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HOUSE OF REPRESENTATIVES
COMMITTEE ON
General Government Appropriations
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: HB 2099 (PCB GG 97-29)

RELATING TO: State Moneys/Budget Stabilization Fund Criteria

SPONSOR(S): Committee on General Government Appropriations

STATUTE(S) AFFECTED: Chapters 212, 215, 216, 252, 265 and 420, F.S.

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) GENERAL GOVERNMENT APPROPRIATIONS YEAS 9 NAYS 0
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I. SUMMARY:

This legislation creates the Budget Stabilization Fund (BSF or Fund) which is required by Article III, section 19 of the Florida Constitution. Section 19 of Article III, titled "State Budgeting, Planning and Appropriations Processes" was created by an amendment placed on the ballot by the Taxation and Budget Reform Commission and approved by the voters in November 1992. The Constitution requires general law to provide for the restoration of the Fund if moneys are withdrawn.

This legislation provides the method of calculation of the amounts required to be in the Fund, the transfer of moneys to the Fund, and the investment of moneys in the Fund. The purposes and funding of the Working Capital Fund are also revised

II. SUBSTANTIVE RESEARCHES:

A. PRESENT SITUATION:

There are currently three funds or fund types established in s. 215.32, F.S., by which moneys that the state receives are categorized. These funds are: the General Revenue Fund, trust funds, and the Working Capital Fund (often called the state's rainey day fund). These funds are statutory and not required by the Constitution:

The General Revenue Fund consists of all moneys received by the state from any source except those designated as trust funds and money in the Working Capital Fund;

Trust funds are moneys received by the state which under law or under trust agreement are segregated for a purpose authorized by law; and

The Working Capital Fund (WCF) accrues from moneys in the General Revenue Fund in excess of the amount needed to meet General Revenue Fund appropriations. The WCF cannot exceed 10% of the preceding fiscal year's net General Revenue Fund collections. The Governor is required to transfer by September 15 each year moneys in the General Revenue Fund in excess of the amount needed to meet appropriations to the WCF. No minimum is required for the WCF and the fund may be used as a revolving fund for temporary transfers to others funds experiencing cash flow deficits.

Section 216.167, F.S., requires that the Governor's recommended budget include a financial schedule that provides his estimates of recurring and nonrecurring revenues, recurring and nonrecurring appropriations, interfund loans, and operational costs of any proposed fixed capital outlay project to be funded by proposed state debt.

Section 216.221, F.S., provides procedures to prevent a deficit in the General Revenue Fund. The Governor, as chief budget officer, is charged with responsibility to ensure that no deficit occurs in any state fund. The Legislature is required to provide direction in the General Appropriations Act regarding the use of the Working Capital Fund to offset General Revenue deficits. If, in the opinion of the Governor after consultation with the Revenue Estimating Conference, a deficit in the General Revenue Fund will occur, he is to so certify to the Administration Commission and the Chief Justice. Within 30 days, the Governor for the executive branch and the Chief Justice for the judicial branch are to develop plans to prevent a deficit from occurring. In developing these plans, a list of 17 guidelines is provided in statute, including that the use of nonrecurring funds to solve recurring deficits should be minimized and that the Working Capital Fund should not be reduced to a level that would impair the financial stability of the state. However, if the projected deficit in the General Revenue Fund exceeds $300 million the deficit is to be resolved by the Legislature. The Administration Commission and the Chief Justice are to implement the plans developed. Once actions have been taken to reduce budget authority, no action can be taken by the executive or judicial branches to restore those reductions.

Sections 252.31--252.60, F.S., are designated as the "State Emergency Management Act.

Section 252.34, F.S., defines emergency as "any occurrence, or threat thereof, whether natural, technological, or manmade, in war or in peace, which results or may result in substantial injury or harm to the population or substantial damage to or loss of property."

Section 252.36, F.S., provides for emergency management powers of the Governor in the event, or the threat, of an emergency. The Governor is directed to declare an emergency if he finds an emergency has occurred or that the occurrence is imminent. The state of emergency may continue no longer than 60 days, unless renewed by the Governor. The Legislature, by concurrent resolution, may terminate a state of emergency at any time.

Section 252.37, F.S., provides for the financing of emergency actions. It states that the first recourse shall be funds regularly appropriated to state and local agencies. However, if the Governor "finds that the demands placed upon these funds in coping with a particular disaster are unreasonably great, he may make funds available by transferring and expending moneys appropriated for other purposes or out of any unappropriated surplus funds."

Paragraph 212.081(4), F.S., contains an obsolete and redundant reference, enacted in 1959, to the Working Capital Fund requiring the deposit of excess General Revenues in the Working Capital Fund.

Sections 265.51--265.56, F.S., allow the Department of State to provide insurance for certain art works, manuscripts and other artifacts on loan to nonprofit agencies, institutions or governments in Florida from out-of-state. Qualifications and application procedure are contained in these sections. Insurance is limited to $1 million per exhibition and $3 million in aggregate, with a $25,000 deductible. The Working Capital Fund is designated as the fund from which loss claims shall be paid.

Section 420.5094, F.S., provides for the repayment of a 1982 loan (appropriation) from the General Revenue Fund to the Florida Housing Finance Agency. The loan, which was required to be repaid to the Working Capital Fund prior to July 1, 1990, was repaid by that date.

In the November 1992 general election, an amendment to the Florida Constitution creating a new section 19 in Article III titled "State Budgeting, Planning and Appropriations Processes" was placed on the ballot by the Taxation and Budget Reform Commission. This proposed amendment was approved by the voters. Subsection (g) of the new section 19 requires the establishment of a Budget Stabilization Fund. This subsection reads:

> (g) BUDGET STABILIZATION FUND. Beginning with the 1994-1995 fiscal year, at least 1% of an amount equal to the last completed fiscal year's net revenue collections for the general revenue fund shall be retained in a budget stabilization fund. The budget stabilization fund shall be increased to at least 2% of said amount for the 1995-1996 fiscal year, at least 3% of said amount for the 1996-1997 fiscal year, at least 4% of said amount for the 1997-1998 fiscal year, and at least 5% of said amount for the 1998-1999 fiscal year. Subject to the provisions of this subsection, the budget stabilization fund shall be maintained at an amount equal to at least 5% of the last completed fiscal year's net

revenue collections for the general revenue fund. The budget stabilization fund's principal balance shall not exceed an amount equal to 10% of the last completed fiscal year's net revenue collections for the general revenue fund. The legislature shall provide criteria for withdrawing funds from the budget stabilization fund in a separate bill for that purpose only and only for the purpose of covering revenue shortfalls of the general revenue fund or for the purpose of providing funding for an emergency, as defined by general law. General law shall provide for the restoration of this fund. The budget stabilization fund shall be comprised of funds not otherwise obligated or committed for any purpose.

B. EFFECT OF PROPOSED CHANGES:

This bill implements portions of the requirements established in Article III, Section 19 of the Florida Constitution.

The bill creates a fourth fund, the Budget Stabilization Fund (BSF or Fund), within the State Treasury and revises the funding and uses of the Working Capital Fund. The BSF will consist of moneys equal to the following percentages of net revenue collections for the General Revenue Fund in the 1992-93 fiscal year: 1% in 1994-95; 2% in 1995-96; 3% in 1996-97; 4% in 1997-98; and 5% in 1998-99. Thereafter, the BSF will consist of moneys equal to 5% of net revenue collections for the General Revenue Fund during the last completed fiscal year. "Last completed fiscal year" is defined as the most recently completed fiscal year prior to the regular legislative session at which the Legislature considers the General Appropriations Act for the year in which the transfer to the Budget Stabilization Fund must be made. Thus, the Legislature will know the exact amount required for transfer to the BSF while preparing the budget for the upcoming fiscal year.

By September 1 of each year, the Comptroller will be required to transfer, from the General Revenue Fund to the BSF, the amount needed for the balance of the BSF to reach the specified percentage of net General Revenue collections. In calculating the amount of this transfer, any amounts expended from the BSF but not yet restored will be ignored and the transfer amount will be calculated as if no expenditures from the BSF had been made. Thus, the transfers required annually to maintain the minimum balance will not be affected by expenditures from the Fund. Moneys expended from the Fund will be repaid to the Fund according to their own restoration schedule as discussed below. In the event that the Legislature wishes to make the transfer to the BSF from funds other than the General Revenue Fund, it may do so by appropriation.

The constitutional provision creating the Budget Stabilization Fund requires that funds may be withdrawn from the BSF only "for the purpose of covering revenue shortfalls of the general revenue fund or for the purpose of providing funding for an emergency, as defined by general law." The Constitution also requires that the criteria for these withdrawals be provided in a separate bill for that purpose only. The two criteria providing for withdrawals are contained in section 216.222, F.S. (Chapter 94-250, LOF). The first criterion is offsetting a deficit in the General Revenue Fund. A deficit is deemed to occur when the official estimate of funds available in the General Revenue Fund for a fiscal year falls below the total amount appropriated from the General

Revenue Fund for that fiscal year. Such expenditures can be made pursuant to s. 216.221, F.S., or an appropriation by law. Section 216.221, F.S., contains the current provisions for expending money from the Working Capital Fund in the event of a General Revenue deficit. References in that section to the Working Capital Fund are changed to the Budget Stabilization Fund.

The second criterion for withdrawing funds from the BSF is to provide funding for an emergency as defined in s. 252.34, F.S. This definition is part of the general provisions for declaring an emergency under the State Emergency Management Act. An emergency may either be declared by the Governor pursuant to the Emergency Management Act or may be declared by law. Any expenditures from the BSF must be pursuant to the provisions of s. 252.37, F.S., which currently allow emergency expenditures out of any unappropriated surplus funds, or pursuant to an appropriation by law.

Moneys expended from the Budget Stabilization Fund must be restored to the Fund pursuant to a schedule of five equal annual transfers from the General Revenue Fund, beginning in the fiscal year following the one in which the expenditure was made. Each expenditure from the BSF is to have its own restoration schedule and moneys for the transfer from the General Revenue Fund are appropriated for that purpose in the statute. The Legislature, however, may establish by law a different restoration schedule, appropriating the transfer moneys from other sources or according to a different schedule at any time during a restoration schedule. While the restoration schedule will allow the BSF to fall temporarily below the 5 percent minimum level, the five year restoration period should allow withdrawn money to be restored in a manner that does not create or extend a financial emergency. The five year time schedule for restoration is based on the five year period allowed to bring the BSF to the 5 percent minimum level.

The bill permits the Budget Stabilization Fund and the Working Capital Fund to be used as revolving funds for transfers as provided in s. 215.18, F.S. This section allows interfund transfers for the purpose of offsetting temporary deficiencies in other funds. The express purpose is to avoid the borrowing of money and the payment of interest. All such loans must be approved by the Administration Commission with the concurrence of the Governor and must be repaid before the end of the fiscal year. This use is currently allowed for moneys in the Working Capital Fund. Moneys in the BSF and the WCF not needed for such transfers are to be invested by the Treasurer. This is the current investment authority for the Working Capital Fund. Any interest earned on investments of either the BSF or the WCF are to be deposited in the General Revenue Fund.

The bill states that the Working Capital Fund shall consist of moneys in the General Revenue Fund which are in excess of the amount needed to meet appropriations from the General Revenue Fund and transfers to the BSF for the current fiscal year. The balance of the WCF would be determined each year on September 15, with amounts necessary to establish the required level of the WCF transferred between the WCF and the General Revenue Fund on that date. No uses for moneys in the Working Capital Fund other than those contained in s. 215.18, F.S., are established.

Section 216.221, F.S., relating to the adjustment of budgets to avoid or eliminate deficits, is amended to specify the Budget Stabilization Fund instead of the Working Capital Fund as the fund to be used to offset General Revenue Fund deficits.

Section 252.37, F.S., relating to the financing of declared emergencies, is amended to specify that the Budget Stabilization Fund may be used by the Governor to provide funding for emergency management.

Sections 265.51 and 265.55, F.S., are amended to remove the Working Capital Fund as the source of funds to be used by the Secretary of State to indemnify nonprofit agencies and governments against the loss of certain loaned art works, manuscripts and other artifacts. A specific appropriation for the purpose of such indemnification would be required.

Section 420.5094, F.S., relating to the repayment of a 1982 loan to the Working Capital Fund is repealed. The loan was fully repaid according to the statutory requirement by July 1, 1990..

C. SECTION-BY-SECTION RESEARCH:

Section 1 -- Amends s. 216.167, F.S., to include the Budget Stabilization Fund in the Governor's recommended financial schedule.

Section 2 -- Amends s. 215.32, F.S., to establish the Budget Stabilization Fund. Provides for the minimum amounts of General Revenue Funds that must be deposited into the fund. Defines the term "last completed fiscal year." Establishes a procedure and timetable to transfer moneys into the Budget Stabilization Fund. Establishes a procedure for restoring expenditures from the Fund. Permits the BSF, in addition to the Working Capital Fund, to be used as a revolving fund and redefines the Working Capital Fund.

Section 3 -- Deletes subsection 212.081(4), F.S., containing an obsolete and redundant reference, enacted in 1959, to the Working Capital Fund requiring the deposit of excess General Revenues in the WCF; and deletes section 420.5094, F.S. containing an obsolete reference to a repayment of a loan to the Working Capital Fund which was repaid in full by July 1, 1990..

Section 4 --Amends s. 216.221, F.S., to incorporate the Budget Stabilization Fund in the procedures to deal with deficits in the General Revenue Fund.

Section 5 -- Amends s. 252.37, F.S., to permit the Governor to use the Budget Stabilization Fund in emergencies.

Section 6 -- Amends s. 265.51, F.S., to allow the Secretary of State to indemnify nonprofit agencies and governments against the loss of certain loaned art works, manuscripts and other artifacts within specific appropriations made for that purpose.

Section 7 -- Amends s. 265.55, F.S., to remove the Working Capital Fund as the source of funds to be used by the Secretary of State to indemnify nonprofit agencies and governments against the loss of certain loaned art works, manuscripts and other artifacts and to authorize the Comptroller to make payments for claims for such losses from appropriations made for that purpose.

Section 8 -- Makes the legislation effective upon becoming law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None

2. Recurring Effects:

Fiscal Year	FY 1992-93 Net GR Collections	% of FY 1992-93 Net GR Collections	BSF Required
1994-95	$12,058.6 M	1%	$120.6 M
1995-96	$13,037.3 M	2%	$260.7 M
1996-97	$13,647.0 M	3%	$409.4 M
1997-98	$14,648.8 M	4%	$586.0 M
1998-99	$15,566.9 M	5%	$778.3 M

3. Long Run Effects Other Than Normal Growth:

None

4. Total Revenues and Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None

2. Recurring Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None

2. Direct Private Sector Benefits:

   None

3. Effects on Competition, Private Enterprise and Employment Markets:

   None

D. FISCAL COMMENTS:

The primary fiscal impact of this bill is that the establishment of the Budget Stabilization Fund removes $778.3 million in fiscal year 1998-99 from discretionary use by the Legislature.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

None

B. REDUCTION OF REVENUE RAISING AUTHORITY:

None

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

None

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS:

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