

**STORAGE NAME:** h0087a.sa.doc  
**DATE:** October 23, 2001

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
COMMITTEE ON STATE ADMINISTRATION  
ANALYSIS**

**BILL #:** HJR 87  
**RELATING TO:** Limitation on State Appropriations  
**SPONSOR(S):** Representative(s) Wallace  
**TIED BILL(S):** None

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

- (1) COMMITTEE ON STATE ADMINISTRATION YEAS 3 NAYS 1
  - (2) FISCAL POLICY & RESOURCES
  - (3)
  - (4)
  - (5)
- 

I. SUMMARY:

In 1994, Florida voters approved a constitutional amendment which provides for a limitation on state revenue collection. More specifically, this amendment limits state revenues collected for any fiscal year to those revenues constitutionally permitted in the prior fiscal year 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 87 proposes a constitutional amendment, changing the revenue limit to a spending limit which may not exceed the prior year's appropriations plus an adjustment for growth. This adjustment for growth is expressed as a percentage equal to the average annual rate of growth in median household income in Florida over the most recent five years. The state appropriations limitation is found by multiplying the state appropriations for the prior fiscal year by the growth percentage, and adding this product to the prior fiscal year's state appropriations.

HJR 87 provides for an exception to the state appropriations limitation in any fiscal year in which the governor declares a state financial emergency on the order of a war, a natural catastrophe, an economic depression, or any event of similar magnitude.

Because HJR 87 proposes a constitutional amendment, it must be approved by a three-fifths vote of the membership of each house. Following this vote, it must then be adopted by the voters of the State of Florida at the next general election. HJR 87 provides for an effective date of January 1, 2003.

HJR will have a significant fiscal impact. Please see the "Fiscal Analysis & Economic Impact Statement."

The contents of HJR 87 were proposed during the 2001 legislative session in HJR 323. That bill failed.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |   |                             |   |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u>         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u>      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

**Article VII, Section 1, Florida Constitution**

Article VII, s. 1., Fla. Const., pertains to taxation, appropriations, state expenses, and state revenue limitations. Subsection (a) of this section provides that no tax is levied except in pursuance of law, and no state ad valorem taxes<sup>1</sup> are levied upon real estate or tangible personal property. Additionally, subsection (a) states that all other forms of taxation must be preempted to the state except as provided by general law.

Article VII, s. 1(b), Fla. Const., provides for a license tax on motor vehicles, boats, airplanes, trailers, trailer coaches, and mobile homes, in the amounts and for the purposes prescribed by law. However, these items are not subject to ad valorem taxes. Subsection (c) of this section provides that no money can be drawn from the treasury except in pursuant of appropriation made by law, and subsection (d) of this section requires that, by law, sufficient revenue is raised to defray the expenses of the state for each fiscal period.

In 1994, Florida voters approved a constitutional amendment designed to limit the growth of state revenues. Article VII, s. 1(e), Fla. Const., limits state revenues collected for any fiscal year to those revenues constitutionally permitted in the prior fiscal year plus an adjustment for growth. This adjustment for growth is based on the average growth rate in personal income for the most recent 20 calendar quarters multiplied by the state revenues allowed for the prior fiscal year. This constitutional amendment specifies that Florida personal income is determined by the legislature, from information available from the United States Department of Commerce or its successor.

Article VII, s. 1(e), Fla. Const., allows for any state revenues calculated under this subsection to be increased by a two-thirds vote of the membership of each house of the legislature in a separate bill that contains no other subject, and that sets forth the dollar amount by which the state revenues will be increased. The vote may not be taken less than seventy-two hours after the third reading of the bill. "State revenues" are defined in Art. VII, s. 1(e), Fla. Const., as taxes, fees, licenses, and charges for services imposed by the legislature on individuals, businesses, or agencies outside state government. However, "state revenues" do not include

---

<sup>1</sup> Section 192.001(1), F.S., defines "ad valorem tax" as a tax based upon the assessed value of property. The term "property tax" may be used interchangeably with the term "ad valorem tax."

- Revenues that are necessary to meet the requirements set forth in documents authorizing the issuance of bonds by the state;
- Revenues that are 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);
- Proceeds from the state lottery returned as prizes;
- 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
- Revenue from taxes, licenses, fees, and charges for services required to be imposed by any amendment or revision to this constitution after July 1, 1994.

Article VII, s. 1(e), Fla. Const., provides for the transfer to the budget stabilization fund of any state revenues collected for any fiscal year in excess of this limitation until the fund reaches the maximum balance specified in Art. III, s. 19(g), Fla. Const.,<sup>2</sup> after which the money must be refunded to taxpayers as provided by general law.

### **Article XII, Section 21, Florida Constitution**

Article XII, s. 21, Fla. Const., was approved in 1994 by the Florida voters in conjunction with the approval of Art. VII, s. 1(e), Florida Constitution. Article XII, s. 21, Fla. Const., provides that “[t]he amendment to Section 1 of Article VII limiting state revenues shall take effect January 1, 1995, and shall first be applicable to state fiscal year 1995-96.”

### **Article XI, Florida Constitution**

Article XI, s. 1, Fla. Const., provides that an amendment of a section or a revision of one or more articles, or the whole, of the Florida Constitution may be proposed by joint resolution agreed to by three-fifths of the membership of each house of the legislature. The full text of the joint resolution and the vote of each member voting must be entered on the journal of each house.

Article XI, s. 5, Fla. Const., provides that any proposed amendment to or revision of the Florida Constitution must be submitted to the electors at the next general election held more than 90 days after the joint resolution, initiative petition or report of revision commission, constitutional convention, or taxation and budget reform commission proposing it is filed with the Secretary of State. However, if an affirmative vote of three-fourths of the membership of each house of the legislature limits the proposal to a single amendment or revision, it may be submitted at an earlier special election held more than 90 days after such filing.

---

<sup>2</sup> Article III, Section 19(g), Florida Constitution, states that the budget stabilization fund's principal balance must not exceed an amount equal to 10% of the last completed fiscal year's net revenue collections for the general revenue fund.

Additionally, Article XI, s. 5, Fla. Const., provides that once in the tenth week, and once in the sixth week immediately preceding the week in which the election is held, the proposed amendment or revision, with notice of the date of election at which it will be submitted to the electors, must be published in one newspaper of general circulation in each county in which a newspaper is published.

Lastly, Article XI, s. 5, Fla. Const., provides that if the proposed amendment or revision is approved by vote of the electors, it will be effective as an amendment to or revision of the constitution of the state on the first Tuesday after the first Monday in January following the election, or on such other date as may be specified in the amendment or revision.

**C. EFFECT OF PROPOSED CHANGES:**

HJR 87 proposes an amendment to Art. VII, s. 1(e), Fla. Const., changing the revenue limit to an appropriations limit which may not exceed the prior year's appropriations plus an adjustment for growth. This adjustment for growth is expressed as a percentage equal to the average annual rate of growth in median household income in Florida over the most recent five years. The median household income is that established and published by the United States Department of Commerce or its successor. The state appropriations limitation is found by multiplying the state appropriations for the prior fiscal year by the growth percentage, and adding this product to the prior fiscal year's state appropriations. The formula for this calculation is the following:

$$\text{SAL} = (\text{SAPFY} \times \text{MHIGR}\%) + \text{SAPFY}$$

SAL = state appropriations limitation.

SAPFY = state appropriations for the prior fiscal year.

MHIGR% = median household income growth rate percentage, averaged over the most recent five years.

HJR 87 states that for purposes of calculating the state appropriations limitation, "state appropriations" do not include any portion of state appropriations spent or to be spent from receipt of federal funds. Furthermore, HJR defines "state revenues" to include general revenue and trust fund receipts, but not federal fund receipts.

At present, Art. VII, s. 1(e), Fla. Const., provides for the transfer to the budget stabilization fund of any state revenues collected for any fiscal year in excess of this limitation until the fund reaches the maximum balance specified in Art. III, s. 19(g), Fla. Const.,<sup>3</sup> after which the money must be refunded to taxpayers as provided by general law.

HJR 87 similarly provides that any state revenues collected for any fiscal year in excess of the state appropriations limitations must be transferred to the budget stabilization fund until the fund reaches the maximum balances specified in Art. III, s. 19(g), Fla. Const., after which the money must be refunded to taxpayers as provided by general law.

HJR 87 provides for an exception to the state appropriations limitation in any fiscal year in which the governor declares a state financial emergency on the order of a war, a natural catastrophe, an economic depression, or "any event of similar magnitude." If such an exception is necessary, the legislature must agree by a three-fourths vote of the membership in each house in a separate bill that contains no other subject other than to suspend the appropriations limitation for that year.

---

<sup>3</sup> Article III, Section 19(g), Florida Constitution, states that the budget stabilization fund's principal balance must not exceed an amount equal to 10% of the last completed fiscal year's net revenue collections for the general revenue fund.

Additionally, HJR 87 amends Art. XII, s. 21, Fla. Const., providing an implementation schedule for this limitation of state appropriations. Article XII, s. 21., Fla. Const., is amended to read:

The amendment to Section 1 of Article VII limitation state appropriations, if adopted at the general election in November 2002, shall take effect January 1, 2003, and shall first be applicable to state fiscal year 2003-2004.

Lastly, HJR 87 provides the format for the title and substance of the proposed amendment, as it would appear on the voter ballot.

D. SECTION-BY-SECTION ANALYSIS:

See "Effect of Proposed Changes."

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See "Fiscal Comments" section.

2. Expenditures:

See "Fiscal Comments" section.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See "Fiscal Comments" section.

2. Expenditures:

See "Fiscal Comments" section.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

See "Fiscal Comments" section.

**D. FISCAL COMMENTS:**

Data for HJR 87: Constitutional amendment limiting appropriations						
SIMULATION: Actual Appropriations over/under HJR 87 Limit						
First Yr =	94-95					Actual Adjusted
Dollars in Millions			State Appropriations	Adjustment	<b>APPROPRIATION</b>	Appropriation
FY	State Approp (\$M)	Less Federal Funds	Subject to Limitation	for Growth	<b>LIMIT</b>	Ov/(Und) LIMIT
94-95	\$38,788.98	\$9,696.65	\$29,092.33	2.2%	\$27,075.99	(\$2,016.34)
95-96	\$39,123.05	\$10,229.23	\$28,893.82	2.4%	\$27,717.66	(\$1,176.17)
96-97	\$39,822.47	\$9,974.43	\$29,848.04	2.4%	\$28,372.92	(\$1,475.12)
97-98	\$43,298.32	\$10,799.05	\$32,499.27	2.2%	\$28,999.33	(\$3,499.94)
98-99	\$45,352.78	\$10,963.94	\$34,388.84	2.4%	\$29,688.12	(\$4,700.71)
99-2000	\$48,656.85	\$12,063.63	\$36,593.22	3.5%	\$30,725.15	(\$5,868.06)
2000-01	\$50,920.00	\$12,145.99	\$38,774.01	4.1%	\$31,994.34	(\$6,779.67)
2001-02	\$54,699.07	\$13,204.03	\$35,127.13	4.2%	\$33,323.52	(\$1,803.61)

As shown by this data<sup>4</sup>, had this limitation been in effect during the 1994-1995 fiscal year, it would have reduced allowable appropriations by \$2 billion in that year. Had this limitation been in effect during the 2000-2001 fiscal year, it would have reduced allowable appropriations by \$6.8 billion in that year.

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

**A. APPLICABILITY OF THE MANDATES PROVISION:**

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

**B. REDUCTION OF REVENUE RAISING AUTHORITY:**

This bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

<sup>4</sup> Data analysis provided by the Office of Economic and Demographic Research on October 16, 2001.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

The content of HJR 87 was proposed during the 2001 and 2000 legislative sessions, as HJR 323 and HJR 441, respectively. HJR 323 was referred to the Fiscal Policy and Resources Committee, where it died on May 4, 2001. HJR 441 was referred to the Committee on Governmental Operations. HJR 441 died in the Committee on Finance and Taxation on May 5, 2000.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON COMMITTEE ON STATE ADMINISTRATION:

Prepared by:

Staff Director:

---

Lauren Cyran, M.S.

---

J. Marleen Ahearn, Ph.D., J.D.