

THE GOVERNOR'S FY2020-21 BUDGET AND TAX RECOMMENDATIONS

Governor Ron DeSantis has released his **\$91.4 billion recommended spending plan** for FY2020-21, providing a starting point for budget negotiations for when the next legislative session convenes on January 14, 2020. This could be considered his first recommended budget, since he released the last one less than a month after he took office, and agencies had submitted their budget requests three months before.

The Governor is proposing a relatively small spending increase of \$418.7 million (0.5 percent). This is due in part to it containing \$1 billion less in federal funds than in the current budget. General Revenue (GR) spending would increase by a little more than \$1 billion. The proposed budget is only \$347.8 million less than was requested by state agencies this fall and funds 980 fewer positions than requested.

Still, the Governor was able to work in significant spending for his top priorities, including \$603.2 million to raise teachers' starting salary and \$634.7 million for water restoration and protection. His budget also recommends a net increase in state employee positions of 549 FTEs.

PROPOSED TAX REDUCTIONS

The Governor is recommending only two state tax cuts—an eight-day back-to-school sales tax holiday and a 10-day disaster preparedness holiday, that will give taxpayers a one-time savings of \$64.7 million. There is no proposed Business Rent Tax reduction or mention of E-fairness legislation (collecting sales tax on remote sales) that could pay for additional tax cuts.

Back to School Sales Tax Holiday - A eight-day period (August 1-8, 2020) when clothing priced at \$60 or less, school supplies priced at \$15 or less, and computers and accessories purchased for noncommercial use priced at \$1,000 or less would be exempt from sales taxes. This would provide \$42.8 million in state tax savings and \$13.3 million in local sales tax savings.

Disaster Preparedness Sales Tax Holidays – A 10-day period (May 29 to June 7, 2020) when flashlights, batteries, coolers and reusable ice, portable radios, generators, fuel tanks, tarps, and tie-down kits would be exempt from state and local sales taxes. This would provide \$6.9 million in state tax savings and \$1.7 million in local sales tax savings.

School Property Taxes -The Governor is also recommending using the rolled-back millage rate for Required Local Effort school property taxes, reducing the rate from 3.888 to 3.762. This means school districts could only receive increased tax revenue from new construction, not the increase in value for

Budget Snapshot

Total Funding - \$91.407 billion—\$418.7 billion (0.5 percent) more than current year spending. Compared to recent history, this is a relatively small budget increase, due in part to \$1 billion less in federal funds. General Revenue spending would increase by \$1.033 billion (3.0 percent), to \$34.975 billion.

State Employees - 113,414 state employee positions, 549 more than are currently funded. The Governor is recommending 690 new positions, while eliminating 141 (99 percent vacant) positions. Most of the increase is for Corrections (380) and Veterans Affairs (109) to staff the new veterans nursing homes. There is no across-the-board pay increase for state employees.

Tax Cuts - Only two state tax cuts—an 8-day back-to-school sales tax holiday and a 10-day disaster preparedness holiday. These two holidays will save taxpayers \$64.7 million—\$15.0 million of which is local revenue. There is no proposed Business Rent Tax reduction. The Governor is also recommending using the rolled-back millage rate for Required Local Effort school property taxes. This means school districts could only receive increased tax revenue from new construction. This would save property taxpayers \$247.2 million compared to keeping the same millage rate.

Reserves - \$5.6 billion, including \$1.403 billion in unallocated General Revenue (cash) reserves. The \$5.6 billion number includes \$1.7 billion in unallocated trust funds, which are normally not considered state reserves. Still, the \$3.9 billion in cash reserves, the Budget Stabilization Fund and the Chiles Endowment would be largest level of reserves in more than ten years.

Trust Fund Sweeps - Transfers \$75.4 million from trust funds to general revenue. The Governor does not sweep the Sadowski (affordable housing) trust funds, as recommended by Florida TaxWatch.

Bonding - Only new bonds for projects in the DOT work program (\$1 billion) and \$134.3 million for the construction of a new mental health facility at the Lake correctional facility. There is no bonding for Public Education Capital Outlay (PECO).

Hurricane Recovery - \$1.4 billion in federal and state funding, bringing total spending on Hurricane Irma and Michael recovery to \$3.3 billion.

Education - Increase the minimum salary for teachers to \$47,500 (\$603 million) and scrap the controversial Best and Brightest Teacher and Principal program and replace it with a program that rewards teachers and principals based on their school's performance (\$300 million). Per-student funding is increased by 3.9 percent. No tuition increase for colleges or universities.

Water - \$634.7 million for protection and restoration of the Everglades and the state water resources. It would be the 2nd year of his four-year plan to spend \$2.5 billion on improving water quality and supply.

existing property. This would save property taxpayers \$247.2 million compared to keeping the same millage rate. There is ongoing debate as to whether this constitutes a tax cut.

PROPOSED BUDGET REDUCTIONS/SAVINGS

The Governor is claiming \$480.5 million in savings and a reduction in 141 positions; however, most of those savings (\$284.5 million) are from eliminating the Best and Brightest Teacher and Principal Program, which he is replacing with another bonus program at a cost of a \$300 million. A while he does eliminate 141 vacant state employee positions, he adds 690 new positions, for a net increase of 549.

The Governor does recommend the “elimination of earmarks.” By this he means cutting some member projects that have become embedded in the recurring base budget. This would remove \$84.8 million in recurring spending. Florida TaxWatch commends this move, making these projects justify themselves and compete for funding again. There are still many more of these projects in the budget. We hope this conservative approach extends into the session and limits the number of new member projects funded.

The Governor also recommends savings of \$24.3 million in administrative and operational efficiencies, \$54.6 million in debt service savings, \$6.0 million in workload adjustments, \$19.6 million in contract and lease savings, and \$6.7 million in reduced excess budget authority.

PROPOSED SPENDING

EDUCATION

K-12 Education – Recommended total funding for the Florida Education Finance Program (FEFP) is \$22.903 billion (\$13.243 billion in state funding), \$1.040 billion (4.8 percent) more than the current year. Per-student spending of \$7,979 would be \$302 per student more (3.9 percent) than the current year. The state will pay for most of this funding increase. Required Local Effort (RLE) and discretionary property taxes (local) would rise by \$245.0 million (2.6 percent), reaching \$9.660 billion. The state contribution will increase by \$795.3 million (6.39 percent). This is due to the Governor proposing to adopt the rolled-back millage rate for RLE (see Tax section above). The Legislature sets the amount of RLE in the budget, but it is not considered a state appropriation and does not add to the budget’s bottom line. There are 22,415 new students expected in Florida public schools for next year, which will cost \$178.9 million at the Governor’s recommended funding level. The largest percentage increase for a specific FEFP category is 33.3 percent (\$25 million) for the Mental Health Allocation.

The Governor is proposing to increase the minimum salary for teachers to \$47,500 at a cost of \$603.2 million. This will provide a pay raise for 101,000 teachers across the state. He also proposes to scrap the controversial Best and Brightest Teacher and Principal (BBTP) program and replace it with a program that rewards teachers and principals based on how much their school increases its A-F grading calculation. Teachers can earn between \$1,000 and \$7,500 (\$500 to \$3,700 in non-Title I schools) and principals from \$2,500 to \$10,000 (\$1,250 to \$2,500 in non-Title I schools.) This program would cost \$300 million, just a little more than the \$284.5 million currently appropriated for the BBTP program.

FY2020-21 Governor's Budget Recommendations

Compared to Current Year (\$ millions)

Department/Agency	General Revenue	Trust Funds	Total	Current Year Total	+ /(-) Current Year	Positions (FTEs)	+ /(-) Current Year
Administered Funds (Statewide)	\$53.3	\$41.5	\$94.8	\$332.2	\$(237.4)	-	0
Agriculture & Consumer Services	\$7,321.5	\$22,979.2	\$30,300.7	\$29,418.2	\$882.4	1,546.5	23
Business & Professional Regulation	\$605.2	\$870.0	\$1,475.2	\$1,417.1	\$58.1	2,700.5	0
Children & Families	\$110.9	\$1,592.5	\$1,703.5	\$1,742.0	\$(38.5)	3,698.3	5
Citrus	\$1.4	\$156.6	\$158.0	\$158.3	\$(0.2)	1,637.3	3
Commission on Offender Review	\$1,947.7	\$1,426.6	\$3,374.2	\$3,296.9	\$77.3	12,077.8	27
Corrections	\$5.7	\$21.4	\$27.1	\$22.9	\$4.2	38.0	0
Economic Opportunity	\$2,782.0	\$64.5	\$2,846.5	\$2,731.7	\$114.9	25,236.0	380
Education	\$74.3	\$1,167.7	\$1,242.0	\$1,641.7	\$(399.7)	1,469.0	-6
Elder Affairs	\$18,075.0	\$8,917.3	\$26,992.3	\$26,030.6	\$961.7	2,266.8	0
Environmental Protection	\$173.5	\$182.6	\$356.1	\$345.4	\$10.7	405.0	1
Financial Services	\$342.4	\$1,711.6	\$2,054.0	\$1,820.5	\$233.5	2,917.5	10
Fish & Wildlife Conservation	\$293.6	\$1,441.3	\$1,734.9	\$2,091.2	\$(356.3)	445.0	-6
Governor's Office	\$21.8	\$363.5	\$385.3	\$408.4	\$(23.1)	2,574.5	-2
Health	\$64.7	\$353.7	\$418.4	\$397.5	\$20.9	2,113.5	1
Health Care Administration	\$11.8	\$0.1	\$11.9	\$11.4	\$0.4	132.0	0
Highway Safety & Motor Vehicles	\$520.0	\$2,527.0	\$3,047.0	\$3,061.3	\$(14.3)	12,766.5	-73
Justice Administration	\$0.0	\$497.9	\$497.9	\$504.8	\$(6.9)	4,347.0	14
Juvenile Justice	\$826.3	\$150.2	\$976.6	\$964.5	\$12.1	10,516.3	30
Law Enforcement	\$444.8	\$148.1	\$592.9	\$593.4	\$(0.5)	3,285.5	6
Legal Affairs	\$150.7	\$162.5	\$313.2	\$297.1	\$16.1	1,961.0	28
Legislature	\$64.7	\$224.1	\$288.8	\$298.8	\$(10.0)	1,381.5	16
Lottery	\$210.5	\$2.6	\$213.0	\$212.4	\$0.7	-	0
Management Services	\$0.0	\$183.1	\$183.1	\$200.7	\$(17.7)	418.5	0
Military Affairs	\$32.8	\$643.4	\$676.2	\$705.7	\$(29.5)	1,285.5	-3
Persons with Disabilities	\$31.1	\$40.7	\$71.8	\$66.8	\$5.0	453.0	0
Public Service Commission	\$0.0	\$25.9	\$25.9	\$25.7	\$0.2	271.0	0
Revenue	\$220.3	\$379.6	\$599.9	\$594.1	\$5.8	5,019.8	-10
State	\$77.1	\$24.4	\$101.5	\$127.6	\$(26.2)	421.0	13
State Courts	\$472.2	\$95.8	\$568.1	\$558.8	\$9.2	4,315.0	1
Transportation	\$0.0	\$9,922.0	\$9,922.0	\$10,778.1	\$(856.0)	6,194.0	-18
Veterans Affairs	\$39.6	\$114.2	\$153.8	\$133.0	\$20.8	1,520.5	109
Totals	\$34,974.9	\$56,431.7	\$91,406.6	\$90,988.9	\$417.7	113,413.5	549

Source: Florida TaxWatch, compiled using the Governor's Budget Recommendations, November 2019

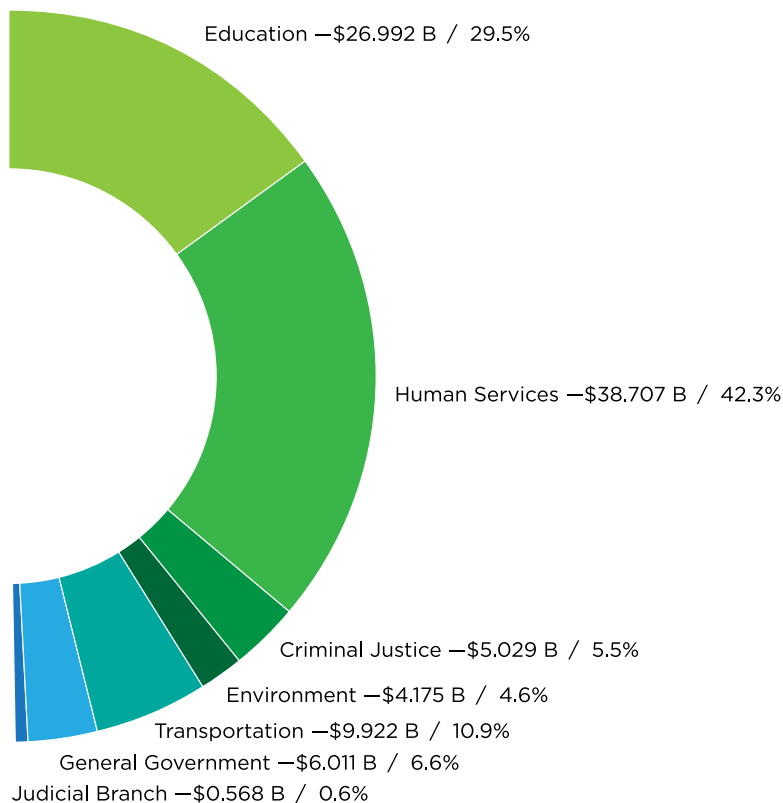
General Revenue Fund Outlook

Impact of Governor's Recommendations (\$ millions)

Funds Available 2020-21	Recurring	Non-recurring	Total
Current Reserves	\$-	\$1,576.60	\$1,576.60
Estimated revenues	\$35,067.80	\$(704.50)	\$34,363.30
BP Settlement Payment	\$26.70	\$-	\$26.70
Hurricane Reimbursements		\$479.50	\$479.50
Reversions and Other Adjustments	\$(1.20)	\$196.00	\$194.80
Budget Stabilization Fund	\$-	\$(100.00)	\$(100.00)
Total GR Available for 2020-21	\$35,093.30	\$1,447.60	\$36,540.90
<i>Governor's Recommendations</i>			
Tax & Fee Relief		\$49.70	\$49.70
Trust Fund Sweeps	\$-	\$(75.40)	\$(75.40)
Appropriations	\$34,362.90	\$612.30	\$34,975.20
Projected Hurricane Expenditures		\$188.00	\$188.00
Education Adjustment	\$180.60	\$(180.60)	\$-
Total Governor Recommendations	\$34,543.50	\$594.00	\$35,137.50
New GR Reserves	\$549.80	\$853.60	\$1,403.40

Appropriations by Program Area—Governor's Budget Recommendations

\$ in billions // FY2020-21



Higher Education - Florida colleges and universities would see small funding increases. Colleges are funded at \$1.234 billion, a \$22.4 million (1.8 percent) increase over the current year. This includes \$40.0 million for performance funding and \$10.0 million to align students to statewide and regional workforce demands. Universities would receive \$5.150 billion, a \$21.9 million (0.4 percent) increase. This includes \$660 million in performance funding. No tuition increase is recommended.

Early Learning - The Office of Early Learning, which runs the state's prekindergarten programs, would receive \$1.234 billion, a \$12.3 million increase. This would provide the Voluntary Pre-Kindergarten program a \$49 per-student increase (\$42 per student in the summer program) and fund 1,876 new students. The Governor's budget holds funding level for Florida's school readiness program.

Education Fixed Capital Outlay - The Governor recommends \$353.4 million for education facilities. This includes maintenance, repair, and renovation for traditional public schools (\$50.0 million), charter schools (\$173.9 million), universities (\$49.3 million), and colleges (\$37.2 million). Only charter schools received maintenance funding (158.2 million) in the current budget. Four small counties would receive \$41.3 million for public school construction projects. Only one college and one university construction project are funded (\$14.5 million total). The funding would complete both projects. The Legislature will surely add to this list.

ENVIRONMENT

One of the Governor's top priorities is restoring and protecting our water resources—especially expediting Everglades restoration and preventing harmful algal blooms in waterbodies such as Lake Okeechobee and the St. Lucie and Caloosahatchee estuaries. His budget includes the second year of his four-year plan to spend \$2.5 billion on water. The \$634.7 million funding package would go to:

Everglades Restoration (\$322 million), including \$169.9 million for Comprehensive Everglades Restoration Plan projects, including the C-43 and C-44 Reservoirs, and \$47.0 million for Northern Everglades and Estuaries protection. The budget also includes the required annual \$64.0 million for the Everglades Agricultural Area reservoir project created by the Legislature in 2017.

Targeted Water Quality Improvements (\$200 million), including: \$150 million for cost-share grant funds for water quality improvements, including septic conversions and upgrades, other wastewater improvements, and rural and urban stormwater system upgrades; and \$50 million to accelerate projects to meet scientific nutrient reduction goals (Total Maximum Daily Loads).

The package also funds **Springs Restoration** (\$50 million), an **alternative water supply grant program** (\$40 million), and \$22 million to combat **harmful algal blooms** (including the Blue-Green Algae Task Force that started this year).

In addition to the \$635 million package, the Governor recommends \$100 million for the Florida Forever land acquisition program which would focus on lands that protect water resources.

Other proposed environmental spending includes: \$5.5 million for the Florida Resilient Coastline Initiative to assist local governments with sea level rise planning and coastal resilience projects; \$54 million for state park infrastructure improvements; \$8.9 million for coral reef protection; and \$50 million for beach restoration.

HEALTH AND HUMAN SERVICES

Medicaid – The Governor recommends \$30.3 billion for the Agency for Health Care Administration, which runs the state’s Medicaid program. This is \$882.4 million more than the current year. Medicaid/TANF funding would increase by \$754.3 million to \$30.582 billion. The Governor’s budget includes \$1.5 billion for the Low-Income Pool (LIP), which reimburses providers for indigent care, contingent on hospitals and local governments providing \$578.8 million to draw down \$929.6 million in federal funds. There is no state money committed. The Governor includes level funding of \$327.2 million for the Regular Disproportionate Share hospital funding program, although federal funding reductions are expected.

Persons with Disabilities –The Agency for Persons with Disabilities would receive a funding increase of \$58.1 million (4.1 percent). The budget would add \$56.5 million to provide home and community-based services to 1,200 persons on the waiver waiting list and \$38.4 million to increase reimbursements to Intermediate Care Facilities to serve individuals who have severe behavioral needs.

Children and Families – The Governor is recommending a funding formula for Community Based Care agencies that incentives quality outcomes for children. The funds will be based on workload and include incentives to encourage children staying in their homes when it is safe to do so. Current funding is based on historical funding, not caseloads. The agencies would receive \$759.7 million (an \$11.3 million increase). An increase of \$17.6 million is included for enhancing mental health and substance abuse services, as has been recommended by Florida TaxWatch.¹

Elder Affairs – The Governor is recommending \$3.6 million in new funding to enroll 250 additional individuals into the Alzheimer’s Disease Initiative program, \$5.0 million to enroll 590 additional individuals into the Community Care for the Elderly Program, and \$1.0 million to provide services to an additional 240 seniors through the Home Care for the Elderly program.

Opioid Crisis Response – The Governor is recommending \$54.8 million to combat Florida’s opioid epidemic. This includes \$12.4 million for the State Opioid Response Grant.

Canadian Drug Importation Program - \$20.4 million is provided to implement the new program once it receives federal approval. The program is designed to reduce the costs of prescription drugs.

¹ Florida TaxWatch, “Analysis of Florida’s Behavioral Health Managing Entity Model,” March 2015.

PUBLIC SAFETY AND THE COURTS

The **Department of Corrections'** budget would increase by \$114.9 million (4.2 percent) and add 380 new positions. This includes \$60.6 million for a retention pay plan to reduce correctional office turnover and \$429.1 million to reduce officers' shifts from 12 hours to 8.5 hours. The budget also includes \$17.1 million to improve inmate health, \$6.7 million and 54 FTEs to enhance prison safety, and \$8.4 million and 17 FTEs million to increase reentry efforts.

Juvenile Justice - \$4.2 million to improve staffing and evidence-based services in residential facilities, \$14 million for prevention services, and \$6.2 million provide special risk benefits to juvenile detention officers.

Legal Affairs - \$1.7 million and 16 positions to fight fraudulent practices including cyber fraud, senior fraud, organized retail theft, and price-gouging.

Law Enforcement - \$4.7 million and 20 positions to implement the Statewide Behavioral Threat Assessment strategy to help law enforcement identify potentially violent individuals before they commit violence. Also, \$18.1 million is provided to create a data analytics system and improve crime databases, including continuing the transition to incident-based crime reporting.

State Court System – \$14 million for problem-solving courts and \$2 million for the Guardian Ad Litem (GAL) program, to allow GAL to hire 35 Child Advocate Managers.

ECONOMIC DEVELOPMENT AND TRANSPORTATION

Hurricane Recovery – The recommended budget includes \$1.4 billion in federal and state funds for Hurricane recovery, including \$747.7 million in federal Community Development Block Grant Disaster Funds, \$25 million for the Hurricane Michael Recovery Grant Program, \$40 million in revolving loans, and \$18.8 million for marine fisheries recovery. This brings total spending on hurricanes Michael and Irma to \$3.3 billion.

VISIT FLORIDA – Last session, the House sought to eliminate VISIT FLORIDA and it is currently scheduled for repeal on October 1, 2020. Florida TaxWatch research has shown the value in funding tourism marketing and strongly cautioned against elimination and those programs.² The Governor is recommending \$50.0 million for VISIT FLORIDA (level funding) and delaying repeal for eight years.

Strategic Business Development – Funded at \$284.4 billion, an \$18.3 million (6.9 percent) increase.

- Enterprise Florida - \$15.0 million, same funding as the current year.
- Economic Development Tools - \$28.1 million (\$1.5 million increase) to continue incentives for business that are meeting their contractual commitments to create jobs and capital investment.
- Florida Job Growth Fund – \$50.0 million (\$10 million increase) for grants for job training and local infrastructure projects with a proven return on investment.
- Space Florida - \$19.5 million (\$1 million increase).

² Florida TaxWatch, "Investing in Tourism: Analyzing the Economic Impact of Expanding Florida Tourism," January 2013.

Affordable Housing – The Governor does not sweep the Affordable Housing trust funds (which would be the first time in more than 10 years and fully funds affordable housing at \$387 million, as recommended by Florida TaxWatch.³

Transportation - The Governor's budget funds the Department of Transportation's work program at \$8.8 billion, including:

- \$2.8 billion for highway construction;
- \$866 million for resurfacing 2,057 lane miles;
- \$324 million for aviation improvements;
- \$686 million for rail/transit program improvements;
- \$436 million for repair of 57 bridges and replacement of 18 bridges;
- \$213 million for safety initiatives; and
- \$120 million in seaport infrastructure improvements.

CONCLUSION

Florida TaxWatch commends the Governor for being able to include some significant spending initiatives, while still offering a fiscally responsible budget. He was able to leave \$1.4 billion in GR cash reserves, important due to the economic uncertainty that exists.

There are a number of features of the proposed budget that have been recommended by past Florida TaxWatch research. These include: funding to continue VISIT FLORIDA and extending its scheduled repeal for eight years; limiting trust fund sweeps; using all the money in the Affordable Housing funds for affordable housing; increasing behavioral health; and eliminating \$84.8 million in earmarks—member projects that have become embedded in the recurring base budget.

We also support the Governor's recommendations to protect and restore the Everglades and Florida's water resources. The investment in these critical assets will provide taxpayers with a positive return on investment.

Florida TaxWatch is disappointed that the recommendations do not include a reduction in the Business Rent Tax (BRT).⁴ We were not expecting the Governor to propose e-Fairness legislation,⁵ but we will work to convince the Legislature to approve this legislation to finally shift the burden of remitting sales taxes on remote sales from the consumer and putting it where it belongs—on the seller. The approximately \$700 million in currently legally owed revenue this would provide could help reduce the BRT and other onerous taxes.

The Governor's recommendations do not include revenue from Indian Gaming—which is prudent—as the Seminole Tribe ceased sharing revenue with the state last April, due to failure to adopt a new compact.

³ Florida TaxWatch, "The Legislature Must Stop Diverting Affordable Housing Funding," April 2019.

⁴ Florida TaxWatch, "Business Rent Tax: Now is the Time to Begin Eliminating a Clear Competitive Disadvantage for Florida Businesses," April 2017.

⁵ Florida TaxWatch, "E-Fairness Legislation Moving in 2019" and "Wayfair: Formulating a Florida Response," April 2019.

Florida TaxWatch recommends the Legislature reach an agreement on Indian Gaming. The \$350 million in annual revenue the state is missing is a significant loss.

The Governor's proposed budget is simply the starting point for the legislative budget process. While it will serve as the framework for the new budget, the spending plan passed by the Legislature could look much different. The next General Revenue Estimating Conference is scheduled for January 15, the day after the 2020 Legislative Session begins. This could result in available revenue for the next budget being reduced (or increased) by hundreds of millions of dollars. In the first two months following the last estimate in August GR collections have come in \$135.6 million over estimate; however, more than half of that amount (\$75.7 million) is corporate income tax revenue, which will have to be refunded. Another \$44.5 million is from better-than-expected earnings on investments, which are due to portfolio adjustment and are expected to level out in coming months. Sales tax collection, the biggest revenue source, came in \$56.5 million under estimate.

Florida TaxWatch reminds the Legislature to think beyond the next budget year. The *Long-Range Economic Outlook*⁶ cautioned, that while there is a surplus for the next budget, shortfalls loom in the next two years if "business as usual" continues.

Florida TaxWatch will continue to work this session to help ensure that cost savings and improvements in the way government does business are be priority, that the tax package creates the most "bang for the buck" possible, and that added appropriation items get the scrutiny and debate they deserve.

⁶ Florida Legislature, "Long-Range Financial Outlook Fiscal Years 2020-21 through 2022-23," September 2019.

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