

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** PCB CEED 10-07 Florida Savings Fund  
**SPONSOR(S):** Full Appropriations Council on Education & Economic Development  
**TIED BILLS:** **IDEN./SIM. BILLS:**

	<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
Orig. Comm.:	Full Appropriations Council on Education & Economic Development	16 Y, 2 N	Voyles/Kramer	Voyles
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**SUMMARY ANALYSIS**

At the end of Fiscal Year 2007-08, the Budget Stabilization Fund had a balance of \$1.3 billion. However, in September of that year, \$672.4 million was transferred to the General Revenue Fund to cover a budget deficit. In Special Session "A" of January, 2009, the Legislature authorized the transfer of \$400 million from the Budget Stabilization Fund to the General Revenue Fund. As a result of these transfers, the balance in the Budget Stabilization Fund is now \$275 million. To access these funds in case of a budget shortfall, would require Legislative action.

This bill amends section 215.32, Florida Statutes, to create the Florida Savings Fund. The Florida Savings Fund will be a reserve fund that is set aside at the time the General Appropriations Act is adopted. The purpose of the fund is to ensure a significant balance is available to cover unforeseen shortfalls in the General Revenue Fund, but to be more accessible than the Budget Stabilization Fund, and to ensure the State of Florida has reserves to maintain its strong credit ratings.

- The Florida Savings Fund will be a standalone fund similar to the Budget Stabilization Fund.
- It will be funded with a portion of the General Revenue unappropriated balances.
- The value of the Florida Saving Fund for each fiscal year will equal five percent of the official General Revenue funds available less the estimated value of the Lawton Chiles Endowment Fund.
- The Revenue Estimating Conference will certify the amount of General Revenue that must be transferred to the Florida Savings Fund each year.
- The Chief Financial Officer will transfer on a quarterly basis from the General Revenue Fund to the Florida Savings Fund the amount certified by the Revenue Estimating Conference.
- Interest earnings from the fund will be deposited in the General Revenue Fund.
- The Florida Savings Fund may be used to fund emergencies such as hurricanes and floods.
- The Chief Financial Officer is directed to move funds from the Florida Savings Fund to the General Revenue Fund as necessary to avoid a General Revenue Fund shortfall. Unlike most transfers from the Budget Stabilization Fund, such transfers from the Florida Savings Fund will not require legislative action.

The bill takes effect upon becoming law.

**This document does not reflect the intent or official position of the bill sponsor or House of Representatives.**

**STORAGE NAME:** pcb07a.CEED.doc  
**DATE:** 3/23/2010

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### BACKGROUND

*State Funds:* Section 215.32, F.S. relates to state funds and provides that all moneys received by the state must be deposited in the State Treasury unless specifically provided otherwise by law and must be deposited in and accounted for by the Chief Financial Officer within the following funds and provides that the following funds are created and established by the section:

1. General Revenue Fund.
2. Trust funds.
3. Budget Stabilization Fund.

The section provides that unallocated general revenue shall be considered the working capital balance of the state and shall consist of moneys in the General Revenue Fund that are in excess of the amount needed to meet General Revenue Fund appropriations for the current fiscal year.

*Working Capital Fund:* Prior to its repeal in 2005, s. 215.32(2)(d), F.S. (2004) provided for the Working Capital Fund as follows:

The Working Capital Fund shall consist of moneys in the General Revenue Fund which are in excess of the amount needed to meet General Revenue Fund appropriations for the current fiscal year. Each year, no later than the publishing date of the annual financial statements for the state by the Chief Financial Officer under s. 216.102, F.S., funds shall be transferred between the Working Capital Fund and the General Revenue Fund to establish the balance of the Working Capital Fund for that fiscal year at the amount determined pursuant to this paragraph.

*Budget Stabilization Fund:* Article III, Section 4(g) of the Florida Constitution provides:

[A]n amount equal to at least 5% of the last completed fiscal year's net revenue collections for the general revenue fund shall be retained in the budget stabilization fund. The budget stabilization fund's principal balance shall not exceed an amount equal to 10% of the last completed fiscal year's net revenue collections for the general revenue fund. The legislature shall provide criteria for withdrawing funds from the budget stabilization fund in a separate bill for that purpose only and only for the purpose of covering revenue shortfalls of the general revenue fund or for the purpose of providing funding for an emergency, as defined by general law. General law shall provide for the restoration of this fund. The budget stabilization fund shall be comprised of funds not otherwise obligated or committed for any purpose.

Section 215.32, F.S. provides that by September 15 of each year, the Chief Financial Officer must transfer, pursuant to appropriations made by law, to the Budget Stabilization Fund, the amount of money needed for the balance of that fund to equal the amount required by law, less any amounts expended and not restored. The Legislature is authorized to appropriate the moneys needed for this transfer from any funds.

Section 216.221(2), F.S. provides that the Legislature may annually provide direction in the General Appropriations Act regarding use of any state funds to offset General Revenue Fund deficits. Section 216.222, F.S. sets forth criteria for transferring funds from the Budget Stabilization Fund to the General Revenue Fund.

1. General Revenue Fund deficit: Pursuant to this section, a deficit is deemed to occur when the official estimate of funds available in the General Revenue Fund for a fiscal year falls below the total amount appropriated from the General Revenue Fund for that fiscal year. The Legislature may make an appropriation from the Budget Stabilization Fund to the General Revenue fund to offset this deficit. The transfer may also be made pursuant to s. 216.221, F.S., discussed below.

The section also provides limited authority for the Chief Financial Officer to withdraw funds from the Budget Stabilization Fund. If after consultation with the Revenue Estimating Conference, the Chief Financial Officer believes that a deficit will occur in the General Revenue Fund and less than thirty days are left in the fiscal year, the Chief Financial Officer shall certify the deficit to the Governor, the Chief Justice, the President of the Senate, and the Speaker of the House of Representatives, and may thereafter withdraw funds from the Budget Stabilization Fund to offset the projected deficit in the General Revenue Fund.

2. Emergency: If the Governor declares an emergency Budget Stabilization Fund funds may be transferred to the General Revenue Fund as provided in s. 252.37, F.S.
3. Temporary transfers: Pursuant to s. 215.18, the Governor may order a temporary transfer of moneys from one fund to another in order to meet temporary deficiencies in a particular fund. Generally, the fund from which any money is temporarily transferred must be repaid not later than the end of the fiscal year in which the transfer is made. Section 215.32(2)(c)3, F.S. provides that the Budget Stabilization Fund may be used as "revolving fund" for transfers as provided in s. 215.18.

Section 215.32, F.S. provides that an expenditure from the Budget Stabilization Fund must be restored pursuant to a restoration schedule that provides for making five equal annual transfers from the General Revenue Fund, beginning in the third fiscal year following the

expenditure. The Legislature is authorized to establish by law a different restoration schedule and is authorized to change the schedule at any time during the restoration period.

*Adjustment of budgets to avoid or eliminate deficits:*

Section 216.221(5)(a) and (b), F.S. provide that if, in the opinion of the Governor or the Legislature, after consultation with the Revenue Estimating Conference, a deficit will occur in the General Revenue Fund, within 30 days, the Governor must develop for the executive branch, and the Chief Justice of the Supreme Court must develop for the judicial branch, plans of action to eliminate the deficit.

If the Revenue Estimating Conference projects a deficit in the General Revenue Fund in excess of 1.5 percent of the moneys appropriated from the General Revenue Fund during a fiscal year or when the cumulative total of a series of projected deficits in the General Revenue Fund exceeds 1.5 percent of the moneys appropriated from the General Revenue Fund, the deficit must be resolved by the Legislature. Deficits in the General Revenue Fund which do not meet these amounts specified shall be resolved by the Governor for the executive branch and the Chief Justice of the Supreme Court for the judicial branch. The Governor and Chief Justice must implement any directions provided in the General Appropriations Act related to eliminating deficits and to reducing agency and judicial branch budgets. The Governor and the Chief Justice must implement the deficit reduction plans through amendments to the approved operating budgets in accordance with s. 216.181.

#### EFFECT OF PROPOSED CHANGES

*Florida Savings Fund:* The bill amends s. 215.32, F.S. to create the Florida Savings Fund and specifies as follows:

1. The total value of the Florida Savings Fund for the next fiscal year shall equal five percent of the total General Revenue funds available for the next fiscal year as shown on the official General Revenue Fund Financial Outlook Statement existing at the time the General Appropriations Act was adopted reduced by the estimated value of the Lawton Chiles Endowment Fund at the time of the certification.
2. Before the effective date of the General Appropriations Act of each year, the Revenue Estimating Conference must certify the required balance of the Florida Savings Fund and the amount of funds to be transferred to the Florida Savings Fund each year.
3. The Chief Financial Officer will be required to transfer on a quarterly basis to the Florida Savings Fund from the General Revenue Fund twenty-five percent of the amount certified to be transferred by the Revenue Estimating Conference.
4. Interest earned from the Florida Savings Fund must be deposited in the General Revenue Fund.
5. Funds in the Florida Savings Fund may only be withdrawn or transferred as authorized in this section and s. 216.221. No appropriation or transfer for any other purpose may be made from this fund except as provided in this section.
  - a. Funding for an emergency that has been declared by the Governor or declared by law, may be provided from the Florida Savings Fund.

- b. Funds in the Florida Savings Fund may be transferred to the General Revenue Fund to meet a temporary deficiency pursuant to s. 215.18.

The bill amends s. 216.221, F.S. relating to adjustment of budgets to avoid or eliminate deficits, to provide that for purposes of the section, a deficit in the General Revenue Fund is deemed to occur when the official estimate of funds available in the General Revenue Fund combined with funds available in the Florida Savings Fund for a fiscal year is less than the total amount appropriated from the General Revenue Fund. The bill also amends this section to provide that, if in the opinion of the Chief Financial Officer, in consultation with the Revenue Estimating Conference, the total funds available in the General Revenue Fund for a fiscal year is less than the total amount appropriated from the General Revenue Fund for that fiscal year, the Chief Financial Officer shall transfer funds from the Florida Savings Fund to the General Revenue Fund in an amount sufficient to cover the shortfall.

The bill amends s. 216.222, F.S. relating to the transfers from the Budget Stabilization Fund to the General Revenue Fund to offset a deficit in the General Revenue Fund, to provide that a deficit is deemed to occur when the official estimate of funds available in the General Revenue Fund *combined with funds available in the Florida Savings Fund* for a fiscal year falls below the total amount appropriated from the General Revenue Fund for that fiscal year.

The bill amends s. 252.37, F.S. relating to the financing of disasters to include the Florida Savings Fund as a source of funding for a state of emergency.

#### B. SECTION DIRECTORY:

Section 1. Amends s. 215.32, F.S., relating to state funds; segregation.

Section 2. Amends s. 216.221, F.S., relating to appropriations as maximum appropriations; adjustment of budgets to avoid or eliminate deficits.

Section 3. Amends s. 216.222, F.S., relating to Budget Stabilization Fund; criteria for withdrawing moneys.

Section 4. Amends s. 252.37, F.S., relating to financing of emergencies.

Section 5. Provides effective date of upon becoming law.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

None

#### 2. Expenditures:

(See Fiscal Notes)

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None

2. Expenditures:

None

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None

**D. FISCAL COMMENTS:**

The requirement that the Florida Savings Fund contain a specified portion of the General Revenue funds available will have the effect of limiting the amount of General Revenue that may be appropriated.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

None

2. Other:

None

**B. RULE-MAKING AUTHORITY: None**

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

**IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**

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## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

B. SECTION DIRECTORY:

### II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

E. FISCAL IMPACT ON STATE GOVERNMENT:

3. Revenues:

4. Expenditures:

F. FISCAL IMPACT ON LOCAL GOVERNMENTS:

3. Revenues:

4. Expenditures:

G. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

H. FISCAL COMMENTS:

### **III. COMMENTS**

#### **D. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

2. Other:

#### **E. RULE-MAKING AUTHORITY:**

#### **F. DRAFTING ISSUES OR OTHER COMMENTS:**

### **IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**