
Renegotiated managed care contracts.	3,675
Increased Medicare reimbursement	7,013
Total Cambio revenue improvements	14,255
(2) Salaries, wages and benefits	
Staffing productivity increases	1,373
(3) Supplies and other	
Reduction in supply expenses	1,850
Reduction in inventories	563
Reduce Medicare average length of stay	563
Total supplies and other reductions	2,976
Total Cambio revenue enhancements and expense reductions	$ 18,604

FY 2003 Budget

Budget for the Fiscal Year Ending June 30, 2003

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Jacksonville

Budget for the Fiscal Year Ending June 30, 2003

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Jacksonville

Executive Summary

The Shands Jacksonville Healthcare, Inc. consolidated operating projection for the fiscal year ending June 30, 2002 and budget for the fiscal year ending June 30, 2003 are summarized in table 1 below.

Table 1
(Dollars in Thousands)

	2002 Budget	Projection	2003 Budget
Total Revenues	$ 453,017	$ 459,651	$ 482,857
Total Expenses	454,844	461,724	463,399
Income from Operations	$ (1,828)	$ (2,073)	$ 19,457
Non-Operating Gains and Losses, Net	2,312	2,704	2,349
Excess of Revenue and Gains over Expenses and Losses	$ 484	$ 631	$ 21,806

The improved income from operations represents an operating margin of 4%, a $21.5 million increase over the projected FY 2002 operating margin of -.5%. The increased margin assumes Cambio improvements of $18.6 Million and increased state funding. A comparison of the FY 03 budgeted excess of revenues and gains over expenses to the Cambio Baseline is reflected in Table 2. Achieving the FY 03 operating margin will generate $34.6 million for working capital and

Table 2

FY 03 Cambio Baseline	$ (4,000,000)
Cambio Improvements	$ 18,600,000
Increased DSH ($ 72.2M vs. $ 80.4M)	$ 8,200,000
Adjusted Base	$ 22,800,000
FY 03 Budget	$ 21,806,000

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Jacksonville

equipment. These amounts do not reflect any gains from debt restructuring. Restructuring elements could generate up to an additional $8.9 million.

Key operating indicators for the Shands Jacksonville Hospital Division are as follows:

	2002 Projection	2003 Budget	% Change
Admissions	26,274	26,567	1.1%
ALOS	4.9	4.7	-2.1%
Patient Days	127,429	126,193	-1.0%
Newborn Admissions	2,910	2,900	-0.3%
Skilled Nursing Admissions	554	575	3.7%
Outpatients:			
Emergency Visits	100,551	100,754	0.2%
Trauma Visits	4,556	4,738	4.0%
Other Outpatient Visits	333,473	337,200	1.1%
Full Time Equivalent Employees (FTE's)	3,230	3,190	-1.2%
Adjusted Occupied Beds (AOB)	600	590	-1.7%
FTE's per AOB	5.4	5.4	0.0%

The FY 03 operating budget for the Shands Jacksonville Hospital Division and First Care Inc. are summarized in table 3. The First Care operating budget is presented as approved at their April 30, 2002 board meeting adjusted for the differences in their fiscal year ending - March 30, 2003 verses June 30, 2003.

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Table 3
(Dollars in thousands)

	SJMC Hosp. Div.	First Care, Inc.	Elimination's	Consolidated Total
Total Revenues	$ 438,107	$ 74,183	$ (29,433)	$ 482,857
Total Expenses	419,081	73,752	(29,433)	463,399
Income from Operations	19,027	431	-	19,457
Non-Operating Gains and Losses, Net	2,780	144	(575)	2,349
Excess of Revenue and Gains over Expenses and Losses	$ 21,806	$ 575	$ (575)	$ 21,806

The Medical Center's adjusted total revenue (total revenue less bad debt) has increased by $ 27.8 Million. This increase is a result of:

	(000's)
Medicare Cost Reports	$ 4,600
Revenue cycle improvements	4,167
Managed Care contract renegotiations	3,300
Increase City/State funding	11,649
Rate and volume	4,078
Revenue increase net of bad debts	$ 27,794

The Budgeted FY 2003 revenues were based on the FY 2002 year-to-date payor mix, a decreased length of stay and a rate increase averaging 5% in July of 2002. Medicare revenue per patient is projected to increase $146 per admission offset by a reduction in indirect medical education reimbursement of $123 per admission. Medicaid reimbursement is anticipated to be impacted because of the implementation of a state mandated concurrent review program. We anticipate a 14% reduction in length of stay for Medicaid patients partially offset by the elimination of the State of Florida's 6% rate reduction April 1, 2002. Managed care rates were adjusted as a result of negotiated rate increases of approximately 5% for inpatients and 12% for outpatients.

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The Medical Center's expenses net of bad debts have increased by $ 8.4 Million. This increase is a result of:

		(000's
Salary and Benefits:		
Carry over of FY 2002 wage increases	$ 1,172	
FY 2003 salary administration program	4,000	
	1,866	
Benefits		7,038
Total Salary and Benefits		3,030
Technology		2,409
General and malpractice insurance		(2,413)
Supply related improvements		(1,373)
Productivity improvements		(563)
Reduced length of stay		252
All other		$ 8,380
Expense Increase net of bad debts		

Salary expenses were based on staffing levels from the Medical Center's position control adjusted for volume changes and a reduction in the use of contract labor and overtime. Salary expenses also assume continuation of the market-based compensation program implemented during FY 02. There are no changes being made to the benefit package. All other expenses have been adjusted for volume, technology enhancements and inflation. Malpractice and general insurance costs have increased as a result of the September 11 events. The expenses also include supply, productivity and length of stay improvements related to the Cambio engagement.

The FY 2003 budget has been developed using the best information available and could be challenged by unforeseen events, not achieving volume targets or failure to obtain approval of salary administration program by the labor union. In addition, as a teaching and research facility we will continue to be challenged in balancing new technology such as drug eluding stents and new medications with our ability to fund these improvements in patient care.

FY 2003 Budget:
Cambio Projections

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FY 03 Cambio Baseline	$ (4,000,000)
Cambio Improvements	$ 18,600,000
Increased DSH ($ 72.2M vs. $ 80.4M)	$ 8,200,000
Adjusted Base	$ 22,800,000
FY 03 Budget	$ 21,806,000

FY 2003 Budget:
Assumptions

SHANDS Jacksonville

	2001	2002			2003	
	Actual	Budget	Projection	% *Increase*	Budget	% *Increase*
Admissions	26,675	28,042	26,274	*-1.5%*	26,567	*1.1%*
ALOS	4.8	4.7	4.9	*1.0%*	4.7	*-2.1%*
Patient Days	128,117	110,812	127,429	*-0.5%*	126,193	*-1.0%*
Newborn Admissions	2,657	3,554	2,910	*9.5%*	2,900	*-0.3%*
Skilled Nursing Admissions	515	577	554	*7.7%*	575	*3.7%*
Outpatients						
Emergency Visits	100,503	102,546	100,551	*0.0%*	100,754	*0.2%*
Trauma Visits	4,241	4,300	4,556	*7.4%*	4,738	*4.0%*
Other Outpatient Visits	336,142	333,366	333,473	*-0.8%*	337,200	*1.1%*

FY 2003 Budget:
Assumptions (continued)

SHANDS
Jacksonville

Payor Mix (*Based on Gross Charges*)	FY 2000 Actual	FY 2001 Actual	FY 2002 Projected	FY 2003 Budgeted
Medicare	25.3%	25.6%	27.7%	27.7%
Medicaid	16.2%	16.9%	18.1%	18.1%
Commercial	5.6%	5.6%	6.1%	6.1%
Managed Care	20.7%	20.4%	20.0%	20.0%
Capitated	11.5%	11.8%	12.6%	12.6%
Grants and Other	0.7%	0.6%	0.6%	0.6%
Charity	9.0%	8.7%	8.7%	8.7%
Self Pay	11.1%	10.5%	6.3%	6.3%
	100.0%	100.0%	100.0%	100.0%

FY 2003 Budget:
Assumptions (continued)

SHANDS Jacksonville

- 5% increase in gross charges;
- Fiscal year 2002 year-to-date payor mix held constant;
- Decreased length of stay;
- FY2002 net revenues per payor adjusted for anticipated changes:
  - Medicare - market basket increase of $146 per admission offset by reduction of indirect medical education reimbursement of $123 per admission.
  - Medicaid - implementation of state mandated concurrent review resulting in a 14% reduction in length of stay partially offset by the elimination of 6% rate reduction reinstated April 1,2002.
  - Managed Care - renegotiated contracts resulting in rate increases of approximately 5% for inpatients and 12% for outpatients.

FY 2003 Budget:

Assumptions (continued)

SHANDS Jacksonville

- Includes Cambio Improvements of $ 18.6 million;
  - $14.3 million of revenue improvements
  - $4.3 million of expense reductions
- Staff levels set based on current position control adjusted for volume changes with reduction in use of contract labor and overtime;
- Expenses adjusted for volume, technology and inflation when appropriate at the cost center level;
- Salary expenses assume continuation of market-based compensation program implemented during FY 02 with no change in the benefit package.

FY 2002 Budget:
Key Operating Indicators

SHANDS
Jacksonville

	2002 Projected	2003 Budget
Adjusted Admissions (AA)	42,229	43,063
Full Time Equivalents (FTEs)	3,230	3,190
Adjusted Occupied Beds (AOB)	600	590
FTEs/AOB	5.4	5.4
Adjusted Net Patient Service Revenue/AA	5,513	5,777
Total Revenue/AA	10,885	11,213
Total Expenses/AA	10,934	10,761
Operating Margin	-0.5%	4.0%
Total Margin	0.1%	4.5%

FY 2003 Budget:

Operations Budget (000's)

SHANDS
Jacksonville

For the Fiscal Years Ending June 30

	2000 Actual	2001 Actual	2002 Budget	2002 Projected	2003 Budget
Patient Service Revenue:					
Net Patient Service Revenue	$ 258,536	$ 286,360	$ 312,363	$ 321,810	$ 322,764
Premium Revenue	32,214	51,837	56,759	56,697	67,550
City and State Funding	40,875	63,084	72,192	68,769	80,418
Total Patient Service Revenue	331,625	401,281	441,314	447,276	470,732
Grants and Other	20,202	16,552	11,703	12,375	12,125
Total Revenue	351,827	417,833	453,017	459,651	482,857
Expenses:					
Salaries	91,776	120,013	125,496	124,222	124,802
Employee Benefits	28,719	27,287	26,012	27,111	28,977
Supplies, Services & Other	145,372	116,570	126,229	115,778	119,295
Purchased Services - UF Programs	29,780	36,253	31,496	31,643	31,800
Medical Claims	18,960	27,148	32,055	39,028	47,765
Depreciation and Amortization	17,900	19,712	20,544	20,521	20,993
Interest	14,731	18,030	17,759	15,433	15,765
Provision for Bad Debts	60,626	68,662	75,254	87,988	74,003
Total Expenses	407,864	433,675	454,844	461,724	463,399
Income (Loss) from Operations	(56,037)	(15,842)	(1,828)	(2,073)	19,457
Non-Operating Gains and Losses, Net	3,256	3,585	2,312	2,704	2,349
Excess (Deficiency) of Revenue and Gains over Expenses and Losses	$ (52,781)	$ (12,257)	$ 484	$ 631	$ 21,806

FY 2003 Budget:

Operations Budget (000's)

SHANDS Jacksonville

	SJMC Hosp. Div.	First Care, Inc.	Elimination's	Consolidated Total
Patient Service Revenue				
Net Patient Service Revenue	$ 322,764	$ -	$ -	$ 322,764
Premium Revenue	22,800	74,183	(29,433)	67,550
City and State Funding	80,418	-	-	80,418
Total Patient Service Revenue	425,982	74,183	(29,433)	470,732
Grants and Other	12,125	-	-	12,125
Total Revenue	438,107	74,183	(29,433)	482,857
Expenses				
Salaries	122,778	2,024	-	124,802
Employee Benefits	28,728	249	-	28,977
Supplies, Services & Other	118,381	914	-	119,295
Purchased Services - UF Programs	31,800	-	-	31,800
Medical Claims	6,633	70,565	(29,433)	47,765
Depreciation & Amortization	20,993	-	-	20,993
Interest	15,765	-	-	15,765
Provision for Bad Debt	74,003	-	-	74,003
Total Expenses	419,081	73,752	(29,433)	463,399
Income (Loss) From Operations	19,027	431	-	19,457
Equity in Income of Subsidiary	316	-	(316)	-
Minority Interest in First Care, Inc.	-		(259)	(259)
Non Operating Gains and Losses, net	2,463	144	-	2,607
Excess (Deficiency) of Revenue and Gains Over Expenses and Losses	$ 21,806	$ 575	$ (575)	$ 21,806

FY 2003 Budget:
Reconciliation of Change in Revenues

SHANDS Jacksonville

(Dollars in Thousands)

FY 2002 Projected Total Revenue		$ 459,651
Reclassification of bad debt expense to contractual adjustments		(15,441)
Cambio Revenue Improvements		
Medicare Cost Report Issues	$ 6,788	
Revenue Cycle Improvements	4,167	
Managed Care contract renegotiations	3,300	
Total Cambio Revenue Improvements		14,255
State/City funding		11,649
Increases in First Care premium revenue		10,853
5% rate increase net of volume changes		4,078
Medicare Prior Year Adjustments		(2,188)
FY 2003 Budgeted Total Revenue		$ 482,857

FY 2003 Budget:
Reconciliation of Change in Expenses

SHANDS
Jacksonville

(Dollars in Thousands)

FY 2002 Projected Total Expenses		461,724
Reclassification of bad debt expense to contractal adjustments		(15,441)
First Care medical claims expense		8,737
Salary and Benefits		
FY 2003 salary administration program	4,000	
Carry over of FY2002 wage increases	1,172	
Benefits	1,866	
Total Salary and Benefits		7,037
Cambio expense improvements		
Supply related improvements	(2,413)	
Productivity improvements	(1,373)	
Expense reduction related to reduced ALOS	(563)	
Total Cambio expense improvements		(4,349)
General and malpractice insurance		2,409
Drugs		2,347
Drug eluding stents		683
Other		252
FY 03 Budgeted Total Expense		$ 463,399

FY 2003 Budget:
Pro-forma Impact of Restructuring Plan

SHANDS Jacksonville

	(in millions)
Budgeted Gain Before Restructuring	$ 21.8
Restructuring Elements:	
Decrease in Interest Expense	5.4
College of Medicine Contribution	2.5
University of Florida Contribution	1.0
Gain After Restructuring	$ 30.7
Does not include loan forgiveness of:	
Shands Healthcare	$ 15.0
College of Medicine	$ 2.5

FY 2003 Budget:

Cash From Operations (000's)

SHANDS
Jacksonville

Excess of Revenue and Gains over Expenses and Losses	$	21,806
Add back Depreciation		20,993
Less principle payments		(8,159)
Cash available for Working Capital and Equipment	$	34,640 *

* Does not include increased cash from debt restructuring

FY 2002 Budget:
Risks

SHANDS
Jacksonville

- Achieving Volume targets
- Changes in managed care market
- Unexpected major equipment failure
- Projected salary expenses dependent on approval by Union
- Achieving Cambio's revenue and expense improvements
- Increase in use of Leuko reduced plasma
- New technology - drug eluding stents and new medications

CAMBIO
HEALTH SOLUTIONS, LLC

SHANDS JACKSONVILLE
HEALTHCARE INC.

November 13, 2002
Implementation Update

Viable if these things happen:

- The proposed operational plan is fully implemented, improving profitability, cash flow, & EBIDA
- The proposed recapitalization plan is adopted
- All parties involved are aligned in mission, vision and values of an Academic Medical Center operating in an urban setting

CAMBIO

UPDATE:

•Posted first profitable year since merger of UMC and Methodist.

•Cash balances growing. $24 million at 9/30/02

•Obtained one time relief from loss of Upper Payment Limit funding through improved Disproportionate Share Reimbursement for 2003 only. Value is $18 million.

•Shands Gainesville, University of Florida, College of Medicine and City of Jacksonville have committed to the future of Shands Jacksonville.

Consolidate programs & space

- Close and raze North Pavilion.
- South Pavilion to house hospice, transitional care unit
- Expand space in Clinical Center Emergency Department

CAMBIO

UPDATE:

•North and South Pavilions – Working with Gainesville VP of Facilities, Architects, and Space Planning consultants to develop formal consolidation plans. Requires capital dollars from recapitalization plan.

•Capital has been allocated to plan for ED consolidated space and to start renovations and expansion of Emergency Department.

Consolidation Opportunities with Gainesville

- Information technology
- Cash management and treasury operations
- Accounting
- Patient financial services
- Purchasing

CAMBIO
HEALTH SOLUTIONS, LLC

UPDATE:

•IT Director reports to Senior VP of IT at Shands Healthcare.

•CFO reports to Gainesville (Shands HealthCare) CFO. Other consolidation of accounting and finance awaits recapitalization plan.

•Consolidation of purchasing activities awaits recapitalization plan moving forward.

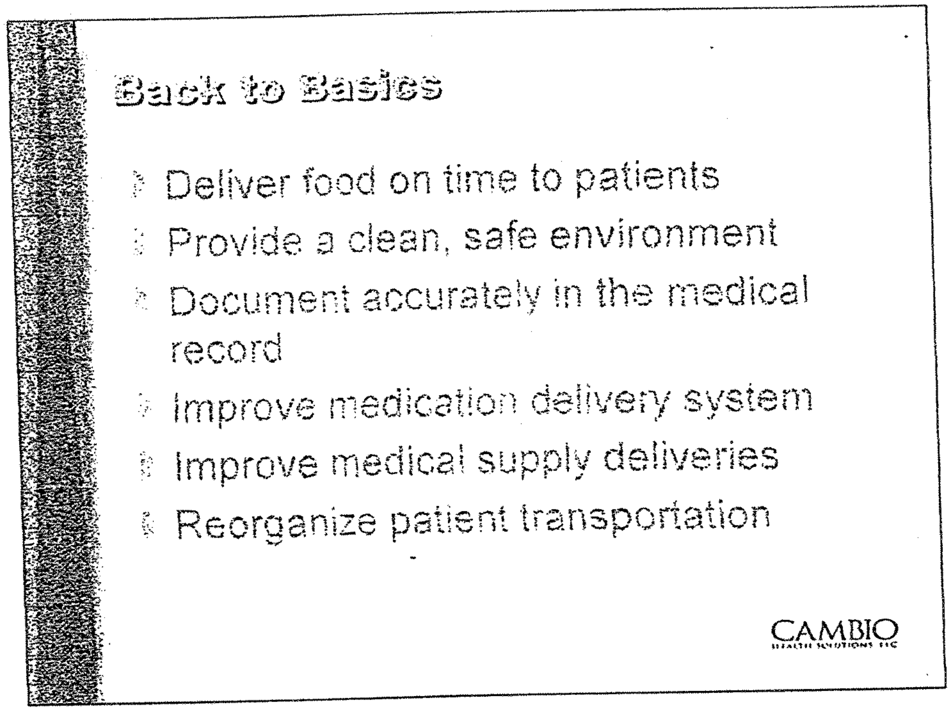
•Other Changes:

–Administrator at Shands Jax reports to EVP/COO of Shands HealthCare

–Legal Services reports to Shands HealthCare

–Human Resources Officers reports to Shands HealthCare Human Resource Leader

–Community and Legislative VP's reports to Shands HealthCare Leadership



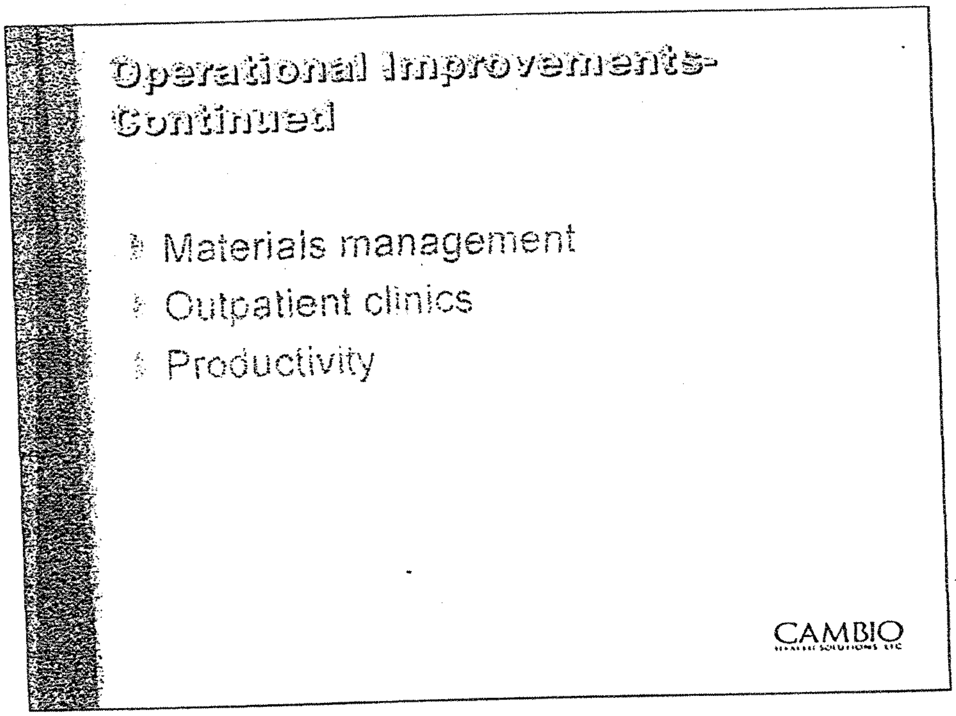
UPDATE:

•Food delivered to patients by Food Services personnel rather than nursing to enhance timeliness of delivery.

•Cleanliness scores within Press Ganey improved. Capital dollars allocated for renovation of key patient areas and acquisition of beds and patient room furnishings

•Medication and medical supply delivery systems revamped resulting in better supply availability and lower inventory levels

•Patient transportation reorganized and tracking system recently implemented with a goal of improved response time.



UPDATE:

•Materials Management

-Goal is $1.7 million, improvements to date total $0.2 million. Need recapitalization $ to reduce vendor payables for enhanced pricing. Product standardization committee focusing on cost saving opportunities.

•Outpatient Clinics

-Evaluating conversion of all hospital based clinics to University of Florida physician owned and operated. Orthopedic clinic receiving operational assistance through Cambio.

•Productivity:

-FTE's per AOB reduced from 5.48 to 5.19 resulting in savings in 2002 of $1.5 million and 2003 projected at $5.7 million. Reductions are in management, PRN nursing and contract nursing personnel.

Cambio One-Time EBIDA Improvement Recommendations-Actual and Projected

Year Ended June 30 Range ($ In Millions)	2003 Mid Point	Qtr Ended 9/30/2002	Projected 6/30/2003
One Time EBIDA Improvements			
Revenue Cycle Improvements	$ 2.8	$ (0.3)	$ 4.1
Correct IME Reimbursement	1.2	1.1	1.7
Reconcile GPO Rebates and Discounts	0.8	-	0.2
Total One Time EBIDA Improvements	**$ 4.8**	**$ 0.8**	**$ 6.0**
Total EBIDA Improvements	**$ 18.6**	**$ 3.1**	**$ 21.4**

CAMBIO

UPDATE:

•Revenue Cycle Improvements are principally Medicare reimbursement related. The negative amount for the first quarter reflects adjustments to the 1999 and 2000 cost reports. Cost report re-openings (1996-2000) are expected to result in a net benefit of $1.2 million and $2.9 from the correction of Disproportionate Share reimbursement.

•IME bed count issues have been resolved with the Medicare Fiscal Intermediary. Awaiting processing of updated data.

•GPO rebates were determined after further investigation to be due in the form of cash and in-kind service. The amount projected reflects only the cash amount due.

Projected, Actual and Budgeted Net Income-Without Recapitalization Plan

	2002		2003	
Year Ended June 30	Projected	Actual	Projected	Budget
$ In Millions				
Income (Loss)-Baseline	$ (4.6)	$ (0.6)	$ (4.0)	$ (6.1)
Upper Payment Limit Reduction	(4.6)	(0.9)	(18.2)	(17.3)
One time Improvement in DSH Funding	-	-	-	17.3
One time State Appropriation	-	-	-	9.3
Projected Income (loss) before improvements	(9.2)	(1.5)	(22.2)	3.2
Cambio Improvements	-	3.9	18.0	18.6
Income (Loss)-Before Recapitalization Plan	$ (9.2)	$ 2.4	$ (4.2)	$ 21.8

Note: Projected refers to original Cambio projections.

CAMBIO
HEALTH SOLUTIONS, LLC

UPDATE:

•Upper Payment Limits have been reduced in 2003.

•The One Time Improvement in DSH funding resulted from the other Statutory teaching hospitals agreeing to help Shands Jacksonville for one year.

•A one time appropriation has been made by the Florida Legislature to assist Shands Jacksonville Hospital. The funding is dependent on the hospital adopting the Cambio Recommendations and Shands Gainesville demonstrating financial support for Shands Jacksonville.

DEC - 5 2002

SHANDS JACKSONVILLE FUNDING AGREEMENT

THIS SHANDS JACKSONVILLE FUNDING AGREEMENT is dated as of November 12, 2002, among the **CITY OF JACKSONVILLE, FLORIDA** (the "City"), **SHANDS TEACHING HOSPITAL AND CLINICS, INC.**, a Florida not for profit corporation ("Shands HealthCare"), **SHANDS JACKSONVILLE HEALTHCARE, INC.**, a Florida not for profit corporation f/k/a Jacksonville Health Group, Inc. ("SJH"), and **SHANDS JACKSONVILLE MEDICAL CENTER, INC.**, a Florida not for profit corporation ("Shands Jacksonville").

Preliminary Statement. The City, as successor in interest to the Duval County Hospital Authority, is party to an Amended and Restated Lease Agreement dated as of December 15, 1987, as amended (the "City Lease"), with Shands Jacksonville, f/k/a University Medical Center, Inc., pursuant to which Shands Jacksonville leases and operates certain "Hospital Facilities." Methodist Medical Center, Inc., Methodist Health System, Inc., and The Methodist Hospital Foundation, Inc. (collectively, "MMC") lease their hospital and related facilities to Shands Jacksonville, and Shands Jacksonville operates those facilities, pursuant to an Operating Lease dated as of September 15, 1999 (the "MMC Operating Lease"). The Affiliation Agreement dated as of June 10, 1999, among Shands Jacksonville, Shands HealthCare, MMC, and SJH (the "Shands Jacksonville Affiliation Agreement") provided, among other things, for the operations of MMC and Shands Jacksonville to be combined and conducted by Shands Jacksonville and for Shands HealthCare to appoint a specified number of the members of the Board of Directors of Shands Jacksonville.

Pursuant to the Restated Indigent Care Agreement as amended by the second amendment date July 1, 1999, between University Medical Center Inc. and the City (the "Indigent Care Agreement"), the City provides Shands Jacksonville with funds utilized to provide care to qualifying indigent residents of the City of Jacksonville in an annual amount determined in its discretion by the City Council of the City of Jacksonville (the "City Council"), which currently benefits Shands Jacksonville by approximately $23.8 million per year. Additionally, the City funded the construction of a portion of a building constituting Shands Jacksonville's Ambulatory Care Center to further assist Shands Jacksonville in its provision of care to qualifying indigent residents of the City of Jacksonville resulting in a benefit to Shands Jacksonville of approximately $1.0 million per year (the "Care Center Amount") and funds this Agreement resulting in a benefit to Shands Jacksonville of approximately $5.0 million per year (the "Funding Agreement Amount"). For purposes of Section 8 of the Indigent Care Agreement, the Care Center Amount and the Funding Agreement Amount will be taken into account as providing for indigent care under the Indigent Care Agreement.

Shands Jacksonville supports the clinical, education, research, and other missions of the College of Medicine of the University of Florida (the "College of Medicine") pursuant to an Academic Affiliation Agreement dated as of September 2, 1988 between Shands Jacksonville and the University of Florida, as amended.

Shands Jacksonville is experiencing certain financial difficulties, and as a result thereof has received a going concern letter from its independent auditors, is in default of several covenants contained in its debt instruments, and is in danger of ceasing viable operations absent significant operational improvements and the investment of substantial funds from certain interested parties. Shands Jacksonville has retained the services of an independent healthcare consultant, Cambio Health Solutions, L.L.C. ("Cambio"), to identify and implement operational improvements at the facilities operated by Shands Jacksonville. In order to continue as a viable healthcare provider and fulfill its obligations to the City and the College of Medicine, Shands Jacksonville needs to implement all or a substantial portion of the recommendations made by Cambio and also needs to receive substantial additional capital to permit it to reduce its indebtedness to a level that it can service. Shands Jacksonville's long-term debt as of June 30, 2002, consisted of the following obligations:

(i) Series 1992 Bonds in the outstanding principal amount of approximately \$59.6 million, which are insured by Connie Lee Insurance Company and Ambac Assurance Corporation (collectively, "Ambac");

(ii) Series 1988 and 1989 Variable Rate Demand Obligations in the outstanding principal amount of approximately \$36.6 million, payment of which is secured by a letter of credit issued by Sumitomo Mitsui Banking Corporation, f/k/a The Sumitomo Bank, Limited ("Sumitomo"), which has been confirmed by a letter of credit issued by Morgan Guaranty Trust Company of New York; in order to induce Sumitomo to extend its letter of credit beyond its stated expiration date, Shands HealthCare secured a \$7.0 million surety bond issued by Ambac in favor of Sumitomo;

(iii) Indebtedness in the outstanding principal amount of approximately \$45 million pursuant to a Revolving Line of Credit Agreement dated as of September 1, 1999, with SunTrust Bank, f/k/a SunTrust Bank, Central Florida, National Association ("SunTrust"), which has been credit enhanced by a surety bond issued by Ambac in favor of Sun Trust;

(iv) Indebtedness owed under a promissory note to Shands HealthCare in the outstanding principal amount, together with accrued interest thereon, of approximately \$5.4 million, and additional short term obligations to Shands HealthCare for working capital and supplies in the amount of approximately \$3.0 million; Shands HealthCare also has committed to loan Shands Jacksonville further amounts under certain circumstances; and

(v) Capital leases in the total principal amount of approximately \$7.2 million.

In addition, MMC's Series 1989A and Series 1989B Bonds (the "MMC Bonds") are outstanding in an aggregate principal amount of approximately $69 million. Pursuant to the MMC Operating Lease, Shands Jacksonville has agreed to make lease payments to MMC in an amount equal to the debt service on the MMC Bonds.

The aggregate outstanding principal amount of all long-term indebtedness on which Shands Jacksonville or SJH is obligated (including the MMC Bonds) is approximately $223 million.

Shands HealthCare has provided to Ambac a non-accelerable guaranty of the payment of $72 million in debt service of Shands Jacksonville's indebtedness that is insured by Ambac (with a maximum payment by Shands HealthCare in any year of $9 million).

The parties hereto believe that the on-going viability of Shands Jacksonville is in their best interests as well as the best interests of the residents of the City of Jacksonville and the State of Florida. Accordingly, each of the City and Shands HealthCare is willing to make substantial financial contributions to benefit Shands Jacksonville, but only on the terms and conditions set forth in this Agreement.

Accordingly, the parties hereto agree as follows:

1. **Financial Support From Shands HealthCare.** Shands HealthCare shall provide $50 million to benefit Shands Jacksonville over a five year period as provided in Schedule 1 hereto. Shands HealthCare's obligations pursuant to this paragraph 1 shall be subject to the satisfaction of the conditions precedent contained in paragraph 4(a) below.

2. **Financial Support from the City.** The City shall use all reasonable efforts to (i) cause the City Council to adopt an ordinance authorizing the issuance of its bonds (the "Bonds"), $70 million of the proceeds of which shall be used to finance the City's contribution described herein, and (ii) issue and sell such Bonds as soon as practicable following the adoption of such ordinance. Upon the issuance and sale of the Bonds and the satisfaction of the conditions precedent contained in paragraph 4(b) below, the City shall apply the proceeds of the Bonds in the manner described in Schedule 1 hereto.

3. **Additional Financial Support.** Additional financial support shall be provided to Shands Jacksonville as follows: (i) $5 million from the University of Florida, in accordance with a letter from the University of Florida to the parties hereto, a copy of which is attached as Exhibit A hereto, to be provided and utilized in the manner described in Schedule 1 hereto, (ii) $15 million from the College of Medicine, in accordance with a letter from the College of Medicine to the parties hereto, a copy of which is attached as Exhibit B hereto, to be provided and utilized in the manner described in Schedule 1 hereto, (iii) approximately $9,385,401 from the State of Florida,

which will be used for capital expenditures and otherwise subject to the requirements set forth in Item 222 of the 2002 Legislative Budget Conference Report on House Bill 27E, as further described in Schedule 1 hereto, (iv) financial concessions from Sumitomo, to the extent and pursuant to documentation reasonably satisfactory to Shands Jacksonville, and (v) rearrangement of Ambac credit support and temporary covenant relief from Ambac and Sumitomo (or its successor), both to the extent and pursuant to documentation reasonably satisfactory to Shands Jacksonville.

4. **Conditions Precedent to Financial Support.**

(a) Shands HealthCare shall begin providing the financial support required of it over a five year period pursuant to paragraph 1 hereof upon:

(i) Execution and delivery of this Agreement by the other parties hereto; and

(ii) The adoption by the City Council of an ordinance authorizing issuance of the Bonds and the issuance and sale of the Bonds; and

(iii) The agreement of all holders of the senior long-term secured debt of Shands Jacksonville (or the credit enhancers thereof, but excluding the holders of the MMC Bonds) (collectively, "Shands Jacksonville's creditors") to provide principal forgiveness, waivers, forbearances or other concessions requested by Shands Jacksonville, pursuant to documents satisfactory to each of Shands Jacksonville and Shands HealthCare in their sole discretion.

(b) The City shall provide the financial support required of it in each fiscal year pursuant to paragraph 2 hereof upon:

(i) Execution and delivery of this Agreement by the other parties hereto; and

(ii) The adoption by the City Council of an ordinance authorizing the issuance of the Bonds and the issuance and sale of the Bonds; and

(iii) Shands HealthCare providing the financial support required of it for such fiscal year as provided in Schedule 1 hereto; and

(iv) The satisfaction or waiver in writing by Shands HealthCare of the condition precedent to its obligations set forth in paragraph 4(a)(iii) above; and

(v) The delivery by Shands Jacksonville to the City Treasurer of an officer's certificate certifying that (a) Shands Jacksonville has not received a notice of acceleration from any of Shands Jacksonville's creditors and (b) either there will be no continuing event of default under the documents evidencing indebtedness to Shands Jacksonville's creditors' immediately after the City provides its scheduled support, or Shands Jacksonville's creditors have waived or agreed to forebear the right to exercise remedies in respect of any such events of default that do exist.

5. **Use of Funds.**

(a) The parties shall apply the funds provided pursuant hereto in the manner described in Schedule 1 hereto. In utilizing such funds, Shands Jacksonville shall make capital expenditures (i) in an amount of at least $9.3 million in the fiscal year ending June 30, 2003, and (ii) in an aggregate amount of at least $100 million between the date hereof and June 30, 2008; provided that, in no event shall Shands Jacksonville make capital expenditures totaling less than $12 million per year in each of the five fiscal years ending on or between June 30, 2004, and June 30, 2008.

(b) Shands Jacksonville shall provide the City Treasurer with quarterly financial statements within 60 days after the end of each calendar quarter, annual audited financial statements within 120 days after the end of each fiscal year, and Cambio progress reports at the same time and in the same manner as they are provided to its senior secured creditors, but no less frequently than quarterly. Shands Jacksonville shall submit any proposed changes to the expenditure plan contained in Schedule 1 hereto to the City Treasurer for approval, and no such changes shall be made without obtaining the City Treasurer and Council Auditor prior approval.

6. **Board Membership; Corporate Structure.**

(a) Shands HealthCare, SJH or Shands Jacksonville, as applicable, shall provide the Mayor of the City with the right to nominate one individual (who need not be the same individual with respect to Shands Jacksonville and each Parent (as defined herein)) for appointment to the respective Boards of Directors of Shands Jacksonville and any corporation (i) that directly or indirectly controls Shands Jacksonville and (ii) with whom Shands Jacksonville's audited financial statements are required to be consolidated in accordance with generally accepted accounting principles, consistently applied (each, a "Parent"). Shands Jacksonville's and any Parent's obligations to appoint the Mayor's nominee to their Boards shall be subject to Shands HealthCare Board requirements relating to residency in the State of Florida, conflicts of interest and appointment procedures specified in Florida Statutes, Section 240.513. The Mayor's right to nominate a Board member of these corporations shall terminate, except with respect to Shands Jacksonville, in the event that the City Lease or the Indigent Care Agreement is terminated or expires.

(b) On or before June 30, 2003, Shands HealthCare shall cause there to be in place a Parent so that Shands HealthCare's audited financial statements are required to be consolidated with those of Shands Jacksonville in accordance with generally accepted accounting principles, consistently applied.

7. **Assignment.** No party hereto shall have the right to assign its rights or obligations under this Agreement without the prior written consent of all other parties hereto, whether voluntarily, by operation of law or otherwise, and any purported assignment without such consent shall be null and void and of no force or effect.

8. **Parties In Interest.** This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon MMC, Shands Jacksonville's creditors, MMC's creditors, or any other person or entity (except the parties hereto) any rights, benefits or remedies as a third-party beneficiary or of any other nature whatsoever.

9. **Construction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Florida. The parties acknowledge and agree that each party and its counsel have reviewed and negotiated the terms and provisions of this Agreement and contributed to its revision; the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and the terms and provisions of this Agreement shall be construed fairly as to all parties and not in favor of or against any party, regardless of which party was generally responsible for the preparation of this Agreement.

10. **Captions.** The captions in this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement or affect its interpretation.

11. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement.

12. **Entire Agreement.** This Agreement embodies the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings related to the subject matter hereof. This Agreement cannot be amended or modified except by an agreement in writing signed by both of the parties.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement as of the date written above.

Form Approved:
By: [signature]
Asst. Gen. Counsel

ATTEST:

[signature]
Corporation Secretary
City of Jacksonville

CITY OF JACKSONVILLE, FLORIDA

By____________________
John A. Delaney
Mayor

SHANDS TEACHING HOSPITAL AND CLINICS, INC.

By____________________
Timothy M. Goldfarb
CEO

SHANDS JACKSONVILLE HEALTHCARE, INC.

By William J Ryan
William J. Ryan
Interim Vice President, Chief Financial Officer & Treasurer

SHANDS JACKSONVILLE MEDICAL CENTER, INC.

By William J Ryan
William J. Ryan
Interim Vice President, Chief Financial Officer & Treasurer

392004.6

Schedule 1

Sources and Uses & Timing of Funds
($ in Millions)

Overview of the Shands HealthCare Support

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Loan Forgiveness (approx.)	$8.0					$8.0
General Support*	$15.0	$15.0				$30.0
Capital Support**		$3.0	$3.0	$3.0	$3.0	$12.0
	$23.0	$18.0	$3.0	$3.0	$3.0	$50.0

Note:

* General Support funds shall be used to reduce the amount of MMC Bonds outstanding, repay a portion of the SunTrust Line of Credit or acquire new capital assets. The final allocation of funds among these potential applications will be based on the relative benefit obtained through negotiations with creditors and subject to the joint approval of Shands HealthCare's Chief Financial Officer and the City Treasurer and Council Auditor.

** If the actual dollar value of any outstanding loans forgiven by Shands HealthCare is different from the estimate of $8M shown above, the difference will be added to or subtracted from the FY 2007 Capital Support commitment to ensure the total Shands HealthCare commitment equals $50M.

Overview of the City of Jacksonville Support

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
General Support*	$42.0	$28.0				$70.0
	$42.0	$28.0	$0.0	$0.0	$0.0	$70.0

Note:

* General Support funds shall be used to repay all or a portion of the SunTrust Line of Credit, reduce the Sumitomo enhanced debt or acquire new capital assets. The final allocation of funds among these potential applications will be based on the relative benefit obtained through negotiations with Shands Jacksonville's creditors and subject to the joint approval of Shands HealthCare's Chief Financial Officer and the City Treasurer and Council Auditor. All references to fiscal years shall mean Shands Jacksonville's fiscal years, which end on June 30.

Schedule 1

Sources and Uses & Timing of Funds
($ in Millions)

Overview of the College of Medicine Support

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total
Loan Forgiveness*	$2.5							$2.5
Support**	$0.5	$1.5	$2.0	$2.5	$2.5	$2.5	$1.0	$12.5
	$3.0	$1.5	$2.0	$2.5	$2.5	$2.5	$1.0	$15.0

Note:

* If the actual dollar value of any outstanding loans forgiven by the College of Medicine is different from the estimate of $2.5M shown above, the difference will be added to or subtracted from the FY 2004 Support commitment to ensure the College of Medicine's aggregate commitment equals $15.0M.

** In addition to a forgiveness of $2.5M in loans, the College of Medicine would provide Support of $12.5M over seven years. The Support is scheduled so as to provide the College of Medicine an opportunity to restructure its activities and generate sufficient revenues to provide this Support.

Overview of the University of Florida Support

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Unrestricted Support*	$0.0	$1.0	$1.0	$1.0	$1.0	$1.0	$5.0
	$0.0	$1.0	$1.0	$1.0	$1.0	$1.0	$5.0

Note:

* The unrestricted Support from the University of Florida could be used for either working capital or the acquisition of capital equipment. This Support would be spread evenly over five years beginning in FY 2004 and continuing through FY 2008.

State of Florida Support

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Support*	$9.3						$9.3
	$9.3	$0.0	$0.0	$0.0	$0.0	$0.0	$9.3

Note:

* The support by the State of Florida will be spent on purchases of capital equipment during FY 2003 approved by the State of Florida. This support is conditional upon the State of Florida's approval and on the following three events: the delivery of an operating budget for FY 2003; the delivery of a plan for the use of the State of Florida's support; and a matching contribution from Shands HealthCare and the City of at least $18.6M in the aggregate.

Exhibit A

UNIVERSITY OF FLORIDA

Charles E. Young
President

226 Tigert Hall
PO Box 113150
Gainesville, FL 32611-3150
(352) 392-1311

September 16, 2002

Shands Jacksonville Medical Center, Inc.
655 West Eighth Street
Jacksonville, Florida 32209

Shands Teaching Hospital and Clinics, Inc.
1600 SW Archer Road
Gainesville, Florida 32610

City of Jacksonville
117 West Duval Street, Suite 480
Jacksonville, Florida 32202

RE: Shands Jacksonville Medical Center, Inc.

Dear Sirs:

In recognition of Shands Jacksonville Medical Center, Inc.'s support of the teaching programs of the University of Florida, this letter confirms the commitment of the University of Florida to provide a total of $5 million to Shands Jacksonville Medical Center, Inc. for uses consistent with its purposes as a tax-exempt organization, during the period from July 1, 2003 through June 30, 2008. The University of Florida will provide $1 million, upon receipt of invoice, in each of the five fiscal years commencing with the year beginning on July 1, 2003.

This commitment is contingent on the execution of the Shands Jacksonville Funding Agreement by the addressees and on the City of Jacksonville fulfilling its obligations under that agreement.

Sincerely yours,

Charles E. Young

Charles E. Young

Exhibit B

UNIVERSITY OF FLORIDA

Dean, College of Medicine
Folke H. Peterson/Dean's Distinguished Professor

PO Box 100215
Gainesville, Florida 32610-0215
Phone (352) 846-2473
Fax (352) 846-3299

September 16, 2002

Shands Jacksonville Medical Center, Inc.
655 West Eighth Street
Jacksonville, Florida 32209

Shands Teaching Hospital and Clinics, Inc.
1600 SW Archer Road
Gainesville, Florida 32610

City of Jacksonville
117 West Duval Street, Suite 480
Jacksonville, Florida 32202

RE: Shands Jacksonville Medical Center, Inc.

Dear Sirs:

In recognition of Shands Jacksonville Medical Center, Inc.'s support of the teaching programs of the University of Florida College of Medicine, this letter confirms the commitment of the University of Florida College of Medicine to provide $15 million to Shands Jacksonville Medical Center, Inc., for uses consistent with its purposes as a tax-exempt organization, during the period from the date of this letter through June 30, 2009, as outlined in Schedule 1, Shands Jacksonville Funding Agreement, attached hereto, upon receipt of invoice.

This commitment is contingent on the execution of the Shands Jacksonville Funding Agreement by the addressees and on the City of Jacksonville fulfilling its obligations under that agreement.

Sincerely,

C. Craig Tisher

C. Craig Tisher, MD
Dean, College of Medicine
Folke H. Peterson/Dean's Distinguished Professor

CCT/hcb

Rank Order	Name of Equipment or Project	Total Cost	Patient Safety/ Satisfaction	Increased Efficiency Reduces Exposure	Increases Revenue	Increases Patient Through-Put
1	Upgrade Phillips MRI for Cardiac Studies or Dedicated Cardiac MRI	$1,700,000	X	X	X	X
2	1.5 T MRI Scanner	2,464,225	X	X	X	X
3	Two EP Labs, Imaging Equipment	1,943,636	X	X	X	X
4	16 CT Scanner	1,214,891	X	X	X	X
5	CT Replacement	3,505,440	X	X	X	X
6	Mechanical Ventilators	1,225,658	X	X		
7	Arrythmia Surgery Equipment	136,605	X		X	
8	PAC's Phase II	750,000		X		X
9	Replace Ultrasound	1,200,000		X	X	X
10	Telemetry Equipment for Stepdown	172,899	X	X		
11	Clinical Care Beds for SICU, SSD, and MCU (44)	478,302	X			
12	Monitors for Critical Care Rooms	1,000,000	X	X		
13	Digital Radiography	2,550,000		X		X
14	Critical Care Beds for Cardio (28)	304,374	X			
15	Bronchoscopy Video System	90,317			X	
16	Infant Isolette Model 68B2373 and Storage Drawer and Installation/Set-up	95,490	X			
17	Intracardiac Ultrasound	67,020			X	
18	Acist CMS Injectors	56,000			X	
19	Versalet Infant Incubator/Radiant Warmer Model P-84	79,115	X			
20	Q-Tel RMS Telemetry Monitoring System	74,000	X			
21	Beds for New 6 South Unit	250,000	X			
22	Floor Beds for 8S, 8SI, 8N, 7S, 7T, and 7N (160)	480,000	X			
23	VIVID 3 Expert ECHO Machine	172,200			X	
24	Mini C-Arm for Ortho Clinic	70,000				X
	TOTAL	$20,080,172				