

STORAGE NAME: h0551a.jud

DATE: March 3, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
JUDICIARY
ANALYSIS**

BILL #: HJR 551

RELATING TO: State Appropriations/Limitations

SPONSOR(S): Rep. Wallace

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) JUDICIARY YEAS 9 NAYS 0
 - (2) FINANCE & TAXATION
 - (3) GENERAL APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

In 1994, Florida voters approved a constitutional amendment intended to limit the growth of state revenues. Article VII, section 1 (e) was added to the Florida Constitution and provides for a limitation on state revenue collection. Subsection (e) of this constitutional provision limits state revenues collected for any fiscal year to those revenues constitutionally permitted plus an adjustment for growth. "Growth" is defined as the "amount equal to the average rate of growth in Florida personal income over the most recent twenty quarters times the state revenues allowed under this subsection for the prior fiscal year."

HJR 0551 proposes an amendment to Article VII, section 1 (e) of the Florida Constitution which would change the current system for budgeting state expenses from a budget which may not exceed adjusted total state revenues for the previous year to a budget which may not exceed the prior year's appropriations with adjustment for growth.

The calculation of the "adjustment for growth" is determined on the basis of the average actual rate of growth for median household income in Florida plus the projected rate of growth of Florida's population. Provision is also made for suspension of the appropriation limitation in years in which the state experiences a financial emergency which is declared by the Governor and approved by a three-quarters vote of the membership of each house of the Legislature.

The proposal would have a significant fiscal effect.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

In 1994, Florida voters approved a constitutional amendment designed to limit the growth of state revenues. Article VII, section 1 (e) was added to the Florida Constitution and provides for a limitation on state revenue collection. Subsection (e) of this constitutional provision limits state revenues collected for any fiscal year to those revenues constitutionally permitted plus an adjustment for growth. "Growth", as used for the purpose of this provision is defined as the "amount equal to the average rate of growth in Florida personal income over the most recent twenty quarters times the state revenues allowed under this subsection for the prior fiscal year."

Additionally, for the purpose of this constitutional limit, "state revenue" is defined as "taxes, fees, licenses, and charges for services imposed by the legislature on individuals, businesses, or agencies outside state government." Article VII, section 1(e) of the Florida Constitution further stipulates that "state revenue" does **not** include the following:

- revenues necessary to meet the requirements in documents authorizing the state to issue bonds;
- revenues used to provide matching funds for the federal Medicaid program (except revenues used to support the Public Medical Assistance Trust Fund or its successor program and with the exception of state matching funds used to fund elective expansions made after July 1, 1994);
- lottery prize payouts;
- receipts of the Florida Hurricane Catastrophe Fund;
- balances carried forward from prior fiscal years;
- taxes, licenses, fees, and charges for services imposed by local, regional, or school district governing bodies; or
- taxes, licenses, fees and charges for services required to be imposed by any amendment or revision to the constitution after July 1, 1994

Future limits in state revenue growth are based upon the 1994-1995 fiscal year, in which \$38.6 billion was appropriated. However, revenues fitting the constitutional definition for the same fiscal year were only \$18.99 billion - less than one-half of total state revenue. In effect, only half of the state's revenues are subject to the constitutional limit.

B. EFFECT OF PROPOSED CHANGES:

Effective with the state fiscal year beginning 2001 - 2002, the state appropriation for that fiscal year will be limited to the state appropriations for the prior fiscal year plus an adjustment for growth.

- "State appropriations" does not include any portion of state appropriations spent or to be spent from receipt of federal funds.
- "Adjustment for growth" is a percentage equal to the sum of the average annual rate of growth in median household income in Florida over the most recent five years plus the rate of growth of the population of Florida projected for the fiscal year

The appropriations limitations may be suspended in any fiscal year in which the governor declares a state financial emergency and in which a three-quarters vote of each house of the legislature concurs in a separate bill which contains so subject other than suspension of the state appropriations limit for the fiscal year.

Absent a declared emergency, expansions in governmental spending covered by appropriations would not occur without income and population growth.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

If passed and implemented, the resolution would have the effect of limiting the rate of increase in state appropriations, which might ultimately effect state revenues.

c. Does the bill reduce total taxes, both rates and revenues?

If approved by the electorate the bill would have an effect of lowering the constitutional revenue limit to a limit based upon prior year appropriations.

d. Does the bill reduce total fees, both rates and revenues?

Yes.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

By placing a limitation upon appropriation spending, the amendment would limit the growth of entitlement programs funded by an appropriation.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Article VII, section 1, Florida Constitution.

E. SECTION-BY-SECTION ANALYSIS:

See Section II, B, above.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

Indeterminate.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

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

N/A

D. FISCAL COMMENTS:

See section II, B, above.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

V. COMMENTS:

The more comprehensive definition of what constitutes a "state appropriation" will be needed for implementation. Additionally in the current state budget process, the Legislature appropriates the same funds more than once. A more uniform approach to appropriations will need to be developed.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON JUDICIARY:

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