

**LEGISLATIVE
BUDGET
COMMISSION**

Ray Sansom, Chair

Rudy Garcia, Vice-Chair

ACTION PACKET

Monday, August 27, 2007

1:00 P.M.

212 Knott Building



LEGISLATIVE BUDGET COMMISSION AGENDA

Monday, August 27, 2007
1:00 p.m.
212 Knott Building



Members

Representative Ray Sansom
Representative Aaron Bean
Representative Dean Cannon
Representative Stan Mayfield
Representative Frank Peterman, Jr.
Representative Joe Pickens
Representative Ron Saunders

Senator Rudy Garcia
Senator JD Alexander
Senator Lisa Carlton
Senator Mike Fasano
Senator Gwen Margolis
Senator Nan Rich
Senator Stephen Wise

Workshop on the Long Range Financial Outlook, required by Article III, Section 19(c) of the Florida Constitution.

1. Presentation by Amy Baker, Coordinator, Office of Economic & Demographic Research
2. Public, Executive and Judicial Branch Testimony
3. Commission Discussion

Legislative Budget Commission Attendance Record

Date: 27-Aug-07
Time: 1:00 p.m.
Location: 212 Knott

Attendance

	Present/ (*)	Excused
SENATE MEMBERS		
Rudy Garcia, Vice Chair		X
JD Alexander	X	
Lisa Carlton	X	
Mike Fasano	X	
Gwen Margolis	X	
Nan Rich	X	
Stephen Wise	X	
Senate Totals	6	
HOUSE MEMBERS		
Ray Sansom, Chair	X	
Aaron Bean	X	
Dean Cannon	X	
Stan Mayfield	X	
Frank Peterman, Jr.	X	
Joe Pickens	X	
Ron Saunders	X	
House Totals	7	
COMMISSION ATTENDANCE		
	13	1

Announce Quorum Present

Quorum = 6 Senators, 7 Representatives + extra from either House

* Indicates Present via Conf Call

COMMITTEE MEETING REPORT

Legislative Budget Commission

8/27/2007 1:00:00PM

Location: 212 Knott Building

Attendance:

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Aaron Bean	X		
Dean Cannon	X		
Stan Mayfield	X		
Frank Peterman	X		
Joe Pickens	X		
Ray Sansom	X		
Ron Saunders	X		
Totals:	7	0	0

Committee meeting was reported out: Monday, August 27, 2007 2:24:33PM

COMMITTEE MEETING REPORT

Legislative Budget Commission

8/27/2007 1:00:00PM

Location: 212 Knott Building

Other Business Appearance:

Long-Range Financial Outlook

Amy Baker, Coordinator (State Employee) (At Request Of Chair) - Information Only

Office of Economic & Demographic Research

Committee meeting was reported out: Monday, August 27, 2007 2:24:33PM

COMMITTEE MEETING REPORT

Legislative Budget Commission

8/27/2007 1:00:00PM

Location: 212 Knott Building

Summary: No Bills Considered

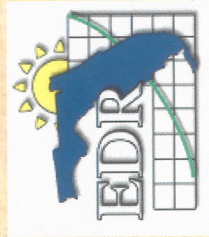
Committee meeting was reported out: Monday, August 27, 2007 2:24:33PM

Long-Range Financial Outlook

Legislative Budget Commission
August 27, 2007

Revised
8-27-07

Presented by:



The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
<http://edr.state.fl.us>

Legal Authority

- Constitutional amendment was adopted in November 2006 (CS/SJR 2144).
- Implementing language passed by the Legislature during the 2006 Session (Chapter 2006-119).
- Prior documents developed by the Senate and the Office of Economic and Demographic Research were purely informational.

Legislative Budget Commission

CONSTITUTION:

No later than **September 15** of each year, the joint legislative budget commission shall issue a long-range financial outlook setting out **recommended fiscal strategies** for the state and its departments and agencies in order to assist the legislature in making budget decisions.

STATUTES:

The Commission shall develop a long-range 3-year financial outlook and shall update that outlook each year.

STATUTES:

By September 15 of each year, the commission shall complete the long-range financial outlook. The commission may subsequently provide any additions or adjustments to the outlook based on information not previously available.

Content

CONSTITUTION:

The long-range financial outlook must include **major workload and revenue estimates**. In order to implement this paragraph, the joint legislative budget commission shall use current official consensus estimates and may request the development of additional official estimates.

STATUTES:

“Long-range financial outlook” means a document issued by the Legislative Budget Commission based on a **3-year forecast** of revenues and expenditures.

Input

CONSTITUTION:

The joint legislative budget commission shall **seek input** from the public and from the executive and judicial branches when developing and recommending the long-range financial outlook.

STATUTES:

Each state agency shall provide information to the commission, based on the commission's direction, which supports the commission's development and updates of the long-range financial outlook. The commission has the authority to accept, modify, or direct the agency to modify any information received from an agency.

Budget Request

CONSTITUTION:

As prescribed by general law, each state department and agency shall be required to submit a **legislative budget request that is based upon and that reflects the long-range financial outlook** adopted by the joint legislative budget commission or that specifically explains any variance from the long-range financial outlook contained in the request.

Planning

CONSTITUTION:

The **long-range state planning document** must include projections of future needs and resources of the state which are consistent with the long-range financial outlook.

What is the Outlook?

- The Outlook provides a longer-range picture of the state's fiscal position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates.
- The projections primarily reflect current-law spending requirements and tax provisions.
- It also includes budgetary, economic, demographic, and debt analyses to provide a framework for financial projections and covers the upcoming three fiscal years: 2008-09, 2009-10 and 2010-11.

Methodology for Development

- All major programs that have historically driven significant increases in the State's budget were reviewed and analyzed.
- Forecasts of future workload and enrollment increases were developed for each of the major cost drivers using a variety of methods including projections from Consensus Estimating Conferences.
- Costs were applied to the projected workload requirements based on recent legislative budget decisions.
- Cost requirements were then aggregated by major fund type and compared to revenue estimates for those funds.
- Emphasis is placed on recurring programs, those programs that the state is expected or required to continue from year to year.
- Estimates for several programs historically considered non-recurring, and funded with non-recurring funds, are included in the Outlook. Even though non-recurring, these programs are viewed as "must funds" by most legislators and are therefore identified as major cost drivers.

What the Outlook Doesn't Do

- THE OUTLOOK DOES NOT PURPORT TO PREDICT THE FUNDING LEVELS OF FUTURE STATE BUDGETS OR THE FINAL AMOUNT OF FUNDS TO BE ALLOCATED TO THE RESPECTIVE BUDGET AREAS.
- VERY FEW ASSUMPTIONS ARE MADE REGARDING FUTURE LEGISLATIVE POLICY DECISIONS ON DISCRETIONARY SPENDING, MAKING THIS DOCUMENT SIMPLY A BASELINE OR A STARTING POINT.
- THE ASSUMPTIONS THAT ARE MADE ARE CONFINED TO SPECIFICALLY DESIGNATED SCENARIOS. IN EACH SCENARIO, ALL UNSPENT FUNDS ARE STILL CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR.

Design Layout

- *The Outlook: Production & Development*
- *Summary and Findings*
- *Summary Charts*
- *Other Considerations*
- *Potential Constitutional Issues*
- *Fiscal Strategies*
- *Florida Economic Outlook*
- *Florida Demographic Projections and Composition*
- *Revenue Projections*
- *Florida Debt Analysis*
- *Total State Appropriations*
- *Education*
- *Human Services*
- *Criminal Justice and Corrections*
- *Natural Resources, Environment, Growth Management & Transportation*
- *General Government*
- *Judicial Branch*
- *Statewide Distributions / Administered Funds*

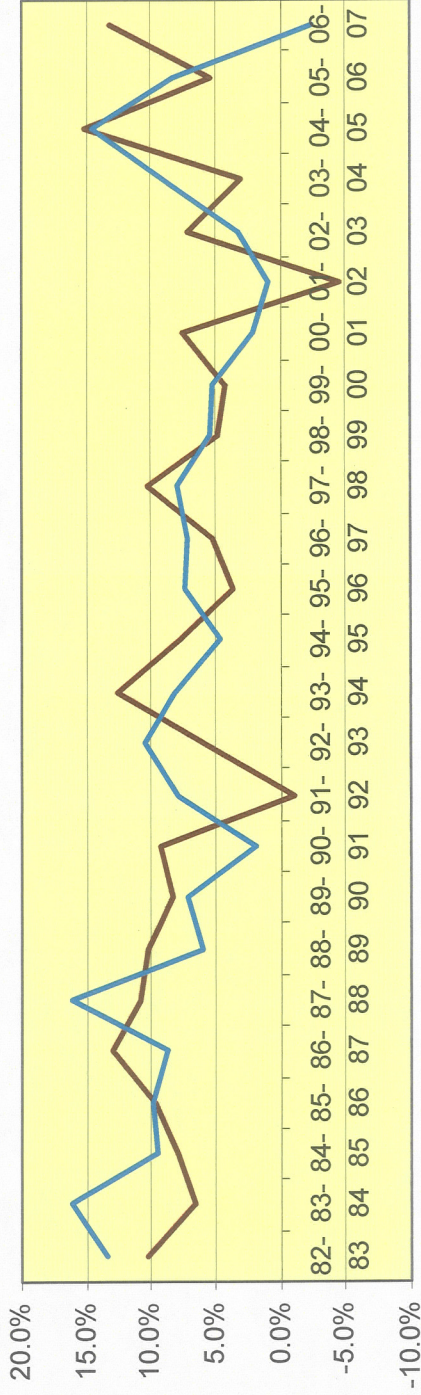
Most Recent Revenue Numbers

- Relative to the annual levels previously expected, the Revenue Estimating Conference reduced the General Revenue forecast by:

Fiscal Year	Old Forecast	New Forecast	Forecast Difference	Percentage Reduction	Incremental Growth	Growth Rate
2004-05	24969.4	24969.4				8.5%
2005-06	27082.2	27082.2				-2.5%
2006-07	26784.6	26404.1	-380.5	-1.4%	-678.1	0.3%
2007-08	27590.9	26475.6	-1115.3	-4.0%	71.5	5.5%
2008-09	29324.7	27920.9	-1403.8	-4.8%	1445.3	7.2%
2009-10	31342.5	29930.8	-1411.7	-4.5%	2009.9	6.2%
2010-11	33374.1	31801.1	-1573.0	-4.7%	1870.3	

Revenues vs. Expenditures

Comparison of Growth Rates: Collections and Expenditures



— GR Appropriations — GR Collections & Transfers

GR Collection Growth	GR Expenditure Growth
7.6% over 25 years	7.4% over 25 years
6.6% over 20 years	6.9% over 20 years
6.1% over 15 years	6.7% over 15 years
5.4% over 10 years	6.6% over 10 years
6.6% over 5 years	8.8% over 5 years

Major Budget Drivers

- K-12 FEFP Workload / Class Size / Enrollment (nearly \$2.4 billion of general revenue over the next three years).
- Medicaid Services (over \$1.6 billion of general revenue over the next three years).
- State employee benefits and salaries – including pay package, health insurance and retirement (nearly \$1 billion over the next three years)
- Prison Bed Construction and Operation (over \$800 million of general revenue over the next three years).
- Challenge Grants for State Universities and Community Colleges (nearly \$550 million of general revenue over the next three years).

Preliminary Balance Sheet

OUTLOOK PROJECTION – FISCAL YEAR 2007-08 (in millions)

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$26,462.4	\$3,540.1	\$30,002.5
EXPENDITURES	\$27,490.1	\$1,877.5	\$29,367.6
ADJUSTMENTS (to balance and retain \$200 M)	\$0.0	\$0.0	\$0.0
BALANCE	(\$1,027.7)	\$1,662.6	\$634.9

OUTLOOK PROJECTION – FISCAL YEAR 2008-09 (in millions)

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$27,867.1	\$836.2	\$28,703.3
EXPENDITURES	\$29,881.4	\$1,156.4	\$31,037.8
ADJUSTMENTS (to balance and retain \$200 M)	(\$2,014.3)	(\$520.2)	(\$2,534.5)
BALANCE	\$0.0	\$200.0	\$200.0

FY 2009-10 and 2010-11

OUTLOOK PROJECTION – FISCAL YEAR 2009-10 (in millions)

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$29,844.9	\$362.2	\$30,207.1
EXPENDITURES	\$29,816.3	\$1,037.2	\$30,853.5
ADJUSTMENTS (to balance and retain \$200 M)	\$0.0	(\$846.4)	(\$846.4)
BALANCE	\$28.6	\$171.4	\$200.0

OUTLOOK PROJECTION – FISCAL YEAR 2010-11 (in millions)

	RECURRING	NON-RECURRING	TOTAL
GR AVAILABLE	\$31,679.8	\$361.3	\$32,041.1
EXPENDITURES	\$31,844.6	\$1,048.2	\$32,892.8
ADJUSTMENTS (to balance and retain \$200 M)	(\$164.8)	(\$886.9)	(\$1,051.7)
BALANCE	\$0.0	\$200.0	\$200.0

Types of Fiscal Strategies

Fiscal Strategies will be required no later than Fiscal Year 2008-09. The current reserve is inadequate to address next year's shortfall – over 8% of the projected budget need – and other actions will be needed to keep the budget in balance.

- Budget Reductions and Reduced Growth
- Trust Fund Transfers
- Revenue Enhancements and Funding Redirections
- Combination of the Above

NOTE: Recurring actions will be needed because the shortfall exceeds the 3% constitutional limitation on the use of non-recurring revenue.

Questions / Comments?