SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 2510

SPONSOR: Senator Lee

SUBJECT: Trust Funds

DATE: March 25, 2004 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Wilson	GO	Favorable
2.			FT	Withdrawn
3.	Herring	Coburn	AP	Favorable
4.				
5.				
6.				

I. Summary:

This bill requires that a greater portion of the interest earned on the cash balances of trust funds must be deposited to the General Revenue Fund. Currently, the Chief Financial Officer invests the commingled cash balance of all trust funds with less than half of the interest being deposited in the General Revenue Fund and more than half being credited back to individual trust funds. Where the interest goes is in some cases established in law and in other cases is at the discretion of the agency head.

This bill substantially amends the following sections of the Florida Statutes: ss. 17.61, 445.0325, 1011.94, and 1013.79. The bill repeals ss. 211.31(3) and 633.445(3), F.S.

II. Present Situation:

Prior to July 1, 2002, s. 18.10, F.S., required the Treasurer to deposit the moneys of the state and to invest them through qualified public depositories as fully as possible consistent with its cash requirements. It further provided that all earnings were to be credited to the General Revenue Fund, except as provided in s. 18.125(3).

Section 18.125, F.S., provided additional authority to the Treasurer to invest all moneys contained in the General Revenue Fund, all trust funds, and all state agency funds. Subsection (3) provided a process for agencies to transfer trust fund monies not needed for immediate operations to the Treasurer's Administrative and Investment Trust Fund. The interest earned was transferred to the respective trust funds rather than to the General Revenue Fund.

Records of the State Treasurer indicate that $781 million was earned during the 2000-2001 fiscal year. Of this amount, $294 million was credited to the General Revenue Fund and $487 was credited *pro rata* to trust funds. For the 2001-2002 fiscal year, interest credited to trust funds was $417 million and that amount was $329 for fiscal year 2002-2003.

Sections 18.10 and 18.125, F.S., were amended by ch. 2002-402, L.O.F., for the fiscal year 2002-2003, to limit the number of trust funds allowed to retain interest earnings. This provision resulted in an estimated $25 million being credited to the General Revenue Fund rather than trust funds for that period. That change was subsequently made permanent by ch. 2003-400, L.O.F.

Chapter 2003-261, L.O.F., transferred and amended ss. 18.10 and 18.125, F.S., to new ss. 17.57 and 17.61, F.S. respectively.

Moneys in trust funds are exempt from the investment restrictions imposed by s. 17.57, F.S., if such moneys and their retained interest meet one or more of the criteria established in s. 17.61(3)(d)1.- 4., F.S.: federal mandates; restrictive bond covenants; fiduciary duties; or gubernatorial determination following legislative consultation that matching funds would be lost.

III. Effect of Proposed Changes:

Section 1. This section amends s. 17.61(3), F.S., to allow, rather than to require, state agencies to authorize the Chief Financial Officer to invest trust fund money which is in excess of current cash requirements, in order to credit the interest earned to the trust fund, consistent with the other requirements of the section providing legislative consultation.

The section further amends s. 17.71(3)(c), F.S., to delete the restriction that certain named agencies and trust funds may not retain interest earnings. This restriction on specific agencies and funds is no longer necessary as the bill will apply the restriction to all agencies and trust funds that do not meet the exemptions in current law. Those exemptions allow trust funds to retain interest earnings if interest is required by federal mandates; restrictive bond covenants; fiduciary duties; or gubernatorial determination following legislative consultation that matching funds would be lost.

Section 2. Subsection (3) of s. 211.3, F.S., is repealed. That subsection allows interest earned on revenues derived from the tax on severance of solid minerals to be retained in the Minerals Trust Fund of the Department of Environmental Protection.

Section 3. Subsection (4) of s. 445.0325, F.S., is amended to eliminate the cross reference to s. 17.61, F.S., and its requirement that interest earned on moneys in the Welfare Transition trust Fund remain for the benefit of the welfare transition program in the Agency for Workforce Innovation.

Section 4. This section repeals ss. 633.445(3), F.S., which requires interest earned to be retained on funds for the State Fire Marshal Scholarship Grant Program in the Insurance Regulatory Trust Fund administered by the State Board of Education.

Section 5. This amends ss. 1011.94(1), F.S., to repeal a cross reference to s. 17.61, F.S., concerning interest earnings in the statute establishing the Trust Fund for University Major Gifts administered by the State Board of Education.

Section 6. This section amends s. 1013.79(3), F.S., to repeal the provision requiring interest earned to be retained in the Alex P. Courtelis Capital Facilities Matching Trust Fund administered by the State Board of Education.

Section 7. The bill provides a delayed effective date of July 1, 2005.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

This bill has been estimated, by the Revenue Estimating Conference, to produce $93.8 million in additional cash deposited to the General Revenue Fund in 2005-2006. Trust funds will receive that much less money from interest earnings.

Trust funds that received over $1 million of interest earnings in 2002-2003 are listed below. Much of these interest earnings would be deposited in the General Revenue Fund under the provisions of this bill, but some of these funds will be totally or partially exempt from losing their interest earnings.

Dept.	Fund	Interest earnings in 02-03
DOT	State Transportation Trust Fund	$15 million
DEP	Ecosystem Management & Restoration TF	$8.3 million
DFS	Workers' Compensation Administration TF	$7.8 million
DEP	Land Acquisition Trust Fund - partially exempt	$7.7 million
DEP	Non-Mandatory Land Reclamation Trust Fund	$6.4 million
DFS	Insurance Regulatory Trust Fund	$3.6 million

DEP	Inland Protection Trust Fund	$3.5 million
DEP	Conservation & Recreation Lands Trust Fund	$3.4 million
DMS	Wireless Emergency Telephone System TF	$3.4 million
LOT	Administrative Trust Fund	$2.6 million
DBPR	Professional Regulation Trust Fund	$2.4 million
DFS	Tobacco Settlement Clearing Trust Fund	$2.4 million
DEP	Grants & Donations Trust Fund - partially exempt	$2.3 million
DOE	Educational Enhancement Trust Fund	$1.8 million
DOE	Principal State School Trust Fund	$1.7 million
DFS	Workers' Compensation Special Disability TF	$1.7 million
DEP	Lake Okeechobee Protection Trust Fund	$1.5 million
DOE	Capital Improvements Fee Trust Fund	$1.5 million
DOT	Toll Facilities Revolving Trust Fund	$1.2 million
DEP	Water Quality Assurance Trust Fund	$1.2 million
DEP	Invasive Plant Control Trust Fund	$1.2 million
DOE	Alex P. Courtelis Capital Facilities Matching TF	$1.1 million
DMS	Supervision Trust Fund	$1.1 million
HSMV	Highway Safety Operating Trust Fund	$1 million
Citrus	Citrus Advertising Trust Fund	$1 million
DOE	Excellent Teaching Program Trust Fund	$1 million

Note that although this bill does not affect interest deposited into the General Revenue Fund until 2005-2006, because the state's official revenue forecast is based on projected revenue changes over the next five years, the revenue projection for 2004-2005 will be affected. Specifically, while the total General Revenue estimate will not increase for 2004-2005, $84.6 million will be considered recurring instead of non-recurring.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.