

# Capitol Report - December 16, 2002

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Forget post-election afterglow. When the new members of the overwhelmingly Republican Legislature report to the state Capitol, they may wish they had stayed home.

The reason: a huge gap – perhaps as much as \$4 billion – between the burgeoning needs of a growing state, including costly voter-approved constitutional amendments to cap public school class size and build a high-speed train system, and the amount of money economists anticipate the state will collect in 2003-04.

"There's no way to put a shine on this," said veteran lawmaker Jim King, the Jacksonville Republican who is the new Senate president. "We're going to be far more custodial than we are innovative."

Though no formal work on the budget will begin until January committee meetings, both King and his counterpart, House Speaker Johnnie Byrd of Plant City, said they expect to talk to their members about the challenge ahead. But (pre-session) pomp and circumstance is likely to overshadow the hard reality: that despite campaign promises of higher teacher pay or better prescription drug coverage, come spring, the Legislature will be forced to make painful choices between cutting constituents' state services or raising their taxes. The big reason is the class-size amendment, whose cost in the first year Republicans have pegged at close to \$3 billion – though supporters have argued it could cost less. The voter-approved measure requires the state to provide enough funding – estimated by Republicans to reach as high as \$27 billion over the next eight years – to enable school districts by 2010 to cap primary school classes at 18 students, fourth-through eighth-grade classes at 22 students, and high school classes at 25.

Also vexing lawmakers: the estimated \$500 million price tag for pre-kindergarten access for all four-year-olds, a measure voters approved on the November 5 ballot. Though lawmakers say they would like to start ramping up spending for the program in the next fiscal year, they aren't required to fully fund the program until 2004-05. But there's a host of other, smaller reasons the budget equation was strapped even before voters let their will be known earlier this month, including an estimated

\$303 million increase in Medicaid costs and an anticipated \$1 billion bill to start the high-speed rail that voters approved in 2000.

How big is the problem? Only a one-cent hike in the state's sales tax, currently six cents, would come close to funding all the demands by itself. The increase would raise roughly \$2.8 billion annually. No Republican, however, is advocating that hike. And the solution is likely to be far more complicated, including a combination of both cuts and tax hikes, even though Byrd has pledged to avoid higher taxes. "It's going to take a whole mix of alternatives and changes that are well-integrated to make this work," said Dominic Calabro, director of Florida TaxWatch, a fiscal watchdog group.

### **Keeping Options Open**

Even Republican Gov. Jeb Bush, who has cut more than \$6 billion in taxes in his first term, is hedging his bets. "I'm not shutting out any option," Bush said last week. "Putting aside my deeply held views on the size and scope of government, the people have asked us to implement this (class-size amendment). We've got to go about doing it in the right way." For Bush, that may include embracing higher taxes or an expansion of gambling – something he vehemently opposed during his first term. King and other Senate Republicans want to allow video gambling terminals at existing dog and horse racetracks, in hopes of raising roughly \$1 billion more yearly in state revenues. And conservative House members, anxious to expand a school voucher program that now only applies to students at chronically low-performing public schools, are proposing the state offer vouchers to any student who wants one. Their pitch: Students opting for a private education will decrease the demand on the state to build more schools to comply with the class-size plan.

Democrats can be expected to oppose the effort. But with only 53 Democrats in the 160-member Legislature, they won't have any chance unless moderate Republicans join them. A possible out for Republicans to say no: The voucher expansion would have to be carefully crafted to avoid costing the state more. For example, legislators would have to be careful not to expand the benefit to parents of students who have already opted to pay full tuition to attend private schools. And it's not clear how much money the plan would save, as even parents of students now eligible for vouchers have overwhelmingly opted to put their children in another public school rather than switch to a private one.

So complicated is the budget-balancing equation, Bush didn't offer even a preliminary plan during the November Organization session. In fact, it's likely to be January, when Bush must provide a 2003-04 budget proposal to lawmakers, before any concrete strategy emerges.

The challenge didn't get any easier last month, when state economists issued a new forecast for state revenues for the next fiscal year. The forecast estimates the state will have just \$20.7 billion in 2003-04 for general operational spending, such as running public schools and highway patrols. The remainder of the state's \$51 billion budget comes from federal funds or taxes dedicated to a certain

## state function.**Far Too Little**

The \$20.7 billion figure is just \$20 million more than the state expects to spend on operations this year – far too little, even without costly constitutional amendments, for the state to maintain all state services, from healthcare for poor pregnant women to the popular merit-based Bright Futures college scholarships, without raising taxes. For sure, lawmakers might be able to once again find new revenue in the myriad of state trust funds, such as the \$197 million they raided in the spring to pump up the current year's budget. But even that cash would be far outstripped by rising costs to continue state services. Among the budget pressures even before Election Day votes:

- Enrollment at public schools is expected to grow another 60,000 in 2003-04. The cost for such growth, based on this year's per-pupil spending: \$300 million.
  - State economists have predicted Florida will need to spend \$303 million more just to keep pace with Medicaid costs. That wouldn't, however, include vision and dental services for low-income, chronically ill citizens, that lawmakers resuscitated last year with just 10 months of funding. Continuing those programs would increase costs at least \$96 million more.
  - The embattled Department of Children & Families has requested an additional \$250 million in state funds to modernize its reporting system and improve staff pay.
  - The state and public schools are expected to have to spend millions more on retirement benefits for employees as lawmakers will no longer be able to use a huge pension plan surplus to subsidize employer contribution costs. The pension plan's assets have tumbled with the stock market, from a high of \$96 billion in the past year to its current \$84 billion.
  - The state must begin assuming some of the costs for state courts, as the result of a voter-approved constitutional amendment. The cost, once it fully goes into effect in July 2004, will be somewhere between \$400 million and \$1 billion annually.
  - By November 1, 2003, the state must begin construction on a high-speed train system, starting with a Tampa-Orlando leg. How much that project will cost the state – as opposed to federal or private dollars – is unknown but is expected to reach at least \$1 billion.
- Bush and other Republican lawmakers downplayed such challenges during the fall campaign season, instead attacking the added burden of the state constitutional amendments.

And Republicans argue the picture isn't as bad for Florida as it is for other states, where the economy has been slower to rebound – forcing cuts even without citizen initiatives. In fact, the new estimate from state economists show Florida will still raise \$310 million more this coming fiscal year than last, all but ensuring there will be no need for a mid-year budget-cutting session as there was

last fall. "We still have to make the tough choices if we are to live within our means," Byrd said Friday. "But making tough choices is what Florida citizens want us to do." ▪

### **Important Legislative Dates:**

Proposed 2002 - 2003 Interim Committee Meeting Schedule· December 2002: No Meetings· January 2003 – Week of the 6th: Regular Meetings· January 2003 – Week of the 13th: Budget Meetings· January 2003 – Week of the 20th: Regular Meetings· February 2003 – Week of the 3rd: Regular Meetings· February 2003 – Week of the 10th: Budget Meetings· February 2003 – Week of the 17th: Regular Meetings· **Session Dates**· March 4, 2003: Regular Session convenes · March 4, 2003: 12:00 noon, deadline for filing bills for introduction, House and Senate· April 22, 2003: 50th day-last day for regularly scheduled Senate committee meetings · May 2, 2003: 60th day-last day of Regular Session

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