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HOUSE OF REPRESENTATIVES

FISCAL RESPONSIBILITY COUNCIL ANALYSIS

BILL #: HB 73B (PCB FRC 01-18B)

RELATING TO: Budget Stabilization Fund

SPONSOR(S): Fiscal Responsibility Council & Representative Lacasa

TIED BILL(S):

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

(1) FISCAL RESPONSIBILITY COUNCIL YEAS 26 NAYS 0
(2)
(3)
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(5)

I. SUMMARY:

This bill allows the Comptroller limited access to the Budget Stabilization Fund (BSF) at the close of the fiscal year in order to prevent a deficit in the General Revenue Fund.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

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

B. PRESENT SITUATION:

Article III, section 19(g) of the State Constitution creates the Budget Stabilization Fund. It provides that:

> [T]he budget stabilization fund shall be maintained at an amount equal to at least 5% of the last completed fiscal year's net revenue collections for the general revenue fund. The budget stabilization fund's principal balance shall not exceed an amount equal to 10% of the last completed fiscal year's net revenue collections for the general revenue fund. . . . General law shall provide for the restoration of this fund. The budget stabilization fund shall be comprised of funds not otherwise obligated or committed for any purpose.

The Comptroller is permitted to borrow up to $1 billion from trust fund cash during the fiscal year in order to make timely payments from the General Revenue Fund if General Revenue receipts slip below expenditures. Trust funds must be repaid in full by the end of the fiscal year.

Consistently in Florida, April and June are the months with the biggest General Revenue receipts. Receipts in each of those two months may be up to 50 percent greater than July through November monthly receipts. At the same time, General Revenue disbursements are spread much more evenly throughout the fiscal year. By February of each year for the last 6 years, actual monthly General Revenue receipts have been $800-$900 million below where they would have been if receipts came in on an even monthly basis.

In 2000-2001, the Comptroller borrowed $500 million from trust funds (not attributable to any specific funds) in September 2000 to guarantee that the balance in the General Revenue Fund never fell below $0. By June 2001, the Comptroller was able to repay the $500 million to trust funds and still have a balance forward in the General Revenue Fund of $1.2 billion.

The Comptroller has expressed concern that in uncertain economic times, he is uncomfortable borrowing from trust funds in excess of the amounts that he can access in the Working Capital and Budget Stabilization Funds. Without a "secured" loan, he is uncomfortable with his ability to guarantee repayment to trust funds by the end of the fiscal year. In 1974-75, General Revenue was estimated at 10 percent above actual receipts, followed by a 3.1 percent overestimate in 1975-76. Similar patterns were repeated in the recessions during the state fiscal periods in 1981-1983 and 1989-1992.

Currently the Budget Stabilization Fund has $940.8 million and the Working Capital Fund has $297.2 million.

Section 215.18, F.S., allows the Governor to order a temporary transfer of moneys between funds when a fund has a deficiency rendering it insufficient to meet its just requirements. The moneys must be paid by the end of the fiscal year, or earlier by the date specified by the Governor.

Section 215.32, F.S., provides, in part, that the Budget Stabilization and Working Capital Funds may be used as revolving funds for transfers with all interest earned accruing to the General Revenue Fund. If the Budget Stabilization Fund is accessed for a General Revenue deficit or for an emergency, it must be restored on a schedule that provides for making five equal annual transfers from the General Revenue Fund, beginning in the fiscal year following that in which the expenditure was made. The Legislature may establish by law a different restoration schedule at any time during the restoration period.

Section 216.222, F.S., provides the criteria for withdrawing money from the Budget Stabilization Fund. Money may be withdrawn only to offset a deficit in the General Revenue Fund or to provide funding for an emergency as defined in s. 252.34, F.S., which provides:

> "Emergency" means any occurrence, or threat thereof, whether natural, technological, or manmade, in war or in peace, which results or may result in substantial injury or harm to the population or substantial damage to or loss of property.

Section 216.221, F.S., provides that the Legislature may provide direction in the General Appropriations Act regarding use of the Budget Stabilization Fund and Working Capital Fund to offset General Revenue Fund deficits. It provides 17 guidelines for reductions in approved operating budgets in the event of a projected General Revenue Fund deficit.

It also provides that the Comptroller has the duty to ensure that revenues being collected will be sufficient to meet the appropriations and that no deficit occurs in any fund of the state. If, in the opinion of the Comptroller, after consultation with the Revenue Estimating Conference, a deficit will occur, the Comptroller must report his opinion to the Governor in writing. In the event the Governor does not certify a deficit within 10 days after the Comptroller's report, the Comptroller must report his findings and opinion to the Legislative Budget Commission and the Chief Justice of the Supreme Court

C. EFFECT OF PROPOSED CHANGES:

See Section-By-Section Analysis.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 216.222, F.S., to allow the Comptroller to borrow funds from the Budget Stabilization Fund to prevent a deficit in the General Revenue Fund if the following apply:

- The Comptroller believes a deficit will occur in the General Revenue Fund and has consulted with the Revenue Estimating Conference.
- Fewer than 30 days remain in the fiscal year.
- The Legislature is not in session or scheduled to be in session before the end of the fiscal year.
- The Legislative Budget Commission is not scheduled to meet before the end of the fiscal year.
- The Comptroller has consulted with the Governor.
- The Comptroller has consulted with the chair and vice-chair of the Legislative Budget Commission.

Requires the Comptroller, if funds are withdrawn from the Budget Stabilization Fund, to repay as much as possible from any General Revenue balance forward at the beginning of the next fiscal year. If that balance forward does not fully repay the Budget Stabilization Fund, requires repayment to be made in 5 equal annual payments.

Provides that the Working Capital Fund may be used to provide temporary loans to the General Revenue Fund.

Section 2. Amends s. 215.32, F.S., to allow the Working Capital Fund to be used to provide temporary loans to the General Revenue Fund pursuant to s. 215.18, F.S.

Section 3. Amends s. 215.18, F.S., to allow unencumbered funds available in the Working Capital and Budget Stabilization Funds to be used as sources for loans to the General Revenue Fund. Requires the Comptroller to request loan authority using current statutory provisions that provide for legislative notice, review and objection.

Section 4. Provides that the bill will become effective upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The impact of this bill, withdrawal of moneys form the Budget Stabilization Fund, would occur only in the highly unlikely situation that a severe budget shortfall occurred very late in the fiscal year, and the Governor, Comptroller and Legislature, exercising their various constitutional and statutory duties, could not otherwise resolve the deficit before midnight on June 30.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require municipalities or counties to spend money.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority of municipalities or counties to raise revenue.

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

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

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None

VII. SIGNATURES:

FISCAL RESPONSIBILITY COUNCIL:

Prepared by:	Staff Director:
Richard Herring	David Coburn