

PBC Legislative Update

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February 7-11 Committee Week update

TABOR

By: County Staff

Last week, Senate President Mike Haridopolos and State Senator Ellyn Bogdanoff met with several Mayors, City Commissioners and City Managers in Palm Beach County.

In the course of the discussion, it was indicated that if legislation passed this session regarding TABOR (Taxpayer Bill of Rights), it would not include any restrictions on County and City Governments. It would only apply to the State. TABOR is a budget calculation that seeks to tie growth in government to the growth in income and CPI.

This week, the Senate's version of TABOR or Smart Cap was workshopped in the Finance and Tax committee.

Budget – General

By: County and FAC Staff

On Monday February 7th, Governor Rick Scott released his proposed budget for FY 2011-12 and FY 2012-13 to the Legislature. Representatives from his office made numerous presentations to various committees of the House and Senate. Titled as "The Jobs Budget" it promotes the reduction of the size of State Government (8,681 positions eliminated), the merger or elimination of state programs and agencies, and corporate tax reductions in excess of \$2 billion dollars. The Governor's proposed FY 11-12 Budget is \$65.9B and the FY 12-13 Budget would propose to spend \$63.3B. This represents an approximate \$4.6B and \$7.2B dollar reductions from the FY10-11 \$70.5B funding levels, respectively.

Click on the View Other Reports link to view the 800+ page proposed implementing legislation. <http://letsgettowork.state.fl.us/mreports.aspx>

Budget – Spending Reductions

By: County and FAC Staff

The governor’s budget represents almost \$5 billion in spending reductions. Below is a summary of some of those spending cuts.

Spending Cuts - \$5 billion (8681 Employees (FTEs))

- Dept. of Children & Families - \$179 million (1,849 FTEs)
 - Eliminates the Council on Homelessness (Counties have one seat on the council)
 - Eliminates the State Office on Homelessness - \$436,353
 - Eliminates Challenge Grants – current budget is \$2 million
 - Eliminates funding for local homeless coalition staffing grants – current budget \$345,729
 - Eliminates funding for Homeless Housing Assistance Grant Program – current budget \$3 million
- Dept. of Corrections - \$82 million (1,690 FTEs)
 - Closes two prisons
 - Eliminates Pretrial intervention program \$4.4 million (70 FTEs)
- Dept. of Community Affairs - \$668 million (318 FTEs)
 - Reorganization with DEP
 - Technical Assistance Grants (doc stamp), Beach Renourishment (doc stamp), Invasive Plant Control (doc stamp), Local & State Housing (doc stamp)
 - Florida Housing Finance Corporation (Housing) appropriation of \$36 M – assume a sweep of the housing trust fund of \$193 million (no additional details)
- Dept. of Health - \$170 (879 FTEs)
 - Medicaid payments – 5% reduction across the board
 - Privatize three mental health facilities
 - Prospective managed care (statewide)
 - Medically Needy Program only covers physician services under the Medicaid program, except for pregnant women and children
 - Totally eliminates funding for Health Start
 - County Health Departments under Community Public Health (Dental Health Initiatives, Primary Care, Special Member Projects) – No funding
 - County Health Departments under Public Health Services (No additional details) –Increase in funding
- Dept. of Education - \$3.3 billion???
 - \$700 less per student (10%)
- Dept. of Agriculture
 - Eliminates forest receipt funds for fiscally constrained counties
 - Eliminates \$7.1M from Agricultural Practices (TMDL compliance)
- Dept. of Revenue
 - Eliminates Property Tax Oversight
- Dept. of Juvenile Justice
 - Eliminates \$25 million in county contributions to detention cost share through elimination of 549 DJJ Det. Center employees
 - \$948,000 reduction to General Revenue Grants to Fiscally Constrained Counties for Detention Costs
- Dept. of State
 - Elimination of \$2 million for Cultural and Museum Grants
 - Elimination of \$758,000 from Historic Preservation Grants (FYI – these funds were to counties only – there was more eliminated)
- Dept. of Environmental Protection (Reduction of \$97M)

- Eliminates \$77M from Environmental Protection Program
 - \$6.1M from Aid to Local Government (Low Income Energy Assist)
 - \$63M from Federal Grants Trust Fund
 - \$3.3M from Hazardous Site Cleanup (Mulberry/Piney Point)
 - 1M from Aid to Local Government (weatherization)
- Eliminates \$19.5M from Natural Resource Recreation
 - \$4M from Greenway/Intermodal Surface Transportation
 - \$8M from Debt Service
- Fish and Wildlife Conservation Commission (Reduction of \$12.8M)
 - Eliminates \$8.4M from Boating Law Enforcement
 - Eliminates \$3.5M from Fish, Wildlife & Habitat Conservation
- Dept. of Emergency Management
 - Eliminates approximately \$11 M from Emergency Management Preparedness and Assistance Trust Fund (EMPA)
- Dept. of Transportation
 - SCRAP funded at \$1.09 million
 - SCOP funded at \$14 million
 - CIGP funded at \$35 million
 - Regional Planning Councils are defunded, making RPCs solely reliant on local governments

Other Savings

- Renegotiated leases - \$660 million
- Consolidation - \$120 million
- Eliminating regulations - \$150 million
- Eliminates 108 Trust Funds (TFs)
 - Including Judicial & Courts TFs, FL Communities TF, Local Government Housing TF, State Housing TF, Florida Forever TF, Transportation Disadvantage TF – partial shift to general revenue, Coast Protection TF, Solid Waste Management TF

Spending Increases

- Executive Office of the Governor
 - Economic Development – Fast-closing Fund
 - \$300 million/\$500 million (2012-13)

Budget – Tax Reductions

By: County Staff

Tax Reductions - \$1.7 billion (\$4.1 two years)

- Corporate income tax - \$459 million (5.5% to 3%)
- Required local effort - \$508 million
- Unemployment tax - \$301 million
- Highway Safety fees - \$346 million
 - Crash reports
 - Motor vehicle registration (\$225 to \$175)
 - Weight limits (various fees)
 - Motor homes
 - Driver's License
- Water Management Property tax - \$178 million
- Revenue Limitation
 - Not greater than 1.2% per capita sales tax collections for general revenue
 - Excess of 1.2% per capita sales tax collections must be used to pay down (reduce) required local effort (property taxes)

Budget – Environmental and Growth Management

By: County Staff

As proposed, the Governor's budget has significant implications in the Growth Management and Environmental Protection areas. The implementing legislation proposes to transfer:

1. The Division of Community Planning, the Public Service and Energy Initiatives Program within the Division of Housing and Community Development and the Land Acquisition Program within the Office of the Secretary of Department of Community Affairs (DCA) to the Department of Environmental Protection (DEP);
2. The Division of Emergency Management to the Executive Office of the Governor; and
3. The Building Code Compliance and Hazard Mitigation Program to the Dept. of Business and Professional Regulation (DBPR).

As a whole, the DCA budget is reduced from \$778.7M in FY10-11 to \$110.3M in FY 11-12 with 318 FTE's eliminated.

In regard to environmental programs and agencies the proposed budget maintains certain priorities of the Legislature (i.e., Everglades Restoration, grants to local governments for drinking water and wastewater infrastructure and the Petroleum Tanks Cleanup program), while continuing to make the reductions necessary to balance the state's revenue with its expenditures. Key programs are funded as follows:

| <u>Program</u> | <u>FY 2010/11</u> | <u>FY 2011/12</u> |
|--------------------------------------|-------------------|-------------------|
| Florida Forever | 15,000,000 | 0 |
| Everglades Restoration | 10,000,000 | 17,000,000 |
| Drinking Water Revolving Loans | 88,454,969 | 34,885,479 |
| Wastewater Treatment Construction | | |
| Facility Construction | 157,780,534 | 136,925,062 |
| Beach Restoration | 15,536,535 | 0 |
| Underground Petroleum Tank Clean-up | 120,000,000 | 130,000,000 |
| Mosquito Control | 1,293,368 | TBD |
| Total Maximum Daily Loads | 10,250,000 | 6,385,000 |
| Water Management District Trust Fund | 18,300,000 | 19,088,743 |

Budget - Health and Human Services

By: County Staff and Broward County Staff

The Governor's Budget Recommendations cover a two-year period. Many programs are funded at increased or existing levels in FY 2012, with deeper cuts occurring in the FY 2013 cycle. The rationalization for this approach was given by the Governor's HHS spokesperson and focused on the anticipated privatization of many programs. Specifically, the state will need time to develop contractual service scopes, formulate invitations to negotiate (ITNs) or requests for proposals (RFPs) from private entities, enter into contracts, and assess the efficacy of privatization before implementing additional cost-savings measures in 2013; anticipated to take the form of drastic personnel reductions.

The budget proposes almost \$1 billion in Medically Needy program reductions in 2013, limiting service access to pregnant women and children, barring thousands of transplant patients and those with catastrophic illnesses from participating in

the program. In addition, only physician services will be covered (estimated at about 15% of total costs in the program). The Medically Needy program would, however, remain funded at current levels in the upcoming fiscal year under the Governor's proposal.

Another \$1 billion savings is realized in the Agency for Health Care Administration budget reductions, which include imposing 5% cuts in state payments to hospitals, nursing homes and other health-care facilities, and instituting a provider rate freeze for inpatient and outpatient hospitalization. The Governor's spokesperson further elucidated the administration's "philosophy" for Medicaid Reform. The goal is to "reign-in" the existing system by capitating costs, allowing the state to "know what we're spending before we spend it." Privatization is anticipated to improve service delivery and promote a performance-based budgeting process.

Interestingly, HHS/Medicaid expenditures actually increase in FY 2012 by 2% under the Governor's budget, with a 2% decrease built in to FY 2013, creating an overall flat Medicaid expenditure line item. Medicaid Reform efforts were discussed in numerous committees throughout the week, and will be discussed in a separate article.

The overall HHS cuts over the two-year budget period amount to 7% less than current year's spending. This 7% constitutes an anticipated savings using the Department of Correction's privatization savings as a model.

Other aspects of the HHS Budget Proposal, of interest, include, but are not limited to:

- Behavioral assistance services to group/foster homes is eliminated
- 5% rate cut to Nursing Home Diversion
- Adult Day services are consolidated
- Personal Care services are consolidated (respite, personal care, in-home supportive, etc. menu from which persons requiring assistance with activities of daily living currently choose are limited to one service)
- Reduction by approximately 4.5%, the differential in rate reimbursement that currently exists for South Florida providers versus the rest of the state
- Reduction in provider rates under the APD waiver
- Elimination of Healthy Start
- \$27M cut in Department of Health Family Health and Nutrition Services
- Privatization of three mental health facilities
- Reduction in Adult SA services and Baker Act funding
- Complete rewrite of Adult Protective Services Statute
- Elimination of the State Office on Homelessness and Challenge Grants (F.S. 622.420)
- Apparent elimination of Community care for the Elderly (Governor's Office has not confirmed whether the program was part of a consolidation or eliminated in its entirety)

Budget – County Priorities

By: County Staff and Pittman Law Group

- State Aid to Libraries is preserved in the Governor's budget at \$21.2 million preserving the federal \$8.9 million match
- Eliminates \$25 million in county contributions for juvenile justice detention cost share (which is positive for the counties)
- \$1.6 million reimbursement to counties for special elections (statewide)

Growth Management

By: County Staff

On Tuesday the Senate Committee on Community Affairs heard presentations from the new Secretary of the Department of Community Affairs, Billy Buzzett, and a presentation given by the Florida Chamber regarding growth management issues and concepts for the upcoming session. Generally speaking, the trend seems to be to reduce the role of the Department of Community Affairs in what are perceived as strictly local issues, work on streamlining the process and speeding things up, encourage more large-scale planning efforts like sector plans, and reduce the impediments to getting the economy growing again. Bills implementing the policies of the Scott administration are being drafted and are expected to begin emerging from the bill drafting process perhaps as early as next week.

Pensions

By: Ericks Consultants and County Staff

Senate Governmental Oversight & Accountability Chairman Jeremy Ring explained that he expects his two pension bills to be released next week and discussed the following week.

However, the big news this week was the Governor's proposed pension changes released in his budget. The summary of his proposal is below:

Pension Reform

- Employee contributions – 5% (\$1.15 billion)
- Eliminate DROP
- Eliminate 3% COLA increases for current retirees
- Modify benefit accrual rates 1.6% for regular employees (2% Special Risk)
- Prospective employees in defined contribution plans
- Reduces revenue sharing up to \$340 million (attributed to county savings from pension reform)

Energy and Alternative Fuels

By: The Moya Group

On February 8, **the House Energy & Utilities Subcommittee** met to discuss current and projected electric energy sources and conservation. They outlined the capacity for each fuel type, including renewable. In the FMEA presentation, biomass was proposed as the frontrunner of renewable resources because of its availability in Florida. The FMEA and Gulf Power both focused a significant portion of their presentations on the solar potential in Florida. A major downfall noted by the FMEA was the unwillingness of the consumer to invest in solar energy because of its high start up costs.

In another committee meeting February 8, the Florida Department of Agriculture & Consumer Services gave a presentation on **Florida's Farm to Fuel Initiative**. Approaching the year 2025, 25% of the total energy being consumed in the U.S. will be provided by American farms, ranches, and forests. As the top biomass producing state in the U.S., this initiative proposes we hone in on the agricultural resources we possess. Some of the benefits discussed included:

- Increased farm income and maximized usage of crops and agricultural residues
- Major impact on rural development with job opportunities
- New markets to maintain the viability of agriculture

President Frank DiBello of Space Florida also testified in the Communications, Energy, Energy & Public Utilities meeting. One of the developing energy projects he discussed was PetroAlgea, a Florida-based renewable energy company specializing in protein and biomass platform.

Finance and Tax Issues

By: The Moya Group

Three bills were passed in the Community Affairs Senate Committee on February 8 that relate to local government finance issues:

- **SJR 390 by Senator Flores** proposes an amendment to article VII, section 4, of the Florida Constitution. This bill prohibits any increases in the assessed value of homestead property in any year where the just value of the property decreases.
- **SB 434 by Senator Latvala** prohibits adding the value of certain improvements related to protection of homes from wind damage and the use of renewable energy source devices to the assessed value of a home.
- **SB 410 by Sen. Bennett was filed** in response to on-going litigation. This bill reenacts the section of law created by Chapter 2009-49, Laws of Florida that created the "preponderance of evidence" standard of review for the government in cases challenging the imposition or amount of an impact fee.

All three bills were reported favorably with little debate among Members.

HB 107 by Representative Smith regarding Local Government Accountability would mandate that all governmental agencies post their budget and any audit to be placed on the government's website. If a municipality does not have a website, then the budget or audit would need to be placed on the County website in which that municipality is located. This bill passed the House Local Government Subcommittee unanimously.

Water Issues

By: County Staff

This week there were a number of discussions regarding water policy and the EPA's proposed numeric nutrient criteria for Florida, with briefings and panel discussions given to committees. On Tuesday, the House Agriculture and Natural Resources Subcommittee heard presentations regarding consumptive use permitting and the numeric nutrient criteria, including the status of pending litigation challenging the criteria. The House State Affairs Committee also heard presentations regarding the numeric nutrient criteria, and the House Select Committee on Water heard presentations and had a panel discussion with invited speakers on the numeric nutrient criteria issue. Legislation has been filed (HB 239) to assert the state's ability to set and control water quality criteria in state waters, but the legislation has not yet been heard in committee.

It is expected that there will be a substantial amount of legislative activity this session as it develops on water policy, water governance, and water quality.

Immigration

By: Ericks Consultants

The Senate once again heard testimony from various people about immigration. Most speakers were against any attempts at an Arizona-style law. It is unclear as to what the Legislature will do, but it seems as though the bill will be a much more watered down version than the original bill that passed in Arizona.

Special Districts

By: Ericks Consultants

Special districts – The **House Finance & Tax Committee** had two presentations on Special Districts. The first was an overview of Special Districts: how they are set up, how they are dissolved and operated, etc.

The second presentation revolved around how districts raise revenue. The Committee was charged with finding examples in their respective districts of Special Districts that may have some sort of duplication of service with another governmental entity. While this committee was informational in nature, there will no doubt be more exploration of Special District reform.

FEDERAL ISSUES

FEDERAL COURT: HEALTH CARE LAW UNCONSTITUTIONAL

A federal judge in Pensacola ruled Monday that the federal health care law is unconstitutional, likely setting up a final decision by the U.S. Supreme Court. U.S. District Judge Roger Vinson became the second judge to declare the Obama administration's health care law unconstitutional in ruling in favor of Florida Attorney General Pam Bondi and 25 other attorneys general. Vinson stopped short, however, of preventing it from being enforced.

Continuing Resolution Spending Cuts

By: US Strategies

House Appropriations Chairman Hal Rogers this week announced a partial list of 70 spending cuts that will be included in an upcoming Continuing Resolution (CR) bill. The CR legislation will fund the federal government for the seven months remaining in the fiscal year and prevent a government wide shut-down, while significantly reducing the massive increases in discretionary spending enacted in the last several years by a Democrat majority. A full list of program cuts will be released when the bill is formally introduced.

The total spending cuts in the CR will exceed \$74 billion, including \$58 billion in non-security discretionary spending reductions.

A list of some of the 70 Spending Cuts to be Included in the CR follows:

- o Flood Control and Coastal Emergencies -\$30M
- o Energy Efficiency and Renewable Energy -\$899M
- o Economic Development Assistance -\$16M
- o National Drug Intelligence Center -\$11M
- o State and Local Law Enforcement Assistance -\$256M
- o Juvenile Justice -\$2.3M
- o COPS -\$600M
- o NASA -\$379M
- o EPA -\$1.6B
- o Food Safety and Inspection Services -\$53M
- o Farm Service Agency -\$201M
- o Agriculture Research -\$246M
- o Rural Development Programs -\$237M
- o Land and Water Conservation Fund -\$348M
- o DOE Loan Guarantee Authority -\$1.4B
- o EPA ENERGY STAR -\$7.4M
- o EPA State and Local Air Quality Management -\$25M
- o Clean Water State Revolving Fund -\$700M
- o Drinking Water State Revolving Fund -\$250M
- o EPA Brownfields -\$48M
- o National Endowment for the Arts -\$6M
- o National Endowment for the Humanities -\$6M
- o Job Training Programs -\$2B
- o Community Health Centers -\$1.3B
- o CDC -\$755M
- o NIH -\$1B
- o Substance Abuse and Mental Health Services -\$96M
- o Community Services Block Grant -\$405M
- o High Speed Rail -\$1B & Amtrak -\$224M
- o FAA Next Gen -\$234M
- o HUD Community Development Fund -\$530M

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