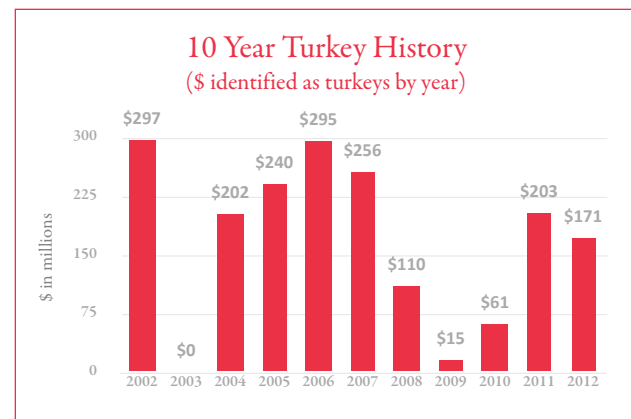


TURKEYS CIRCUMVENT ACCOUNTABILITY, FAIR PROCEDURES, BUDGET PRIORITIES, AND INTEGRITY

For the second year in a row, a surprisingly large number of member projects and other projects historically referred to as “turkeys” found their way into the FY 2012-13 state budget. **This year, Florida TaxWatch has identified 159 appropriations (the largest number of projects since 2007) worth \$170.9 million.** This is less than the \$203 million from last year, mainly because there are less big-ticket construction projects on this year’s list. However, there are more projects than last year’s 105 items, as this year saw more traditional smaller hometown member projects. **This year’s list includes 16 economic development projects worth \$21.3 million for which Florida TaxWatch is not recommending a veto as they went through some review process with approval in one chamber’s budget, but require further review and accountability by the Governor, the Department of Economic Opportunity and Enterprise Florida (see next page).**

The annual Florida TaxWatch Turkey Watch spotlights legislative projects placed in the budget without the proper opportunity for public review and debate, which circumvent lawfully established procedures, or which non-competitively benefit a very limited special interest or local area of the state. The “budget turkey” label does not condemn a project’s worthiness, but instead focuses on the budget process, including instances where the Legislature has not followed its own policies and procedures to ensure the highest standards of accountability and government efficiency. The 2012 Turkey List is composed largely of appropriations to specific



“The most delicious of all privileges—spending other people’s money.”

John Randolph

Early 19th Century
Member of Congress

organizations that were added in conference and appropriations that bypassed legally established selection processes (either by statute or budget processes) or competitive bidding. Awarding contracted services to specific providers bypasses competitive bidding and agency input into where limited funds are needed most and how these providers can be properly held accountable. The majority of these projects could be considered local member projects. Flexibility was allowed for earmarks to historically funded projects.

The 2012 Legislature should be commended for again balancing the state budget without raising taxes in the face of yet another multibillion dollar budget shortfall. The last few years have seen a possibly unprecedented deep examination of the state budget and Florida government has become much leaner and likely more efficient. The Legislature also enacted a number of cost-savings ideas—including many recommended by the Florida TaxWatch Government Cost Savings Task Force.

But legislators also agonized over spending cuts, including critical state services like higher education and health and human services, and lamented that there was just not enough money to go around. Sometimes contentious disagreement broke out over relatively small amounts of money and how a few million dollars would throw the budget out of balance. “Show me where to get the money,” was an oft-heard refrain. This makes the return of such a large number of turkeys disappointing. There were some bipartisan protests when member projects, some vetoed last year, starting showing up in the budget drafts of appropriation subcommittees. But more kept getting added. Many of the items on this year’s list were added “at the 11th hour” in the budget conference process, after the full House and Senate had voted out their spending plans. Even more were added after the conference committees had finished their work and unresolved issues were “bumped” to the leadership.

A NOTE ABOUT ECONOMIC DEVELOPMENT PROJECTS

The legislature provided funding for numerous economic development projects. These projects were specified in proviso in the Department of Economic Opportunity (DEO) budget. Any of these projects that were added during or after conference received the “turkey” designation. However, several others were included in either the House or Senate budget. Due to the focus of this Legislature and the Governor on economic development and job creation, and because there is no established process for selecting these types of projects, Florida TaxWatch is affording some legislative discretion for these projects that surfaced earlier in the process. For all these economic development items, Florida TaxWatch is not recommending a straight veto, but instead recommends that the Governor, along with the DEO and Enterprise Florida, make an assessment of each project, and ensure—up front—that they can be properly held accountable. The assessment should determine if the projects are consistent with the goals of DEO and the state economic development program, that there is a reasonable assurance that they will provide new jobs and a positive return on investment, and that there are accountability and performance measures in place to safeguard the taxpayers' investment. If any of these projects do not meet those standards, the Governor should veto them. There are 16 of these projects, totaling \$21.3 million.

Last year, the legislature created the State Economic Enhancement and Development (SEED) Trust Fund to provide a source of funds for “infrastructure and job creation opportunities.” Most of these projects are funded through this trust fund. The legislature should create a process in statute to better evaluate and select special economic development opportunities based on the standards discussed in the previous paragraph.

APPROPRIATIONS ADDED IN CONFERENCE

This type of appropriation is generally a clear-cut “turkey” as defined under Florida TaxWatch criteria, especially if directed toward a specific organization or locale. A project added in conference means that it was usually not requested by an agency nor recommended by the Governor, and was not included in either the House or Senate budget as passed by the respective chamber. This lack of scrutiny was highlighted in a grand jury’s indictment of a past Speaker of the Florida House of Representatives (who was cleared of charges) when it stated: “The appropriation process that gives unbridled discretion to the President of the Senate, Speaker of the House of Representatives and Appropriations Chairs needs to be changed. The procedure currently in place requires that our elected Legislators vote on a final budget that they have no knowledge about because it is finalized in a meeting between only two legislators. This process allows taxpayer money to be budgeted for special purposes by those few legislators who happen to be in a position of power.” While this is not to suggest that any of these appropriations rise to the level purported in that case, it does serve as an important reminder that there can be serious problems with adding appropriations, especially to private or local recipients, late in the process. And perhaps more importantly, it is not fair to all legislators, and therefore unfair to all citizens of the state. This year, 72 turkeys worth \$82.6 million were added during conference.

HIGHER EDUCATION CONSTRUCTION PROJECTS

Both the Florida College System and the universities’ Board of Governors prepare Public Education Capital Outlay (PECO) budget requests and a prioritized three-year capital outlay request. Historically, Florida TaxWatch has used these to determine if building projects were turkeys. This year, the legislature paid little attention to those prioritized lists.

These construction projects are usually paid for with bonds. For the second year in row, there was no bonding capacity for new projects through the traditional revenue stream. The Senate included only two college construction projects—and no university projects—in its budget. The House debated legislation that would have shifted some communications services tax money into PECO, allowing its proposed budget to include nearly \$300 million in projects. The bill did not pass, and ultimately the legislature agreed to bond lottery revenue to pay for \$100 million in projects. Eleven college construction projects were funded, but only two of the seven priorities on the College System’s first year request. Four were on the second year list. The three lowest priorities on the third year list were funded and three that were not on the three-year priority list at all were funded. The lower priority projects were funded even though the legislature only funded the base fixed capital outlay request (for renovation, remodeling, site improvement, etc.) for 11 of 28 colleges. These base allocations are the number one priority for the College System. One college (Brevard Community College) had their base allocation request doubled, while many colleges got nothing.

Six university projects receive funding, only two of which were on the first year request (priorities 6 and 7). Priorities 10, 12 and 25 were also funded. One project that was not on the three-year plan was

funded. Only one university had its base allocation funded. The legislature must do a better job considering the needs of the university and college system as a whole when doling out facilities dollars.

WATER PROJECTS

Florida TaxWatch is recommending a veto of all the Water Projects in line item 1683A due to a lack of a proper review and selection process. Section 403.885, Florida Statutes, provides for the Water Projects Grants Program, under which the Department of Environmental Protection is required to administer the grant program and evaluate the proposals. The department did not review proposals for any of these projects and did not participate in their selection. Water projects have been popular area for member projects over the years and if the legislature chooses to fund these local projects, then a thorough review process should be undertaken. The statutory criteria for funding water projects have been weakened over the years, but even the current statutory review process, however insufficient it may be, was not followed. DEP also has other grant and loan programs through which local water projects can apply for funding and for which some of these projects may have qualified to apply. This line item includes 23 local water projects worth \$19 million.

WHAT ELSE COULD A TURKEY BUY

One of the best arguments for stopping turkeys is the many essential state services to which the funds spent on budget turkeys could otherwise have been appropriated. The value of the opportunity cost of state funds is especially high this year, when many core government services suffered funding cuts. Not all of the \$171 million in turkeys could be used in other parts of the budget -- \$36 million comes from bond proceeds. But \$93 million in general revenue turkeys could have been easily spent elsewhere and the non-bonding total of \$135 million (GR and trust funds) could have been spent with further legislative action. Here are just a few alternatives to turkeys.

- Student Funding – \$135 million could increase per student funding for K-12 by \$47.
- Teachers - \$10 million could fund 200 new teachers for one year.
- Restore Higher Education Funding – Offset some of the \$300 million in cuts to the State University System.
- Increase Voluntary Pre-K Funding - \$10 million could increase VPK funding by \$65 per student.
- Ensure Compliance with the Rule of Law – \$1 million could fund approximately 20 tax auditor positions or financial fraud investigator positions, both of which would return more money to the state than the positions cost. Alternatively, \$1 million could fund about 17 DCF Child Protective Investigator positions.
- Help Unclog the State Courts – New positions in the state court system could be funded, approximately 13 new positions could be funded annually per \$1 million. These additional

court personnel could expedite the pace of court processing, clearing the build-up that is currently in the court's pipeline.

- Human Services Budget Cuts – Restore part of the Medicaid reimbursement rate cut to hospitals of \$304 million, or fully restore the cuts to nursing homes of \$35.2 million or substance abuse and mental health cuts of \$2.1 million.
- Sales Tax Holiday - \$32 million could pay for another three-day sales tax holiday, covering both state and local revenue loss.
- Helping All Florida Employers - Approximately \$45 million could have paid the interest due in 2013 on the federal loans the state took to prop up the Unemployment Compensation Trust Fund. This could have provided some relief to employers who are facing increases in their unemployment compensation tax rates.
- Tax Relief – Offset the first year cash reduction in revenues from reducing the corporate income tax rate from 5.5 percent to 4.5 percent.

THE FLORIDA TAXWATCH BUDGET TURKEY REVIEW PROCESS

The annual Florida TaxWatch Turkey Watch is a review of the state budget passed by the Legislature. It highlights appropriations that were determined by Florida TaxWatch to have bypassed the proper appropriations review process. These items are recommended to the Governor for line-item veto.

It must be stressed that this is not a critique of an individual project's merit, value or "need," but instead the review looks at how an item makes it into the budget, often pointing to instances where the Legislature has not followed its own set policies and procedures in the budget process. The analysis focuses on legislative projects placed in the budget without full opportunity for public review or which circumvent competition and lawfully established procedures. These appropriations often benefit a very limited special interest, a specific local area of the state, or a specific private organization.

An example: After the House and Senate each pass their respective budget, a conference committee is formed to compromise the differences between the two. From a good public policy perspective, this should not be the time to add new projects into the debate. By doing so, the conference committee circumvents the established budgeting process and may afford only a few legislators the opportunity to make the decisions on how state funds will be appropriated. Because the final Conference Report cannot be amended – it can only be voted up or down – this places the rest of the Legislature in the position of having to vote the entire budget down in order to object to specific items. Again, many of these projects may be worthwhile, but the fact remains that special earmarks ignore or limit fiscal and performance accountability, agency flexibility and discretion, and often bypass competitive selection processes.

Most of these appropriations are local projects and tend to be “member projects” – appropriations requested by individual legislators for their district. The extent to which the state should fund local projects is a debatable issue, but when it does, care must be taken that a broad and public consensus has been reached on whether the state should be assisting with the funding of the specific type of local project. We should then ensure that the selected projects must have received sufficient review, followed any selection process that may have been properly established, and competed against other similar projects across the state.

It is important to understand that every year the state funds billions of dollars worth of “local” projects. These can be part of a statewide system for which it is generally accepted that the state has some responsibility, such as transportation or school construction. There are also state programs to fund projects that are perhaps more local in nature, such as parks, public libraries, and cultural programs.

Generally, these local projects are not specifically named in the appropriations act. The Legislature decides the level of funding and the funds are distributed to the projects selected through established processes. Securing local project funding outside of such processes – or funding one for which a process does not exist – requires that it be added by name to the budget document. These projects are clear examples of traditional “turkeys” and form the core of the Turkey Watch review.

EXAMPLES OF TURKEYS

1. Projects that did not go through review and selection processes that are established in state law or rule. Examples include transportation, school construction and local parks. Projects that go through the process but are funded ahead of higher priority projects (as determined by the process) can also be turkeys.
2. Appropriations that were inserted in the budget during conference committee deliberations, meaning they did not appear in either the Senate or House final budget.
3. Subsidies to private organizations, councils or committees that can and should obtain funding from private sources.
4. Local government projects benefiting local area residents but lacking significant local funding support and/or overall benefit to the state as a whole.
5. Appropriations that circumvent competition and mandate that a specific vendor or project receive funding.
6. Projects or programs added late in the process that bypass legitimate review and proper evaluation because they were not in an agency budget request or the governor's recommended budget or were not on the agenda for legislative committee hearings.

"Public money ought to be touched with the most scrupulous conscientiousness of honor. It is not the produce of riches only, but of the hard earnings of labor and poverty."

Thomas Paine

7. Other turkeys may include: appropriations from inappropriate trust funds, duplicative appropriations, and appropriations contingent on legislation that did not pass.

RESEARCH PROCESS

The first step of the Florida TaxWatch review is to go through the final budget passed by the Legislature (conference report) in order to highlight specific appropriations that were added to the budget after the Governor's recommended budget. The focus is on appropriations for which the recipient is specifically named—such as a city or county, an organization, or a vendor. Appropriations in the Governor's budget are rarely considered in the turkey review. This is not to say that any Governor's budget is free of waste, questionable projects, or even parochial spending. However, if an appropriation in the Governor's budget makes it to the conference report, that generally means that it was reviewed and approved at all levels—agency, executive, and legislative. It should be noted that the Governor's budget contains far fewer specifically named recipients than the conference report.

The next step in the TaxWatch review process is to determine when the item entered the process—whether during the agency budget request, the Governor's recommendations, via appropriations committee bills, the final House and Senate budgets, or in the conference report. Generally, the earlier an item has entered the process the better—turkeys tend to show up later in the appropriations process. Usually, almost all conference-added items receive the turkey designation. Florida TaxWatch carefully considers allowing for some legislative flexibility if a project is truly beneficial statewide and was added due to unique and/or special circumstances, such as authorization to spend federal money that may have become available late in the appropriations process and therefore would not be utilized otherwise.

In further recognition of legislative prerogatives, Florida TaxWatch usually does not designate items that were funded in both the House and Senate final budgets as turkeys, except under special circumstances, such as bypassing an established competitive process for local projects.

After a list of potential turkeys is developed, each item is researched and the relevant state agency is contacted to confirm that the agency did not include the item in its legislative budget request. For the

BUDGETING WITHOUT DISCIPLINE

Just as the Rule of Law is critically essential in a civil society, so is the integrity, transparency and accountability of the budget process to ensure the highest and best use of the taxpayers' hard earned money.

most part, an item requested by an agency is not a turkey. The agency also provides information as to whether the appropriation is consistent with the agency's mission, if the agency has been involved with the appropriated item previously, and if any proviso language unnecessarily restricts the agency or the item's options. Florida TaxWatch also establishes whether the agency funds similar programs to the item(s) in question and, if so, how those projects are selected.

Information can also be obtained from the Governor's Office, the Legislature, and the potential recipient of the funds.

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TEN-YEAR TURKEY HISTORY

Year	Number of Items on Turkey List	Amount	Number & % of Turkeys Vetoed	\$ Amount & % of Turkeys Vetoed
2012	159	\$171 million	To come	To come
2011	105	\$203 million	87 83%	\$180.9 million 89%
2010	41	\$61 million	14 34%	\$11.4 million 18.9%
2009*	10	\$15 million	0 (0.0%)	0 (0.0%)
2008**	132	\$110 million	1 (0.8%)	\$840,000 (0.8%)
2007	505	\$256 million	301 (60%)	\$141 million (55%)
2006	489	\$295 million	306 (63%)	\$151 million (51%)
2005	413	\$240 million	252 (61%)	\$125 million (52%)
2004	227	\$202 million	133 (59%)	\$129 million (64%)
2003	0	0	n/a	n/a
2002	450	\$297 million	198 (44%)	\$69 million (23%)

* Governor Crist vetoed only two provisions of the budget, neither of which were spending projects.

** Governor Crist vetoed only three provisions.

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About Florida TaxWatch

Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 32-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies, and programs, and to increase the productivity and accountability of Florida Government.

Florida TaxWatch's research recommends productivity enhancements and explains the statewide impact of economic and tax and spend policies and practices on citizens and businesses. Florida TaxWatch has worked diligently and effectively to help state government shape responsible fiscal and public policy that adds value and benefit to taxpayers.

This diligence has yielded impressive results: in its first two decades alone, policymakers and government employees implemented three-fourths of Florida TaxWatch's cost-saving recommendations, saving the taxpayers of Florida more than \$6.2 billion -- approximately \$1,067 in added value for every Florida family, according to an independent assessment by Florida State University.

Florida TaxWatch has a historical understanding of state government, public policy issues, and the battles fought in the past necessary to structure effective solutions for today and the future. It is the only statewide organization devoted entirely to Florida taxing and spending issues. Its research and recommendations are reported on regularly by the statewide news media.

Supported by voluntary, tax-deductible memberships and grants, Florida TaxWatch is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, philanthropic foundations, professionals, associations, labor organizations, retirees -- simply stated, the taxpayers of Florida. The officers, Board of Trustees and members of Florida TaxWatch are respected leaders and citizens from across Florida, committed to improving the health and prosperity of Florida.

With your help, Florida TaxWatch will continue its diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer, who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and government agencies are more responsive and productive in the use of your hard-earned tax dollars.

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Integrity • Productivity • Accountability • Independence • Quality Research



Improving Taxpayer Value, Citizen Understanding, and Government Accountability

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