



## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

The bill does not appear to implicate any of the House Principles

#### B. EFFECT OF PROPOSED CHANGES:

##### CURRENT SITUATION

##### Planning, Budgeting and Financial Accounting Laws:

Chapter 216, Florida Statutes, the planning and budgeting law, provides guidelines to the Governor, the judicial branch, and state agencies for developing and submitting legislative budget requests and administering legislative appropriations. Chapter 215, Florida Statutes, provides guidelines for the Chief Financial Officer for state financial accounting procedures.

##### Legislative Budget Requests:

Section 216.023, F.S., outlines the processes each agency must follow in developing its legislative budget request. No later than July 15th of each year, the legislative budget instructions (jointly developed by the Legislature and the Governor's Office) shall be submitted to each state agency and the judicial branch.

Agencies and the judicial branch submit measures with their legislative budget request (LBR) on October 15. Measures are reviewed during the development of the house and senate budgets and then approved by the Legislature with the passage of the General Appropriation Act (GAA). Under the current process all agencies must submit revisions to measures and standards by June 30<sup>th</sup> following passage of the GAA to reflect changes.

The law requires the legislative budget request to include, among other items, information on expenditures for 3 fiscal years, details on trust funds and fees, and issue narrative justifying changes in amounts and positions requested. In addition, each agency must submit an inventory of all litigation in which the agency is involved that may require additional appropriations.

No later than October 15, the agency head must submit the agency's request to the Legislature and the Governor in the form and manner prescribed in the budget instructions. The request must be based on the agency's independent assessment of need. The judicial branch and the Division of Administrative Hearings must submit the requests directly to the Legislature, with a copy to the Governor, no later than October 15.

The Governor or the chairs of the appropriations committees may request agencies to address major issues. The request regarding such issues must be submitted to the agencies no later than July 30. The Governor or the chairs also may request the agencies to submit "target budgets". The target budget may require the agencies to prioritize budget issues and may include requests for multiple options for the budget issues.

##### Governor's Recommended Budget:

At least 30 days prior to the Regular Session of the Legislature, the Governor is required to submit a recommended balanced budget for the state, based on the Governor's own conclusions and judgment.

However, s. 216.081, F.S., requires the Governor to include data submitted by the legislative and judicial branches to be included in the Governor's recommended budget without modification by the Governor.

Section 216.167, F.S., requires the Governor's recommended budget to include a financial schedule of the recommended recurring revenues available in, and the recurring and nonrecurring expenditures from, the Budget Stabilization Fund and the General Revenue Fund.

Section 216.168, F.S., allows the Governor to amend the recommended budget at any time. However, if the Governor determines that the recommendations are no longer supported by the official estimate of revenues, the Governor must bring his recommended budget into balance.

#### Budget Amendments:

Section 216.181, F.S., provides that the General Appropriations Act and other acts containing appropriations shall be considered the approved operating budget for operational and fixed capital outlay expenditures. The approved operating budget may be modified under certain circumstances.

Section 216.181, F.S., delegates to the Governor, for the executive branch, and the Chief Justice, for the judicial branch, the authority to increase trust fund budget authority by up to \$1 million. The law delegates to the Legislative Budget Commission the authority to approve, upon the recommendation of the Governor or Chief Justice, an increase in trust fund budget authority in excess of \$1 million.

Section 216.292, F.S., delegates to the agency heads the authority to transfer funds within the approved operating budget in certain instances. So long as no category is changed by more than 5 percent of the original approved budget, or \$250,000, whichever is greater, an agency head is permitted to transfer budget authority (a) between appropriation categories within the same budget entity, and (b) between budget entities within identical categories. The agency head is also permitted to transfer funds within programs identified within the General Appropriations Act from identical funding sources between specific appropriation categories as long as the transfer does not result in an increase to the total recurring general revenue or trust fund cost of the agency in the next fiscal year.

Section 216.292, F.S., delegates to the Legislative Budget Commission the authority to approve, upon the recommendation of the Governor or Chief Justice, a transfer of general revenue funds within a state agency or the judicial branch and a transfer of trust fund budget authority in excess of the agency head's discretion.

Notice of budget amendments must be provided to the chair and vice chair of the Legislative Budget Commission at least 14 days prior to the action or at least 3 days prior to a release of funds. The chair and vice chair of the Legislative Budget Commission or the presiding officers of the Legislature may void a budget action if notice is provided in writing to the Governor, for the executive branch, or the Chief Justice, for the judicial branch, that such action exceeds delegated authority or is contrary to legislative policy and intent. If such notice is given, the Governor or Chief Justice must void such budget action until the Legislative Budget Commission or Legislature addresses the issue.

#### Certified Forwards:

Section 216.301, F.S., requires each agency head to certify to the Executive Office of the Governor on or before August 1 of each year the balance of any appropriation for operations not disbursed but expended. Funds remaining undisbursed on September 30 revert to the fund from which appropriated.

The unexpended balance of any appropriation for fixed capital outlay subject to, but not under the terms of, a binding contract by February 1 after the date of certification, or the next February 1 if the project is an educational facility or a construction project for a university, shall revert and be available for reappropriation.

### Consensus Estimating Conferences:

Section 216.136, F.S., creates consensus estimating conferences. These conferences develop official estimates of revenues, workload, expenditures, and other information related to budgeting. Executive agencies are required to use the conferences' official information for budgeting purposes.

### Salary Rate:

Section 216.181, F.S., defines "salary rate" as the monetary compensation authorized to be paid a position on an annualized basis. In short, rate represents purely salary and does not include moneys authorized for benefits associated with the position.

Salary rate is the mechanism used in Florida to control overall salary expenditures and avoid unanticipated costs to annualize agency personnel actions, especially those actions occurring late in the fiscal year. Absent a control on salary rate, agencies would be limited only to the total level of salaries and benefits budget for purposes of implementing personnel decisions. This would allow agencies to implement position upgrades or pay raises late in the fiscal year, when the budget impact is small enough to be absorbed within the agency's total budget for the year. However, the annual impact of those decisions would not be covered automatically in the next year's budget, thus creating an immediate salary deficit.

See the Section Directory for the changes made by HB 7189.

## C. SECTION DIRECTORY:

**Section 1.** Amends s. 11.243, F.S., to require proceeds from the sale of Florida Statutes be deposited into the Grants and Donations Trust Fund within the Legislature.

**Section 2.** Amends s. 11.513, F. S., to clarify the application of the section to the judicial branch of government. It requires additional data be included in the plans for monitoring major programs of state agencies and in the reviews of those programs and provides for the Office of Program Policy Analysis and Government Accountability to review agency performance standards and report to the Governor, the Legislature, and the Legislative Budget Commission. Conforms language to changes made in s. 216.1827, F.S.

**Section 3.** Amends s. 20.435, F.S., and changes the term "certified" pertaining to the certification forward of unspent budget authority to "carry forward" to conform to changes in s. 216.301, F.S.

**Section 4.** Amends s. 215.18, F.S., and provides for notice and review pursuant to s. 216.177, F.S., for temporary trust fund transfers from funds authorized to cover deficits.

**Section 5.** Amends s. 215.3206, F.S., and allows the identification of trust funds to be established pursuant to legislative budget instructions for purposes of review by the Governor, Chief Justices and agencies.

**Section 6.** Amends s. 215.3208, F.S., and allows the identification of trust funds to be established pursuant to legislative budget instructions for purposes of legislative review of trust funds.

**Section 7.** Amends s. 215.35, F.S., and requires the Chief Financial Officer to uniquely identify all warrants for purposes of audit and reconciliation. Removes language that contains specific requirements to number warrants by fiscal year and to include the voucher number on the warrant.

**Section 8.** Amends s. 215.422, F.S., and revises the current prompt payment process to facilitate transition to a new accounting system to provide the ability for the Chief Financial Officer to improve federal reporting. It replaces the term "voucher" with "invoice". It clarifies that agencies need to approve the invoice in the state financial system within 20 days. It defines as an error, the failure to submit the proper tax payer identification information documentation by a vendor, and requires the proper tax payer identification information documentation to be submitted before the prompt payment standards are to be applied.

**Section 9.** Amends s. 215.97, F.S., to change the method of tracking state financial assistance expenditures in order to accommodate changes to the state's financial system.

**Section 10.** Amends s. 216.011, F.S., to define "incurred obligation" for purposes of financial matters. It also amends s. 216.013, F.S., and defines Salary Rate Reserve for purposes of managing the approved budget, and it provides that capitalization threshold provisions relating to Operating Capital Outlay are defined pursuant to s. 273.025, F.S.

**Section 11.** Amends s. 216.013, F.S., to provide for inclusion of performance measures and standards in long-range program plans.

**Sections 12.** Amends s. 216.023, F.S., to remove references to performance measures and standards from requirements for submission of legislative budget requests by agencies and the judicial branch.

**Section 13.** Amends s. 216.134, F.S., to include in the general provisions relating to estimating conferences, that the responsibility for presiding over sessions of the estimating conferences shall be rotated among the principals.

**Section 14.** Amends s. 216.136, F.S., to standardize the composition of each estimating conference.

**Section 15.** Amends s. 216.177, F.S., to provide for a different period of review, if provided in law, for notice, review and objection procedures.

**Section 16.** Amends s. 216.178, F.S., and changes the date the Final Budget Report is due from October 15<sup>th</sup> to October 30<sup>th</sup>.

**Section 17.** Amends s. 216.181, F.S., and requires the Executive Office of the Governor or the Chief Justice of the Supreme Court to submit a detailed plan to allocate lump-sum budget categories to the chairs of appropriations committees.

**Section 18.** Amends s. 216.1811, F.S., and requires the Governor and Chief Financial Officer to make changes to the original approved operating budgets as directed by presiding officers of the Legislature.

**Section 19.** Amends s. 216.1815, F.S., to make conforming changes

**Section 20.** Creates s. 216.1827, F.S., which establishes new procedures for maintaining and revising performance measures.

**Section 21.** Amends s. 216.292, F.S., and revises procedures for 5 percent transfer authority between agency budget categories.

**Section 22.** Amends s. 216.301, F.S., as amended by Ch. 2005-152, L.O.F., to revise the process relating to the certification forward of unspent budget authority. It also changes the date by which the Governor's Office of Planning and Budgeting must furnish Fixed Capital Outlay budget reversions to the Chief Financial Officer from February 20<sup>th</sup> to February 28<sup>th</sup>.

**Section 23.** Amends s. 252.37, F.S., and clarifies that the Legislative Budget Commission must approve budget amendments which transfer funds from unappropriated surplus funds to provide funding for emergencies.

**Section 24.** Amends s. 273.02, F.S., and provides that procedures for recording property in the state's financial system for purposes of inventory will be established by rule by the Chief Financial Officer.

**Section 25.** Creates s. 273.025, F.S. and provides that capitalization requirements for property recorded in the state's financial system will be established by rule by the Chief Financial Officer.

**Section 26.** Amends s. 273.055, F.S., and transfers the Auditor General's rule making responsibilities relating to state owned tangible personal property to the Chief Financial Officer.

**Section 27.** Amends s. 274.02, F.S., to provide that the requirements for recording property will be established by rule rather than statute. It transfers responsibility from the Auditor General to the Chief Financial Officer.

**Section 28.** Amends s. 338.2116, F.S., and changes the date which the Department of Transportation's unspent budget shall be carried forward to September 30<sup>th</sup>.

**Section 29.** Amends s. 1011.57, F.S., and changes the term "certified" pertaining to the certification forward of unspent budget authority to "carry forward" to conform to changes in s. 216.301, F.S.

**Section 30.** Repeals s. 215.29, F.S.

**Section 31.** Provides that this section takes effect upon becoming law. Also provides an effective date of July 1, 2006 unless otherwise provided.

## II. 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:

None

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

##### 1. Applicability of Municipality/County Mandates Provision:

The mandates provision is not applicable because this bill does not appear to require the counties or cities to spend funds or take an action requiring the expenditure of funds; nor does it reduce the authority that cities or counties have to raise revenues in the aggregate; and it does not reduce the percentage of a state tax shared with cities or counties.

##### 2. Other:

None

#### B. RULE-MAKING AUTHORITY:

Expressly granted to the Chief Financial Officer.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

None

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES