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March 9-13, Second Week of Session

State Budget Update

All eyes are on the formal revenue estimating conference taking place today, Friday, where it is expected that Florida's general revenue levels will be off nearly \$2B from the Governor's Budget assumptions. The American Recovery and Reinvestment Act (ARRA) includes retroactive provisions, especially the Federal Medical Assistance Payment (FMAP) adjustments, offering some general revenue reprieve by adjusting mandatory state Medicaid payments back to the start of the federal fiscal year (October 1). However, even accounting for the 6-month retroactive FMAP adjustment and the multi-billion dollar influx from the stimulus expected in the *current fiscal year*, Florida faces an enormous revenue gap. House and Senate leadership remain committed to identifying ways to balance the budget in anticipation of on-going revenue shortfalls, after the 27-36 months of federal stimulus dollars are depleted. So while the State's budget gaps may be managed using the one-time federal formula allocations in the next two fiscal years, many members are looking for ways to trim the budget in anticipation of a long-term economic downturn. Florida's recession is expected to last through 2012, and agency exercises to cut 15% from existing budgets are creating dramatic presentations, including complete elimination of all correctional treatment programs, massive layoffs, complete elimination of FDLE, closings of higher educational institutions, etc.

Of specific concern was a state budget exercise reviewing ad valorem receipts from each county, where Broward was

shown a 16% decline from 2008 levels because of devaluation.

Leadership is also warning that the State's budget will take additional time to finalize, because of divergent positions on revenue generation options, as well as use of stimulus funds. Many expect Session to be extended beyond the May 1st *Sine Die* in order to balance the budget.

Medicaid Reform and County Health Department Payments

On Wednesday, Rep. Adkins called together a group of stakeholders from reform pilot counties where AHCA made a presentation about county health departments (CHD). Also on the agenda was a roundtable discussion about the impending September 2009 loss of cost-based reimbursements. The Governor's budget includes a carve-out for CHDs which, if adopted by the legislature, would result in AHCA paying CHDs in reform counties directly, rather than through the existing process where CHDs receive payments at the rates paid to HMOs.

DEP Meeting-Water Conservation Bill

On Wednesday, stakeholders met again to discuss water conservation legislation and, specifically, the Conserve Florida Clearinghouse. Discussion included a debate over whether Conserve Florida should have a regulatory role in consumptive use permitting. Many Florida utilities fear that by expanding their role, they will be forced to follow conservation measures identified in the Conserve Florida guide, rather than selecting cost-effective approaches based on local circumstances.

Water Management Districts questioned whether the proposed language would create barriers to their present conservation efforts. District rate structures were also discussed.

As a result of the variety of concerns raised, DEP agreed to revisit the bill's provisions.

Juvenile Justice Update

HB 173 by Rep. Adams, which expands the use of costly pre-adjudicatory secure detention for juveniles, was heard in the Criminal and Civil Justice Policy Council on Tuesday morning. Rep. Thurston questioned the bill sponsor at length about the need for the bill and the potential impacts to juveniles as well as to counties. After nearly a full hour of discourse on the bill's merits, including national evidence suggesting that pre-adjudicatory secure detention is highly ineffective in reducing crime or rehabilitating at-risk youth, HB 173 passed out of the Council on a party-line vote.

Local Option Tax for Older Adults Services

Sen. Rich's bill to allow independent special districts for senior services was heard in Community Affairs. The bill, which provides for a local option and referendum, was unanimously supported.

Homelessness

HB 597 by Rep. Reed was reported favorably out of the Health Care Services Policy Council. The bill, which creates a homeless prevention grant program, remains somewhat problematic in its definition of homelessness, which continues to perpetuate variations between the way homeless are counted at the state and federal levels.

Property Tax Bills

A number of property tax reform bills were heard this week including bills pertaining to the Governor's property tax recommendations.

SJR 1906, Government Revenue/Voter Approval/New Taxes and Fees by Sen. Haridopolos was heard in Senate Community Affairs. SJR 1906 proposes a constitutional amendment to limit the collection of revenues by state and local governments, also known as TABOR. If passed and approved by the voters in 2010, revenue growth for state and local governments would be capped annually allowing for increases based on CPI and population change. Revenues collected in excess of revenue limits would be deposited in budget stabilization funds, used to reduce future taxes or refunded to taxpayers. One other important provision included in the bill provides that voters must authorize the collection of revenues, including taxes, fees, assessments, or other charges, in excess of the revenue limits, by a super majority. In addition, governments could not incur multi-year debts or financial obligation without first obtaining approval by a supermajority vote of the electors. The bill, which has four additional committee references, passed out of committee by a 6-4 vote after considerable debate.

Also relating to this proposed constitutional revision, State CFO Alex Sink sent a letter to the Senate President and House Speaker this week expressing strong concerns about the TABOR joint resolutions. In particular, she described the possible impacts TABOR might have on the bond ratings of the state and local governments and called TABOR fiscally irresponsible.

The companion bill, HJR 1263 by Rep. Flores has not yet been heard.

PCS for HJR97 First-Time Home Buyers, the first-time home buyers property assessment limitation was heard as a proposed committee substitute in the House Military and Local Affairs Policy Committee on Wednesday. The proposed constitutional amendment by Rep. Domino would provide an additional

exemption to first time homebuyers in an amount equal to 50% of the homestead property just value up to \$250,000 and reducing the exemption by 20% of the initial exemption or the difference between just value and assessed value. This bill, supported by the Governor in his budget recommendations, passed with one negative vote.

The joint resolution must be approved by a three-fifths vote of the Legislature; voters would consider the issue in 2010 (or a special election if enacted by the Legislature) and must pass by 60%. If passed, the effective date would be January 4, 2011 and would apply to 2012 assessments. The Revenue Estimating Conference has not yet evaluated the fiscal impact to local governments.

PCB MLA 09-02 Property Assessment Limitation is a s proposed constitutional amendment also supported by the Governor. The joint resolution would reduce the limitation on assessment increases on non-homesteaded property from 10% to 5%. Like the other constitutional proposals, it must be approved by three-fifths of the Legislature and voted on by the electors of the state in 2010. If approved by 60% of the voters, the assessment limitation would first apply to 2012 assessments.