STORAGE NAME: h0441.ft
DATE: April 10, 2000

HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS

BILL #: HJR 441

RELATING TO: Limitations on State Appropriations

SPONSOR(S): Representative Wallace and others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) GOVERNMENTAL OPERATIONS (PRC) YEAS 6 NAYS 0
(2) FINANCE AND TAXATION (FRC)
(3) GENERAL APPROPRIATIONS
(4)
(5)

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 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 441 proposes an amendment to Article VII, section 1 (e) of the Florida Constitution which would change the revenue limit to a spending limit which may not exceed the prior year's appropriations plus an adjustment for growth.

The calculation of the "adjustment for growth" is based on the average actual rate of growth for median household income in Florida plus the projected rate of growth of Florida's population. A 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-fourths vote of the membership of each house of the Legislature.

This constitutional amendment will have a significant fiscal impact if approved by the voters.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes [X]	No []	N/A []
2.	Lower Taxes	Yes [X]	No []	N/A []
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

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

B. 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 in the prior fiscal year 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 $38.8 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 appropriations in that year. In effect, only half of the state's appropriations are subject to the revenue constitutional limitation. There are many reasons for this difference including:

- the exclusion of federal revenues;
- the exclusion of state revenues used to pay lottery prizes, to fund debt service, or to pay matching funds for federal Medicaid;
- the spending from balances carried forward from prior years; and
- the double counting of appropriations within the budget

(See attached chart for calculation and experience under the state revenue limitation).

C. 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 (SAPFY) plus an adjustment for growth.

Section 1 (e)(1) defines "State appropriations" as not including any portion of state appropriations spent or to be spent from receipt of federal funds. Section 1 (e)(2) defines "Adjustment for growth" as a percentage equal to the sum of the average annual rate of growth in median household income (MHIGR%) in Florida over the most recent five years plus the rate of growth of the population of Florida (PGR%) projected for the fiscal year. The state appropriation limitation would be calculated by the following formula:

State Appropriation Limitation= {SAPFY x (MHIGR% + PGR%)} + SAPFY

Section 1 (e)(3) requires that "state revenues collected for any fiscal year in excess of the state appropriations limitation shall be transferred to the budget stabilization fund until the fund reaches the maximum balance as specified in Section 19(g) of Article III and will be refunded to taxpayers as provided by general law."

The appropriations limitations may be suspended in any fiscal year in which the Governor declares a state financial emergency and in which a three-fourths vote of each house of the Legislature concurs in a separate bill which contains no 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.

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:

There is a possible direct economic impact on the private sector should the state government limit its appropriations amount rather than limit its revenues. See attached financial information sheets.

D. FISCAL COMMENTS:

Had this appropriations limitation gone into effect during the 1992-1993 fiscal year, it would have reduced allowable appropriations by $5.2 billion in FY 1999-2000. See the attachment for details.

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 an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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

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

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

At the January 19, 2000, meeting of the Committee on Governmental Operations, a technical amendment was adopted on page 3, line 17, of the bill to change the phrase “three-quarters” to “three-fourths” to conform with traditional language regarding member voting in the Legislature.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:	Staff Director:
Jennifer D. Krell	Jimmy O. Helms

AS REVISED BY THE COMMITTEE ON Finance and Taxation:

Prepared by:	Staff Director:
Carol Dickson-Carr	Alan Johansen