

LEGISLATIVE  
BUDGET  
COMMISSION

**Ray Sansom, Chair**

**Rudy Garcia, Vice-Chair**

MEETING PACKET  
Monday, August 27, 2007  
1:00 p.m.  
212 Knott Building

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



## **LEGISLATIVE BUDGET COMMISSION AGENDA**

**Monday, August 27, 2007  
1:00 p.m.  
212 Knott Building**



### **Members**

**Representative Ray Sansom  
Representative Aaron Bean  
Representative Dean Cannon  
Representative Stan Mayfield  
Representative Frank Peterman, Jr.  
Representative Joe Pickens  
Representative Ron Saunders**

**Senator Rudy Garcia  
Senator JD Alexander  
Senator Lisa Carlton  
Senator Mike Fasano  
Senator Gwen Margolis  
Senator Nan Rich  
Senator Stephen Wise**

Workshop on the Long Range Financial Outlook, required by Article III, Section 19(c) of the Florida Constitution.

1. Presentation by Amy Baker, Coordinator, Office of Economic & Demographic Research
2. Public, Executive and Judicial Branch Testimony
3. Commission Discussion

# Long-Range Financial Outlook

Legislative Budget Commission  
August 27, 2007

*PRELIMINARY DRAFT*

Presented by:



The Florida Legislature  
Office of Economic and  
Demographic Research  
850.487.1402  
<http://edr.state.fl.us>

# Legal Authority

- Constitutional amendment was adopted in November 2006 (CS/SJR 2144).
- Implementing language passed by the Legislature during the 2006 Session (Chapter 2006-119).
- Prior documents developed by the Senate and the Office of Economic and Demographic Research were purely informational.

# Legislative Budget Commission

## **CONSTITUTION:**

No later than **September 15** of each year, the joint legislative budget commission shall issue a long-range financial outlook setting out **recommended fiscal strategies** for the state and its departments and agencies in order to assist the legislature in making budget decisions.

## **STATUTES:**

The Commission shall develop a long-range 3-year financial outlook and shall update that outlook each year.

## **STATUTES:**

By September 15 of each year, the commission shall complete the long-range financial outlook. The commission may subsequently provide any additions or adjustments to the outlook based on information not previously available.

# Content

## **CONSTITUTION:**

The long-range financial outlook must include **major workload and revenue estimates**. In order to implement this paragraph, the joint legislative budget commission shall use current official consensus estimates and may request the development of additional official estimates.

## **STATUTES:**

“Long-range financial outlook” means a document issued by the Legislative Budget Commission based on a **3-year forecast** of revenues and expenditures.



# Input

## **CONSTITUTION:**

The joint legislative budget commission shall **seek input** from the public and from the executive and judicial branches when developing and recommending the long-range financial outlook.

## **STATUTES:**

Each state agency shall provide information to the commission, based on the commission's direction, which supports the commission's development and updates of the long-range financial outlook. The commission has the authority to accept, modify, or direct the agency to modify any information received from an agency.

# Budget Request

## **CONSTITUTION:**

As prescribed by general law, each state department and agency shall be required to submit a **legislative budget request that is based upon and that reflects the long-range financial outlook** adopted by the joint legislative budget commission or that specifically explains any variance from the long-range financial outlook contained in the request.

# Planning

## **CONSTITUTION:**

The **long-range state planning document** must include projections of future needs and resources of the state which are consistent with the long-range financial outlook.



# What is the Outlook?

- The Outlook provides a longer-range picture of the state's fiscal position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates.
- The projections primarily reflect current-law spending requirements and tax provisions.
- It also includes budgetary, economic, demographic, and debt analyses to provide a framework for financial projections and covers the upcoming three fiscal years: 2008-09, 2009-10 and 2010-11.

# Methodology for Development

- All major programs that have historically driven significant increases in the State's budget were reviewed and analyzed.
- Forecasts of future workload and enrollment increases were developed for each of the major cost drivers using a variety of methods including projections from Consensus Estimating Conferences.
- Costs were applied to the projected workload requirements based on recent legislative budget decisions.
- Cost requirements were then aggregated by major fund type and compared to revenue estimates for those funds.
- Emphasis is placed on recurring programs, those programs that the state is expected or required to continue from year to year.
- Estimates for several programs historically considered non-recurring, and funded with non-recurring funds, are included in the Outlook. Even though non-recurring, these programs are viewed as "must funds" by most legislators and are therefore identified as major cost drivers.

# What the Outlook Doesn't Do

- THE OUTLOOK DOES NOT PURPORT TO PREDICT THE FUNDING LEVELS OF FUTURE STATE BUDGETS OR THE FINAL AMOUNT OF FUNDS TO BE ALLOCATED TO THE RESPECTIVE BUDGET AREAS.
- VERY FEW ASSUMPTIONS ARE MADE REGARDING FUTURE LEGISLATIVE POLICY DECISIONS ON DISCRETIONARY SPENDING, MAKING THIS DOCUMENT SIMPLY A BASELINE OR A STARTING POINT.
- THE ASSUMPTIONS THAT ARE MADE ARE CONFINED TO SPECIFICALLY DESIGNATED SCENARIOS. IN EACH SCENARIO, ALL UNSPENT FUNDS ARE STILL CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR.



# Design Layout

- ***The Outlook: Production & Development***
- ***Summary and Findings***
- ***Summary Charts***
- ***Other Considerations***
- ***Potential Constitutional Issues***
- ***Fiscal Strategies***
- ***Florida Economic Outlook***
- ***Florida Demographic Projections and Composition***
- ***Revenue Projections***
- ***Florida Debt Analysis***
- ***Total State Appropriations***
- ***Education***
- ***Human Services***
- ***Criminal Justice and Corrections***
- ***Natural Resources, Environment, Growth Management & Transportation***
- ***General Government***
- ***Judicial Branch***
- ***Statewide Distributions / Administered Funds***

# Most Recent Revenue Numbers

- Relative to the annual levels previously expected, the Revenue Estimating Conference reduced the General Revenue forecast by:

Fiscal Year	Old Forecast	New Forecast	Forecast Difference	Percentage Reduction	Incremental Growth	Growth Rate
2004-05	24969.4	24969.4				
2005-06	27082.2	27082.2				8.5%
2006-07	26784.6	26404.1	-380.5	-1.4%	-678.1	-2.5%
2007-08	27590.9	26475.6	-1115.3	-4.0%	71.5	0.3%
2008-09	29324.7	27920.9	-1403.8	-4.8%	1445.3	5.5%
2009-10	31342.5	29930.8	-1411.7	-4.5%	2009.9	7.2%
2010-11	33374.1	31801.1	-1573.0	-4.7%	1870.3	6.2%



# Major Budget Drivers

- K-12 FEFP Enrollment (nearly \$2.4 billion of general revenue over the next three years).
- Medicaid Services (over \$1.6 billion of general revenue over the next three years).
- State employee benefits and salaries – including pay package, health insurance and retirement (nearly \$1 billion over the next three years)
- Prison Bed Construction and Operation (over \$800 million of general revenue over the next three years).
- Challenge Grants for Universities and Community Colleges (nearly \$550 million of general revenue over the next three years).

# Preliminary Balance Sheet

## OUTLOOK PROJECTION – FISCAL YEAR 2007-08 *(in millions)*

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$26,462.4	\$3,540.1	\$30,002.5
EXPENDITURES	\$27,490.1	\$1,877.5	\$29,367.6
ADJUSTMENTS (to balance and retain \$200 M)	\$0.0	\$0.0	\$0.0
BALANCE	<b>(\$1,027.7)</b>	\$1,662.6	\$634.9

## OUTLOOK PROJECTION – FISCAL YEAR 2008-09 *(in millions)*

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$27,867.1	\$836.2	\$28,703.3
EXPENDITURES	\$29,881.4	\$1,156.4	\$31,037.8
ADJUSTMENTS (to balance and retain \$200 M)	<b>(\$2,014.3)</b>	<b>(\$520.2)</b>	<b>(\$2,534.5)</b>
BALANCE	\$0.0	\$200.0	\$200.0

# FY 2009-10 and 2010-11

## OUTLOOK PROJECTION – FISCAL YEAR 2009-10 *(in millions)*

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$29,844.9	\$362.2	\$30,207.1
EXPENDITURES	\$29,816.3	\$1,037.2	\$30,853.5
ADJUSTMENTS (to balance and retain \$200 M)	\$0.0	<b>(\$846.4)</b>	<b>(\$846.4)</b>
BALANCE	\$28.6	\$171.4	\$200.0

## OUTLOOK PROJECTION – FISCAL YEAR 2010-11 *(in millions)*

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$31,679.8	\$361.3	\$32,041.1
EXPENDITURES	\$31,844.6	\$1,048.2	\$32,892.8
ADJUSTMENTS (to balance and retain \$200 M)	<b>(\$164.8)</b>	<b>(\$886.9)</b>	<b>(\$1,051.7)</b>
BALANCE	\$0.0	\$200.0	\$200.0

# Types of Fiscal Strategies

Fiscal Strategies will be required no later than Fiscal Year 2008-09. The current reserve is inadequate to address next year's shortfall – over 8% of the projected budget need – and other actions will be needed to keep the budget in balance.

- Budget Reductions and Reduced Growth
- Trust Fund Transfers
- Revenue Enhancements and Funding Redirections
- Combination of the Above

NOTE: Recurring actions will be needed because the shortfall exceeds the 3% constitutional limitation on the use of non-recurring revenue.

**Questions / Comments?**



# Long Range Financial Outlook - Key Budget Drivers and Assumptions

Method of Calculation Specific Budget Driver	GENERAL REVENUE		
	FY 2008-09	FY 2009-10	FY 2010-11
	Total	Total	Total
<b>Consensus Estimating Expenditure Conferences:</b>			
Medicaid	613.4	489.3	525.0
TANF	1.2	-2.5	-2.5
KidCare	25.5	29.1	34.0
<b>Projections Based on Consensus and Economic and Demographic Research Estimates:</b>			
FEFP Workload/Class Size/Enrollment	900.5	733.0	761.0
University System Workload/Enrollment	58.5	61.8	59.9
Community College Workload/Enrollment	37.7	37.8	36.6
Voluntary Pre-Kindergarten Workload/Enrollment	22.1	34.2	30.9
Prison bed construction and operation	280.0	316.9	215.9
Retirement	44.4	57.5	82.2
Health Insurance	95.6	90.6	100.6
Risk Management Insurance	3.2	14.2	5.4
<b>Projections Based on Historical Funding Averages:</b>			
Developmentally Disabled Services	32.9	23.7	23.7
Children and Family Services	44.8	38.6	36.9
Health Services	8.7	5.8	5.8
Capital Improvement/Maintenance and Repairs	73.6	67.9	63.8
Economic Development Programs	110.4	110.4	110.4
New Judges	5.0	5.0	5.0
Juvenile Justice Prevention and Intervention Programs	13.4	13.4	13.4
State Attorney, Public Defender, and Regional Counsel Workload	6.9	7.2	7.6
Other DOC & DJJ Workload and Services	23.5	23.7	23.8
Energy Grant Programs	20.0	20.0	20.0
Water Projects	78.0	78.0	78.0
Northern Everglades	30.2	30.2	30.2
Environmental Programs	22.2	22.1	22.1
Health and Human Services - Information Technology/Infrastructure and Other Programs	27.5	21.1	21.1
Public Schools - Other Issues	210.7	91.2	82.2
Challenge Grants (Operating and FCO) - Community Colleges and State Universities	180.3	180.3	180.3
Other Education - Adjustments	46.8	3.8	3.8
State Universities - Other Issues	59.5	40.6	33.0
Community Colleges - Other Issues	23.4	11.1	9.6
<b>Other Specific General Revenue Costs:</b>			
Highway Safety - Replace PIP-related Trust Fund Revenue Loss	28.5	28.5	28.5
Hurricanes and Other Declared Disasters	68.1	62.9	134.0
Cultural Grants	42.0	42.0	42.0
Growth Management	6.8	6.8	6.8
Environmental Program - Mulberry Piney Point	18.2	11.0	14.7
General Government - Other	19.4	13.0	18.6
Due process liability	10.3		
Payroll Increase	160.3	164.3	168.4
Rental Rate Increase	1.5	2.1	1.5
<b>Total New Issues</b>	<b>3455.0</b>	<b>2986.4</b>	<b>3034.2</b>

Key Trust Fund Assumptions:	TRUST FUNDS		
	FY 2008-09	FY 2009-10	FY 2010-11
	Total	Total	Total
Florida Forever/Everglades - Funded from Bond Proceeds	400.0	400.0	400.0
Tobacco Constitutional Amendment	5.9	1.3	1.3
Statutory Distributions of Documentary Stamp Tax Revenues - Housing/Environmental	465.8	468.2	471.3
Department of Transportation Work Program	7739.9	7069.2	6611.0

**LONG RANGE FINANCIAL OUTLOOK - DRAFT - AUGUST 27 LEGISLATIVE BUDGET COMMISSION  
GENERAL REVENUE FUNDS AVAILABLE PROJECTION  
(\$ MILLIONS)**

	FY 2007-08			FY 2008-09			FY 2009-10			FY 2010-11		
	<u>Recurring</u>	<u>Non-recurring</u>	<u>Total</u>	<u>Recurring</u>	<u>Non-recurring</u>	<u>Total</u>	<u>Recurring</u>	<u>Non-recurring</u>	<u>Total</u>	<u>Recurring</u>	<u>Non-recurring</u>	<u>Total</u>
<b>Funds Available:</b>												
Balance Forward	0.0	2,251.7	2,251.7	0.0	634.9	634.9	0.0	200.0	200.0	0.0	200.0	200.0
August REC Revenue Estimate	26,466.7	1.0	26,467.7	27,906.3	6.1	27,912.4	29,918.9	1.5	29,920.4	31,788.7	0.5	31,789.2
August REC Non-operating Funds	-4.3	1,287.4	1,283.1	-4.3	172.0	167.7	-4.3	137.6	133.3	-4.3	137.6	133.3
New Issues - Florida Forever/Everglades Bonds				<u>-34.9</u>	<u>23.2</u>	<u>-11.7</u>	<u>-69.7</u>	<u>23.2</u>	<u>-46.6</u>	<u>-104.6</u>	<u>23.2</u>	<u>-81.5</u>
<b>Total Funds Available</b>	<b>26,462.4</b>	<b>3,540.1</b>	<b>30,002.5</b>	<b>27,867.1</b>	<b>836.2</b>	<b>28,703.3</b>	<b>29,844.9</b>	<b>362.2</b>	<b>30,207.1</b>	<b>31,679.8</b>	<b>361.3</b>	<b>32,041.1</b>
<b>Estimated Expenditures:</b>												
Base Budget				27,582.8	0.0	27,582.8	27,867.1	0.0	27,867.1	29,816.3	0.0	29,816.3
<b>New Issues by GAA Section:</b>												
Section 2 - Education	14,506.1	384.0	14,890.1	1,197.7	342.0	1,539.6	905.6	288.1	1,193.6	921.0	276.2	1,197.2
Section 3 - Human Services	7,737.8	130.0	7,867.8	673.5	104.1	777.6	582.3	45.6	627.9	622.9	42.2	665.1
Section 4 - Criminal Justice and Corrections*	3,631.7	264.8	3,896.4	115.6	235.1	350.6	125.7	252.1	377.8	119.1	158.2	277.3
Section 5 - Natural Resources /Environment/Growth Management/Transportation	234.3	349.5	583.9	0.0	254.5	254.5	0.0	242.1	242.1	0.0	316.9	316.9
Section 6 - General Government*	926.3	492.5	1,418.8	1.8	211.7	213.5	2.0	200.2	202.2	2.1	203.3	205.4
Section 7 - Judicial Branch	445.5	23.6	469.1	5.0	9.1	14.1	5.0	9.1	14.1	5.0	9.1	14.1
Administered Funds - Statewide Issues	<u>8.4</u>	<u>127.9</u>	<u>136.3</u>	<u>305.0</u>	<u>0.0</u>	<u>305.0</u>	<u>328.7</u>	<u>0.0</u>	<u>328.7</u>	<u>358.1</u>	<u>0.0</u>	<u>358.1</u>
<b>Total New Issues</b>				2,298.6	1,156.4	3,455.0	1,949.2	1,037.2	2,986.4	2,028.3	1,005.9	3,034.2
Transfer to Budget Stabilization Fund	0.0	105.2	105.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	42.3	42.3
Adjustment to Balance with \$200 Million Reserve				<u>-2,014.3</u>	<u>-520.2</u>	<u>-2,534.5</u>	<u>0.0</u>	<u>-846.4</u>	<u>-846.4</u>	<u>-164.8</u>	<u>-886.9</u>	<u>-1,051.7</u>
<b>Total Estimated Expenditures</b>	<b>27,490.1</b>	<b>1,877.5</b>	<b>29,367.6</b>	<b>27,867.1</b>	<b>636.2</b>	<b>28,503.3</b>	<b>29,816.3</b>	<b>190.8</b>	<b>30,007.1</b>	<b>31,679.8</b>	<b>161.3</b>	<b>31,841.1</b>
<b>Ending Balance</b>	<b>-1,027.7</b>	<b>1,662.6</b>	<b>634.9</b>	<b>0.0</b>	<b>200.0</b>	<b>200.0</b>	<b>28.5</b>	<b>171.5</b>	<b>200.0</b>	<b>0.0</b>	<b>200.0</b>	<b>200.0</b>
Percent Recurring/NR	3.4%											

\* New Issues have been adjusted for Sections 23 and 38 of Ch. 2007-72, Laws of Florida.