

TO: Members, Florida House of Representatives

FROM: Dean Cannon, Speaker

DATE: January 19, 2012

RE: Fiscal Year 2012-2013 House Budget Allocations

Attached please find the budget allocations for the 2012 General Appropriations Act.

Once again, the Legislature will be called upon to respond to the challenge of a budget shortfall exceeding \$1 billion for FY 2012-13. Although this will not be easy, we have a proven track record of responsible budgeting, and our state's fiscal situation is improved from recent years. Economic conditions are stabilizing; last week, the Revenue Estimating Conference issued an essentially unchanged General Revenue estimate from its fall forecast.

In developing these allocations, Chair Grimsley and I have carefully analyzed the funding of each program area. We have endeavored to prioritize the most essential functions of state government. I want to specifically draw your attention to public school funding. Enrollment in our public schools has increased while local school revenues have sharply decreased. These two factors alone create a shortfall of nearly half a billion dollars.

Our analysis and prioritization with respect to K-12 education funding mirror those of Governor Scott. We have funded K-12 with an allocation exceeding \$1 billion in new state funding to the Florida Education Finance Program. This addresses all of the shortfalls in K-12 education and also provides an increase in per student funding of 2.27 percent.

State economists do not expect any significant change in revenue collections in upcoming months. However, to address concerns expressed by some regarding potential fluctuations in revenue collections in the next few months, our House budget proposal will provide for automatic contingencies in case there are revenue losses or increases. These contingencies will provide self-executing direction on how to enact reductions or provide additional spending authority, without accessing reserves, should circumstances change.

The House allocations reflect the following strategies and principles:

1. The House budget will prioritize the delivery of services to people (education, health care, and public safety) over the purchase of things (transportation, general government, and the environment).
2. The House budget will prioritize critical needs and develop realistic, achievable options to balance our budget. The subcommittee chairs are encouraged to consider new cost-savings strategies, but they should not budget savings from programmatic changes unless there is certainty those savings can be achieved.
3. The House budget will not raise taxes or fees. In the area of higher education, adjustments to tuition or fees are permitted only when participation in the underlying program is voluntary, and the fees reflect a sharing of the actual cost of the program. In order to foster economic recovery, the House includes an allocation to the Finance & Tax Committee for tax relief.
4. The House budget will prioritize K-12 education. This subcommittee will receive the greatest percentage of the General Revenue allocation as well as the greatest increase in funding
5. The House budget will not adopt strategies to control Medicaid spending that result in cost shifts toward the other aspects of our state-funded health care infrastructure, including driving uncompensated care into our public hospitals and emergency departments. The House will continue to work toward a simplified hospital funding model, consistent with the Florida Medicaid reform enacted into law last year,

recognizing that this effort will require more time-consuming, meticulous work and the investment of stakeholders.

6. The House budget will not revise adult sentencing policies, change inmate release schedules, or take any action that jeopardizes the long-term safety of the public to save money in the current fiscal year.

7. The House budget will provide sufficient reserves to weather fiscal forecast fluctuations and preserve our bond ratings. Unallocated General Revenue, the Budget Stabilization Fund, and the Lawton Chiles Endowment should provide a total budget reserve that exceeds \$2.46 billion.

The Constitution requires the Legislature to construct and pass a balanced budget. As participation is the inherent cornerstone of effective democracy, I strongly encourage Members to actively engage in the budget writing process.