

FLORIDA HOUSE OF REPRESENTATIVES

BILL ANALYSIS

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BILL #: [HB 5207](#) **PCB SAB 26-01**

TITLE: Department of Management Services

SPONSOR(S): State Administration Budget

Subcommittee, Abbott

COMPANION BILL: None

LINKED BILLS: None

RELATED BILLS: None

Committee References

[Orig. Comm.: State Administration Budget](#)

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SUMMARY

Effect of the Bill:

- The bill conforms to the House of Representatives' FY 2026-2027 General Appropriations Act (GAA), as the bill codifies a health insurance assessment on vacant positions, requires the Department of Management Services (DMS) to implement formulary management beginning January 1, 2027, and removes an expiration date for a \$3 traffic violation surcharge which funds a portion of the Statewide Law Enforcement Radio System (SLERS).
- The bill designates the Governor, Cabinet, and Legislature as "permanent tenants" of the Capitol building with specifically designated office and parking space. The bill adds the Mayo Building to Memorial Park.
- The bill renames "Office of Supplier Diversity" to "Office of Supplier Development," replacing Minority Business Enterprise duties with assistance for Florida-based small businesses and veteran-owned enterprise certification.

Fiscal or Economic Impact:

The bill generates savings for the State Employees Health Insurance Trust Fund, which faces a \$362.2 million short-fall in FY 2026-2027. The bill provides an estimated cost savings of \$126 million annually to the State Employees Health Insurance Trust Fund by requiring DMS to implement formulary management. The bill codifies a health insurance assessment on vacant positions which reduces the current estimated short-fall by \$58.1 million.

Removing the expiration date of the \$3 traffic violation surcharge secures approximately \$4 million annually for SLERS.

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ANALYSIS

EFFECT OF THE BILL:

State Group Insurance Program

Formulary Management - The bill amends [s. 110.12315, F.S.](#), to update the implementation timeline and requirements for prescription drug formulary management.

- New Implementation Date: Requires DMS to implement formulary management beginning with the 2027 plan year (updated from the obsolete 2020 date).
- Updated Formulary Requirements: the bill strikes the exception to the formulary exclusion in current law that allows for an excluded drug, if a prescribing practitioner writes clearly on the prescription that the excluded drug is medically necessary.
- Exclusions: Requires the DMS to submit a list of drugs excluded from coverage to the Governor and Legislature by October 1, 2026.

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DATE: 2/16/2026

Administrative Health Insurance Assessment for Vacant Positions - The bill creates [s. 110.12316, F.S.](#), establishing a new financial assessment on state agencies related to workforce vacancies, to codify the assessment that was included in the Fiscal Year 2025-26 Implementing Bill and to conform to the FY 2026-27 General Appropriations Act (GAA).

- The Assessment: Effective July 1, 2026, DMS must assess each state agency an amount equal to the employer's cost of individual employee health care coverage for each vacant position eligible for coverage.
- Funding Source: The assessment applies to positions funded with state funds. For positions partially funded by state funds, the assessment is prorated. It does not apply to positions fully funded by federal funds.
- Payment Mechanism: Agencies must remit payment to the State Employees Health Insurance Trust Fund within 30 days of assessment. If an agency is delinquent by more than 60 days, DMS must certify the amount to the state Chief Financial Officer (CFO) for transfer.
- Budget Authority: The Executive Office of the Governor is authorized to transfer budget authority in the Salaries and Benefits appropriation category between agencies to align appropriations with this assessment.

Capitol Complex Management - The bill reduces DMS's unilateral authority over the Capitol Center, codifying rights for "permanent tenants" (Governor, Cabinet, and Legislature). The bill also amends [s. 272.09, F.S.](#), to formally include the Mayo Building within the definition of the "Capitol Complex".

Space Allocation and Projects

- Permanent Tenure: Designates the Governor, Cabinet officers, and the Legislature as permanent tenants. Their interior space allocation as of January 1, 2026, may not be reduced or moved without their express consent.
- Right of Refusal: Grants the Legislature the first right of refusal for any additional interior space that becomes vacant.
- Project Approval: Before planning or scheduling any project impacting a permanent tenant's space, DMS must receive the tenant's approval on the scope, design, and timeline. For legislative space, approval must come from the President of the Senate or Speaker of the House of Representatives.
- Renovation and Utilities: The bill authorizes the President and Speaker to design, renovate, or upgrade their respective chambers' space without DMS approval. It further grants them "direct control" over utilities, including lighting, heating, and air-conditioning, for legislative space.
- Memorial Park Designation: The bill adds the Mayo Building and its associated parking to the Capitol Complex, designating the property as part of "Memorial Park".
- Transfer of Management: While DMS generally manages the Capitol Center, the bill specifically requires DMS to commence management, maintenance, and upkeep of the Nathan Mayo Building only after the Department of Agriculture and Consumer Services vacates the building.

Parking

- Assignment: The presiding officer of each house is responsible for assigning parking spaces in their respective buildings.
- Protection: Parking spaces allocated to the Legislature as of January 1, 2026, cannot be reduced or reassigned without legislative consent. The Legislature is granted first right of refusal for any new parking availability.

Office of Supplier Development

Current law establishes the Office of Supplier Diversity (OSD) to assist minority business enterprises (MBEs). The bill amends ss. 287.012, 287.042, and [287.09451, F.S.](#), to rename this entity the "Office of Supplier Development" (the Office). Additionally, the bill amends [s. 110.605, F.S.](#), to repeal the requirement for DMS to develop programs for women and minorities in the Selected Exempt Service.

The bill restructures DMS responsibilities by removing all statutory requirements related to the certification and monitoring of Minority Business Enterprises (MBEs). Currently, the OSD is responsible for certifying MBEs, monitoring agency compliance with utilization plans, and maintaining a directory of certified enterprises.

- Repeal of MBE Certification: The bill repeals ss. 287.0943 and [287.09431, F.S.](#), and strikes [s. 287.09451\(4\)\(m\), F.S.](#), eliminating the state's process for certifying and recertifying MBEs.
- Elimination of Agency Compliance Duties: The bill strikes [s. 287.09451\(6\), F.S.](#), removing the requirement for state agencies to coordinate with the Office, designate minority enterprise assistance officers, and submit minority business utilization plans.
- Removal of Spending Goals: The bill strikes [s. 287.09451\(4\)\(n\), F.S.](#), which established sector-specific spending goals (e.g., 21% for construction, 25% for architectural services) for certified MBEs.
- Removal of Protest Standing: The bill strikes [s. 287.09451\(5\)\(d\), F.S.](#), removing the Office's standing to protest agency contract awards that fail to include MBE participation.

The bill amends [s. 287.09451, F.S.](#), to pivot the Office's focus toward "Florida-based small businesses" and veterans.

- Small Business Support: The Office is directed to receive and disseminate information for the growth of Florida-based small businesses, including planning and hosting events.
- Veteran Certification: The Office must create an electronic certification and recertification process for veteran-owned small business enterprises as defined in [s. 295.187, F.S.](#). Currently, DMS designates "Certified Veteran Business Enterprises" under [s. 295.187, F.S.](#), primarily for the purpose of granting vendor preferences. The bill formalizes this into an electronic certification process within the newly named Office of Supplier Development, valid for two-year terms.

Conforming Amendments and Repeal of Related References

To align with the substantive repeal of the Minority Business Enterprise (MBE) certification program in Section 12, the bill includes a series of conforming amendments across the Florida Statutes to remove related references to the Office of Supplier Diversity and certified MBEs.

- Definitions: The bill repeals the definition of "minority business enterprise" in [s. 287.012, F.S.](#), and [s. 288.703, F.S.](#).
- Procurement & Public Works: The bill amends ss. 255.101, 255.102, 287.055, and [287.057, F.S.](#), to prohibit agencies from reserving contracts solely for minority business enterprises or using price preferences (up to 10%) to favor them. It further removes the requirement for the Office of Supplier Diversity to monitor "good faith efforts" in construction contracts.
- Agency Reporting & Mandates: The bill amends [s. 17.11, F.S.](#), to relieve the Chief Financial Officer from reporting disbursements specifically to certified MBEs. It also amends [s. 24.113, F.S.](#) (Department of the Lottery) and [s. 1001.706, F.S.](#) (Board of Governors), removing mandates for those entities to meet MBE procurement goals or ensure compliance with the repealed statutes.
- Incentives & Scholarships: The bill amends ss. 212.096, 288.1167, 376.3072, 376.84, and [473.3065, F.S.](#), to remove MBE status as a qualification factor for various state incentives, brownfield redevelopment programs, sports franchise concession requirements, and the Clay Ford Scholarship Program for CPAs.

Florida Minority Business Loan Mobilization Program

Current law requires DMS to administer the Florida Minority Business Loan Mobilization Program and maintain a list of participating financial institutions. The bill amends [s. 288.706, F.S.](#), to remove DMS as the administrator of this program. It also removes the requirement for DMS to maintain a list of participating financial institutions and to collaborate with the Department of Commerce on black business enterprise development.

Statewide Law Enforcement Radio System (SLERS)

To conform to the FY 2026-27 General Appropriations Act (GAA), the bill removes the July 1, 2026 expiration date for a \$3 surcharge to continue this support for the cost of the Statewide Law Enforcement Radio System (SLERS).

RULEMAKING:

The bill provides for DMS to adopt rules, establish processes, and prescribe and publish forms as necessary to carry out the duties of the Office of Supplier Development.

Lawmaking is a legislative power; however, the Legislature may delegate a portion of such power to executive branch agencies to create rules that have the force of law. To exercise this delegated power, an agency must have a grant of rulemaking authority and a law to implement.

FISCAL OR ECONOMIC IMPACT:**STATE GOVERNMENT:****Operations**

- Agencies often rely on unspent funds that are provided for positions that are vacant to cover other operational deficits or non-recurring needs. By requiring agencies to pay the employer's share of health insurance (approx. \$8,000 annually per position depending on coverage type) for vacant positions, agency flexibility will be significantly reduced. However, this will increase revenues deposited into the State Employees Health Insurance Trust Fund.
- DMS may incur nominal administrative costs associated with updating rules, forms, and websites to reflect the name change to the "Office of Supplier Development."
- Developing the electronic certification process for veteran-owned businesses may require upfront technology adjustments.

Program Administration

- The bill requires DMS to implement formulary management for prescription drugs which will provide savings to the State Group Insurance Program (SGI Program). A cost containment analysis study authorized by DMS in 2023, estimated that a formulary may save an estimated \$126 million per year¹. Savings related to the formulary management required in the bill will depend on how such measures are implemented by DMS.
- Based on the January 2026 Financial Outlook, the administrative health insurance assessment is projected to generate \$58.1 million in revenue for the trust fund in Fiscal Year 2025-26. This amount is included in the total projected revenues of \$4,019.4 million for that fiscal year.
- DMS will likely experience a savings from the removal of the statutory requirement for DMS to certify and recertify minority business enterprises, investigate complaints regarding minority status, and monitor agency compliance with spending goals. These savings are likely to be offset by the establishment and operations of the Office's new duties for Florida small businesses and veterans.
- The removal of the requirement for DMS to administer the Florida Minority Business Loan Mobilization Program may also result in operational savings or a reallocation of staff resources.

State Employees Health Insurance Trust Fund Savings

The estimated savings to the State Employees Health Insurance Trust Fund (fund) for Fiscal Year 2026-2027 is \$126 million. Without the codification of the health insurance assessment, the projected deficit of the fund will increase by \$58.1 million.

¹ Cost Containment Analysis Study, State of Florida Department of Management Services, Division of State Group Insurance, January 9, 2023.

SLERS

Extending the SLERS surcharge ensures the continued collection of approximately \$4 million annually (based on prior analysis estimates) for the State Agency Law Enforcement Radio System Trust Fund. The chart below shows the collections and miscellaneous revenues deposited into this trust fund.

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26 (estimated)
\$1 Surcharge Collection	\$22,610,747	\$23,067,033	\$23,683,564	\$23,676,800	\$25,129,875	\$24,443,865
\$3 Surcharge Collection*	\$3,458,850	\$3,958,711	\$4,022,516	\$4,147,980	\$4,295,201	\$4,022,516
Miscellaneous Revenues	\$297,975	\$145,681	\$311,878	\$606,822	\$958,587	\$926,477
TOTAL	\$26,367,572	\$27,171,425	\$28,017,959	\$28,431,602	\$30,383,663	\$29,392,858

*Expires July 1, 2026

Total program costs since FY 2020-2021 have ranged from \$25.9 million to \$28.9 million, which includes the cost of the current contract. The contract in these fiscal years has ranged from \$19.9 million to \$21.6 million.

LOCAL GOVERNMENT:

Eliminating the state MBE certification process may impact local governments and private sector entities that rely on the state's certification ("OSD Certified") to verify vendor eligibility for their own diversity programs. Without a central state certification body, these entities may need to establish independent verification processes.

PRIVATE SECTOR:**Veteran-Owned Businesses**

Veteran-owned small business enterprises may benefit from the new certification process, potentially increasing their visibility and access to state procurement opportunities.

Minority Business Enterprises

The elimination of statutory spending goals (e.g., 24% for commodities, 50.5% for contractual services) and "good faith effort" requirements for prime contractors may result in a decrease in state contract awards to minority-owned businesses.

RELEVANT INFORMATION**SUBJECT OVERVIEW:****The State Group Insurance Program**

The SGI Program is created by s. 110.123, F.S., and is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS). The SGI Program is an optional benefit for most state employees employed by executive branch agencies, state universities, the Florida College System, the court system, and the Legislature and includes health, life, dental, vision, disability, and other supplemental insurance benefits. The SGI Program typically makes benefits changes on a plan year basis, January 1 through December 31.

For plan year 2025, SGI Program enrollment is estimated at 196,217 members.² In Fiscal Year 2024-25, the cost of the SGI program was \$3.9 billion.³ The Revenue Estimating Conference forecasts the SGI Program to cost \$4.5 billion in Fiscal Year 2025-26.⁴

² Florida Office of Economic and Demographic Research,

<https://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceOutlook.pdf>, at p.4 (last visited January 25, 2026).

³ *Id.* at p. 5

⁴ *Id.*

Eligible Employees

The SGI Program is open to the following individuals:

- All state officers;
- All state employees paid from “salaries and benefits” appropriation categories, regardless of the number of hours worked;
- Retired state officers and state employees;
- Surviving spouses of deceased state officers and state employees;
- Certain terminated state officers and state employees; and
- Certain state employees paid from Other Personal Services (OPS) appropriation categories.

For OPS employees hired after April 1, 2013, to be eligible to participate in the health insurance program, the employee must⁵:

- Be reasonably expected to work an average of at least 30 hours per week; and
- Have worked an average of at least 30 hours per week during the employee’s measurement period (which is 12 consecutive months⁶ of employment).

Formulary

A formulary is a list of prescription drugs covered by a health plan’s pharmacy benefit design. It dictates which drugs a health plan predetermines will be covered, and at what level, for reimbursement under the terms of its pharmacy benefit plan. Formularies distinguish between preferred or discouraged prescription drugs by dividing products into different tiers, designating different levels of patient out of pocket costs. A formulary may cover both generic and brand name prescription drugs. Formulary selection involves an assessment of both the clinical and financial elements of a prescription medication.⁷

In 2019, the Legislature directed DMS to modify the State Group Insurance Program to use formulary management techniques to administer the Prescription Drug Plan beginning with the 2020 plan year.⁸ Prescription drugs are subject to formulary inclusion or exclusion but may not restrict access to the most clinically appropriate, clinically effective, and lowest net-cost prescription drugs and supplies. Section [110.12315\(9\)\(a\), F.S.](#), authorizes excluded drugs to be made available for inclusion if a physician, advanced practice registered nurse, or physician assistant prescribing a pharmaceutical clearly states on the prescription that the excluded drug is medically necessary.

To date, DMS has not implemented formulary to manage the Prescription Drug Plan as required by law.

Administrative Health Insurance Assessment

The Fiscal Year 2025-2026 Implementing Bill⁹ requires, effective July 1, 2025, and on the first day of each month thereafter, DMS to make an administrative health insurance assessment to each state agency. The assessment is equal to the employer’s cost of individual employee health care coverage for each vacant position within such agency eligible for coverage through the Division of State Group Insurance. When appropriating positions, the Legislature includes this recurring cost of individual employee health coverage within the Salaries and Benefits category of the agency’s budget.

State agencies are defined as an agency within the State Personnel System, the Department of the Lottery, the Justice Administrative Commission, and all entities administratively housed in the Justice Administrative Commission, and the state courts system. Vacant positions that are fully or partially funded by state funds are subject to the assessment. For vacant positions that are partially funded with state funds, the assessment is equal to the percentage share of state funds provided for such vacancies.

⁵ S. 110.123(2)(c)2., F.S.

⁶ S. [110.123\(13\)\(d\), F.S.](#)

⁷ Health Affairs, Formularies <https://www.healthaffairs.org/content/briefs/formularies> (last visited Mar. 25, 2025).

⁸ Chapter 2019-100, Laws of Fla.

⁹ Chapter 2025-199, Laws of Fla.

For positions that are fully funded with federal funds, the assessment does not apply. For positions that are fully or partially funded with federal funds, agencies are required to take steps to include the administrative health insurance assessment in its indirect cost plan for the 2025-2026 fiscal year and each fiscal year thereafter.

Agencies must notify DMS, the Executive Office of the Governor, the chair of the Senate Committee on Appropriations and the chair of the House of Representatives Appropriations Committee, upon approval of the updated indirect cost plan. If the agency is not able to obtain approval for the positions from the federal awarding agency, the agency must notify DMS, the Executive Office of the Governor, and the appropriations chairs no later than January 15, 2026.

The Administrative Health Insurance Assessment in the bill is designed to address a critical, projected insolvency in the State Employees' Health Insurance Trust Fund, as expenses are rapidly outpacing revenues. Without new revenue sources or structural changes, the Trust Fund is projected to face a negative cash balance.

This structural imbalance is driven by health care costs that have more than doubled since FY 2005-06 while employee premium contributions have remained flat; the state currently covers approximately 94.4% of single coverage costs and 91.1% of family coverage costs. The following is a summary of the Outlook for the State Employees' Health Insurance Trust Fund through FY 2030-31¹⁰:

\$ in millions	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
	Actuals	Estimate	Estimate	Estimate	Estimate	Estimate
Beginning Cash Balance	\$772.2*	\$240.9	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenues	\$4,019.4	\$4,224.6	\$4,290.4	\$4,368.0	\$4,469.9	\$4,582.2
Total Expenses	\$4,550.7	\$4,828.3	\$5,227.8	\$5,659.3	\$6,132.7	\$6,649.5
Operating Gain/(Loss)	(\$531.3)	(\$603.7)	(\$937.5)	(\$1,291.3)	(\$1,662.8)	(\$2,067.3)
Ending Cash Balance	\$240.9	(\$362.8)	(\$937.5)	(\$1,291.3)	(\$1,662.8)	(\$2,067.3)

*Includes \$275 million transfer from General Revenue pursuant to Ch. 2025-198, L.O.F. Outlook assumes no carry forward of negative cash balance.

The assessment is authorized in the current General Appropriations Act Implementing Bill (Ch. 2025-199, L.O.F.), which requires agencies to pay the employer's cost of single coverage for each vacant position.

The administrative health insurance assessment has been included in the estimated revenue for FY 2026-27. Without codification, the Legislature will need to transfer an additional \$58.1 million from the General Revenue Fund in FY 2026-27 to cover the trust fund deficit.

Mayo Building Transfer

The Mayo Building currently serves as the headquarters for the Department of Agriculture and Consumer Services (DACS). The Legislature began funding the planning for a new DACS headquarters in 2022. The facility is scheduled for completion in late 2027, at the Conner Complex in Tallahassee.

The Office of Supplier Diversity and Florida Minority Business Loan Mobilization Program

The Florida Small and Minority Business Assistance Act of 1985 (Chapter 85-104, L.O.F.) established the state's initial framework for promoting minority business participation in state procurement. The Office of Supplier Diversity (OSD) was subsequently established within DMS under [s. 287.09451, F.S.](#), to assist minority business enterprises (MBEs) in becoming suppliers of commodities, services, and construction to the state.

¹⁰ Florida Office of Economic and Demographic Research,

<https://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceOutlook.pdf>, at p.2 (last visited January 25, 2026).

The Florida Minority Business Loan Mobilization Program was created in [s. 288.706, F.S.](#), to assist MBEs in obtaining working capital for state contracts. The program allows state agencies to disburse a portion of a contract award (typically 5% to 10%) to a participating financial institution to help the vendor secure financing.

Statewide Law Enforcement Radio System (SLERS)

DMS, pursuant to chapter 282, F.S., is tasked with the overall responsibility of a statewide radio communications system, known as SLERS, to serve state law enforcement officers and other participating agencies throughout the state. SLERS is an 800/700 (aircraft) MHz system consisting of 200 microwave sites, Radio frequency (RF) multi-sites, and RF simulcast sites. The SLERS all-digital radio network covers over 65,000 square miles (including 25 miles offshore) with 98% mobile coverage and portable coverage in selected areas¹¹. SLERS provides mission-critical communications services for partner jurisdictions and agencies with 220 towers and 7 dispatch centers statewide. As of November 2025, SLERS supports over 27,527 active radios in patrol cars, boats, motorcycles and aircraft throughout the State¹².

Section [282.709\(3\)\(b\), F.S.](#), creates the State Agency Law Enforcement Radio System Trust Fund. Moneys deposited into the trust fund are used to fund the costs of the system and may be used by DMS for payment of recurring maintenance costs of SLERS. Surcharges, including a \$1 surcharge imposed on each vehicle and vessel registered in the state and a \$3 surcharge on certain criminal offenses and noncriminal moving traffic violations, are deposited into the trust fund. The \$3 surcharge imposed on the specified criminal and noncriminal moving traffic violations is set to expire July 1, 2026.

RECENT LEGISLATION:

YEAR	BILL #/SUBJECT	HOUSE/SENATE SPONSOR(S)	OTHER INFORMATION
2025	HB 5015 - State Group Insurance	Lopez, V.	Included formulary. Vetoed by Governor.
2025	HB 5203 - Capitol Center	Lopez, V.	Conforming bill incorporated into SB 2502 Implementing Bill.
2025	SB 2502 - Implementing the 2025-2026 General Appropriations Act	Hooper	Includes current Health Assessment and Capitol Center language.

OTHER RESOURCES:

Article VII, s. 19 of the Florida Constitution requires the imposition, authorization, or raising of a state tax or fee be contained in a separate bill that contains no other subject and be approved by two-thirds of the membership of each house of the Legislature. As such, Article VII, s. 19 of the Florida Constitution may apply if the provisions in the bill related to the surcharge on certain criminal and noncriminal moving traffic violations are interpreted as the imposition of a new state tax or fee. The bill removes the July 1, 2026 expiration date of the \$3 surcharge.

¹¹ Department of Management Services, [Statewide Law Enforcement Radio System \(SLERS\) Internet Homepage](#), (last visited January 15, 2026).

¹² Department of Management Services, Presentation to the State Administration Budget Committee, (November 19, 2025).

BILL HISTORY

COMMITTEE REFERENCE	ACTION	DATE	STAFF DIRECTOR/ POLICY CHIEF	ANALYSIS PREPARED BY
Orig. Comm.: State Administration Budget Subcommittee	9 Y, 3 N	2/16/2026	Topp	Mullins