

Capitol e-Report - Last Week of Florida Legislature; Budget Impasse

April 27, 2009

Earlier in the month, the Legislative Budget Commission approved \$4 billion in Federal stimulus money for spending during the current budget year that averted a current year deficit. The current fiscal year ends on June 30, 2009.

In terms of the 2009-10 fiscal year budget, the House and Senate have each passed respective General Appropriations Bills, but the two chambers have yet to begin member conferences to resolve spending differences within policy areas. The hang-up involves a dispute at the leadership level relating to allocations for each area. Until this is resolved, the member conference process can not begin.

The two chambers are actually not far apart on overall spending — somewhere around \$500 million. The leadership holdup is more philosophical in terms of general approach: short view versus long view solutions.

The Senate has developed a budget around closing tax loopholes and a series of substantial tax and fee increases aimed at the business community. That chamber relies heavily on non-recurring revenue from the Federal stimulus funds the state expects to receive.

Overall the Senate budget is somewhat of a short view solution to the state's fiscal woes in that it relies heavily on \$3 billion in one-time stimulus money to fund a significant portion of recurring expenses. Because of this, the Senate has also taken a less draconian approach to cuts, generally, but especially in high priority areas such as higher education and state employee pay, than has the House.

The House, on the other hand, has relied primarily on deep cuts in all recurring categorical areas, and rather dramatic trust fund sweeps, relying less on the one-time Federal stimulus to fund a short term

bailout. The House also insists on building up the state's now depleted cash reserve. Doing so will avoid a downgrading of the state's bond rating, as has been threatened by Moody's Investor Service, due to a lack of savings. The generational expense associated with any bond downgrade is in the billions.

The House has offered to entertain all of the Senate's proposed revenue bills provided the Senate entertains the House position on deeper spending cuts. Thus far, there has been no agreement on that offer, which has been the subject of a week's negotiations.

The member conference process will not begin until these macro-level policy issues are resolved. Given the late date, it is doubtful, but not impossible, for the leadership to reach agreement enabling the conference process to begin and end, print a conference report, and comply with the constitutionally required 72-hour cooling period before the scheduled last day of the session, May 1.

The more likely scenario, however, will be an extension of the current session, depending on the progress made during the upcoming week's negotiations, or an adjournment sine die on May 1, with the Legislature returning sometime later for a Special Session to deal exclusively with the budget and related revenues bills.

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