

February 12, 2010

Volume XII Number 3

Committee Week February 8 - 12

Contents

- Governor's Budget
- FRS
- TABOR
- Unemployment Compensation
- Senate Jobs Bill

Intergovernmental
Affairs & Professional
Standards
115 S. Andrews Ave.,
Room 427
Fort Lauderdale, FL
33301
954-357-7575

www.broward.org/publicandgovernmental

Gretchen Harkins,
Director
Christopher Brown
Eddy Labrador
Bobbie Sewell

The Governor's Budget

The Governor's budget, released two weeks ago, has become heavily contested by members of both the House and Senate leadership. Criticism revolves around Governor Crist's decision to recommend \$351.9 M in trust fund sweeps, not including \$232.5 M from the Lawton Chiles Fund. A total of \$697.4 M in non-recurring revenues creates an ongoing budgetary deficit for incoming leadership. Of further concern is the fact that the Governor assumes a six-month extension of the FMAP (state Medicaid match), which has yet to be included in federal legislation, such as the Senate's version of the Job's Bill. Finally, the Governor's Budget proposal includes \$321.3 M in recurring revenues and \$287.5 M in non-recurring revenues from slot machine and gaming; estimates that are considerably higher than previously expected.

As a result, it is broadly accepted that the Governor's Budget is the "high water mark" and will be significantly reduced, specifically in the area of non-recurring revenue utilization. The budget has been analyzed against last year's funding levels. Below is a list of issues of interest to Broward County.

Increases occur in the following line items:

- Community Mental Health funding in AHCA is recommended at \$5.8M over last year's level
- Home Health Services (AHCA) is funded at \$26 M over 2009
- Home and Community-Based Service Waiver + Community Supported Living Waiver totals \$99.6 M in increases
- Children's Mental Health (DCF) is up \$790,657 over 2009 levels
- Community-based Services Waiver is funded \$1.2 M more than last year
- Aviation Development Grants are funded at \$97 M over 2009.

Decreases exist in the following line items:

- Public Transit Development Grants lose \$221.9 M in the Governor's recommendations
- Seaport Grants are down \$7.3 M over the prior year
- Beach Projects are completely zeroed-out (a loss of \$15 M)
- Community Care for the Elderly loses \$100,000
- DCF Community Mental Health Services for adults is funded at \$4.8 M less than last fiscal year, while Community Substance Abuse grants lose \$2.7 M
- Medicaid long-term care Home and Community-based Services are down \$19 M.

Appropriations Week brought a variety of budget prioritization exercises in the House and Senate. For instance, in the Natural Resources Appropriations committee in the House, 38 items were prioritized and considered critical leaving 51 items to be cut. Members were then asked to select 13 programs/line items to be cut in order to reduce the total budget by \$294,602,923. Committee members appeared willing to consider reducing or eliminating DEP's six District Offices.

Water regulatory programs were clearly considered priorities over air and agricultural items. Interestingly, a debate continued regarding the need to fund Everglades Restoration, primarily revolving around the cost of land acquisition in the face of mounting state debt. Committee members asked the DEP and Water Management Districts involved, to provide a detailed inventory of what the "state has bought to date" and the exact purpose of the land as part of Florida Forever. One member asserted that if we left the Everglades alone that "the Everglades would restore itself". Another committee member asked that a clear distinction be drawn between Everglades Restoration and Florida Forever dollars; he argued the need for land acquisition to assure the Everglades is restored and disagreed that the Everglades would restore itself. US Sugar land acquisition of non-contiguous property that exists in the water management budget was not part of this budgetary exercise or discussion.

The committee Chair argued that farmers and ranchers are being flooded or dried-out as a result of our water management practices and that the State should be looking at ways to purchase lands from small farmers, instead of the property purchase process currently being utilized.

FRS

The Senate Policy and Steering Committee on Ways and Means was scheduled to hear a presentation regarding the Florida Retirement System actuarial valuation as of July 1, 2009 but the presentation was deferred as the consultant was unable to appear. The actuarial valuation determines the appropriate contribution levels to fund currently promised benefits. In an Issue Brief dated December 2009 to the Committee on Governmental Oversight and Accountability, the actuarial consultant, Milliman, indicated that FRS experienced a \$23.6 billion swing in asset valuations that eliminated its overfunded status and produced an unfunded liability for the first time since 1997. The Legislature determines the employer rates on an annual basis and is now faced with various options of dealing with the shortfall. In addition to an increased contribution rate option, other options include reducing future salary increases, revising the method of recognizing the costs of the Deferred Retirement Option Program (DROP), or structural options such as returning to pre-1975 funding levels where employees and elected officials were required to contribute toward their retirement.

TABOR

No legislation has been introduced to date in the House or Senate. Conventional wisdom in Tallahassee is that this is not the year for TABOR.

Fasano SB 718 / Domino HB 1254

A Joint Resolution to amend Florida's Constitution to prohibit increases in assessed value of homestead property if the fair market value of the property decreases. The Realtors are driving this legislation.

Summary:

- Reduce from 10 percent to 5 percent limitation on annual increases in assessments of nonhomestead real property;
- Provide new owners of homestead property who have not owned homestead property during immediately preceding 3 years with additional homestead exemption equal to 50 percent of property's just value in first year, limited to \$500,000;
- Reduce amount of additional exemption in each succeeding year for 5 years by greater of 20 percent of amount of initial additional exemption or difference between just value & assessed value of property; limit additional exemption to one per homestead property;
- Limit additional exemption to properties purchased after January 1, 2010; prohibit availability of additional exemption in 6th & subsequent years after additional exemption is granted; provide for amendments to take effect January 1, 2011, & apply to properties purchased on or after January 1, 2010.

If this legislation moves for further consideration, FAC said they will reopen talks on the property tax cap on nonhomesteaded property. This additional limit on nonhomestead tax will have a significant negative impact on county and city governments.

In addition to reviewing the finances of FRS, Committees are also reviewing the fiscal impacts of providing health insurance to state workers and retiree health benefits.

Unemployment Compensation

The House Economic Development & Community Affairs Policy Council unanimously passed PCB EDCA 10-01 (HB 7033), a bill to amend portions of the unemployment compensation (UC) statutes and suspends for a period of time changes made in the 2009 Legislative session to the calculation of an employer's unemployment compensation tax. The bill was introduced by Rep. Carroll (R-Green Cove Springs).

Summary:

- Reduces the taxable wage base from **\$8,500 to \$7,000 for two years**;
- Allows employers to make their 2010 and 2011 UC tax payments in quarterly installments without interest or penalties as long as the employer makes the quarterly filing and payment according to the new schedule;
- Provides for payment of interest on federal advances through an employer assessment.
- Provides for an extension of the "State Extended Benefits" (EB) program, effective January 2, 2010 through February 28, 2010. EB will cover up to 8 additional weeks for claimants. The total cost to state and local governments to implement EB is approximately \$612,633.

HB 7033 is now referred to the House Finance & Tax Council and SB 1666 is referred to Senate Commerce and Policy & Steering Committee on Ways and Means.

The minimum annual rate charged by the state to employers with a strong record of retaining employees is on track to rise from \$8.40 per worker to \$100.30. The maximum rate, now \$378, is scheduled to climb to \$459 if lawmakers do nothing.

Senate “Jobs” Bill Discussed

The Senate Select Committee on Florida’s Economy continued its discussion of a proposed jobs bill when it met on Tuesday, February 9th. The “Jobs for Florida” bill, first unveiled on February 3rd, combines new business tax credits, economic development incentives, and changes in permitting laws to spur economic activity and create job opportunities for the over 1.0 million unemployed Floridians.

In addition to these incentives, the bill contains other provisions addressing expedited permitting, delegation of state environmental permitting authority to local governments, and extension the validity of certain locally-issued permits. In particular, section 23 of the proposed bill reduces the time, from 90 days to 30 days, the Florida Department of Environmental Protection (FDEP) and water management districts have to review and approve or deny applications for environmental resource permits (ERPs). Because Broward County has an existing delegation of authority to issue ERPs on behalf of the state and South Florida Water Management District, this reduction in the permit review time will likely impact the County, if passed.

In section 24, the bill establishes an appeal to the Governor and Cabinet for local governments seeking delegation of state environmental authority when FDEP denies their delegation application or fails to act within one year after application review is initiated. In addition, this section mandates that counties with populations over 75,000, or municipalities and local pollution control programs with populations over 50,000, apply for delegation of permitting authority on or before June 1, 2011. If a local government fails to apply for delegation of authority, it may not require local permits that have substantially similar requirements for obtaining an ERP. The bill is unclear whether counties with existing delegations, such as Broward County, are required to reapply for such delegations of authority.

Section 30 of the bill is an attempt by the Senate to preempt a final decision of the circuit court hearing the current lawsuit seeking to invalidate last Session’s growth management act, SB 360. This provision saves, under certain circumstances, the DRI exemption of any project within a dense urban land are (e.g., Broward County) for which a development application has been approved, or for which a complete application or rescission request is pending. The retroactive permit extensions granted under Section 14 of SB 360 would also be saved irrespective of a court decision invalidating the act, and comprehensive plan amendments submitted for state review or land development regulations adopted to implement transportation concurrency exception areas would also not be affected by any final court decision invalidating SB 360.

It is expected the “Jobs for Florida” bill will be filed and directly referred to the Senate Ways and Means Policy and Steering Committee for possible consideration during the first week of the 2010 Session. While passage of the bill out of the Senate is very likely, the bill’s prospects in the House is currently less certain.