Government Operations & Technology Appropriations Subcommittee

Wednesday, January 11, 2017
1:00 PM – 3:00 PM

Meeting Packet

Richard Corcoran
Speaker

Blaise Ingoglia
Chair

The Florida House of Representatives

Appropriations Committee

Government Operations & Technology Appropriations Subcommittee

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Meeting Agenda

Wednesday, January 11, 2017
Morris Hall (17 HOB)
1:00 p.m. – 3:00 p.m.

I. **Call to Order / Roll Call**

II. **Opening Remarks and Introductions**

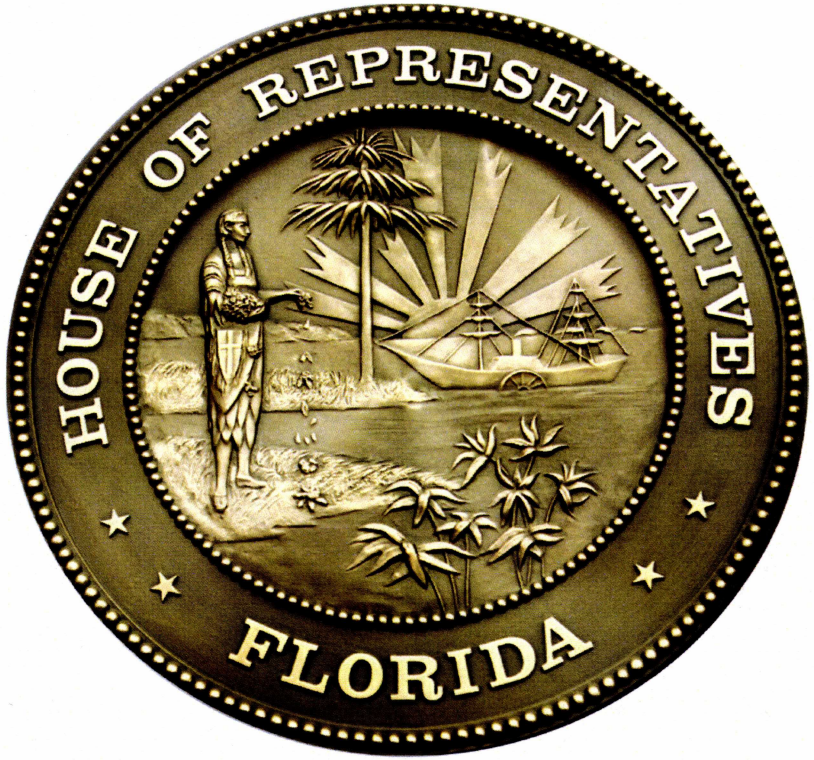
III. **Budget Exercise and Base Budget Overview**

IV. **Closing Remarks / Adjournment**

221 The Capitol, 402 South Monroe Street, Tallahassee, 32399-1300
(850) 717-4810

Budget Exercise and Base Budget Overview

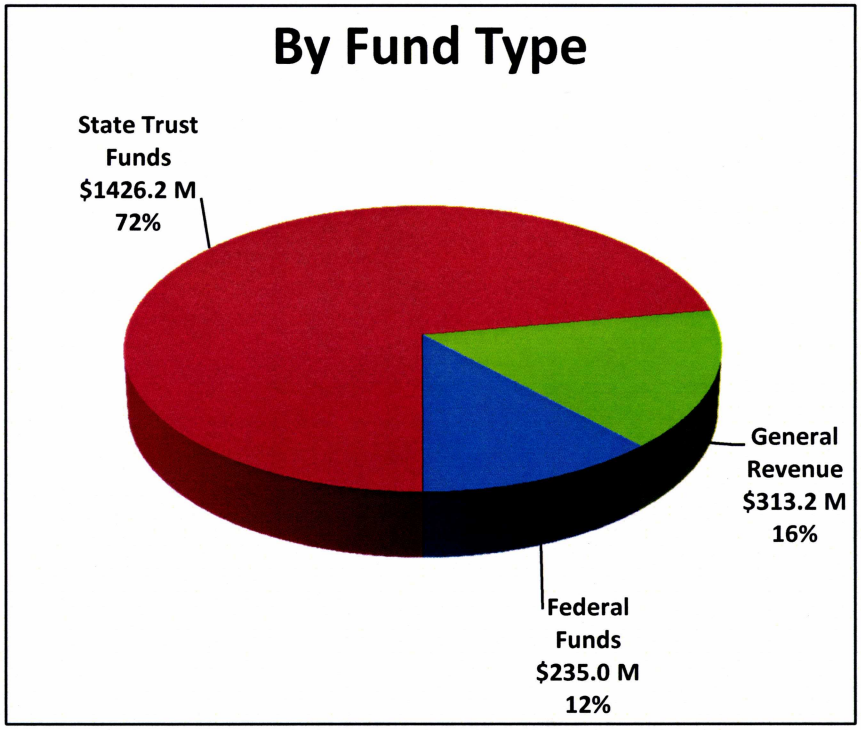
Government Operations & Technology Appropriations Subcommittee Base Budget Overview and Budget Exercise

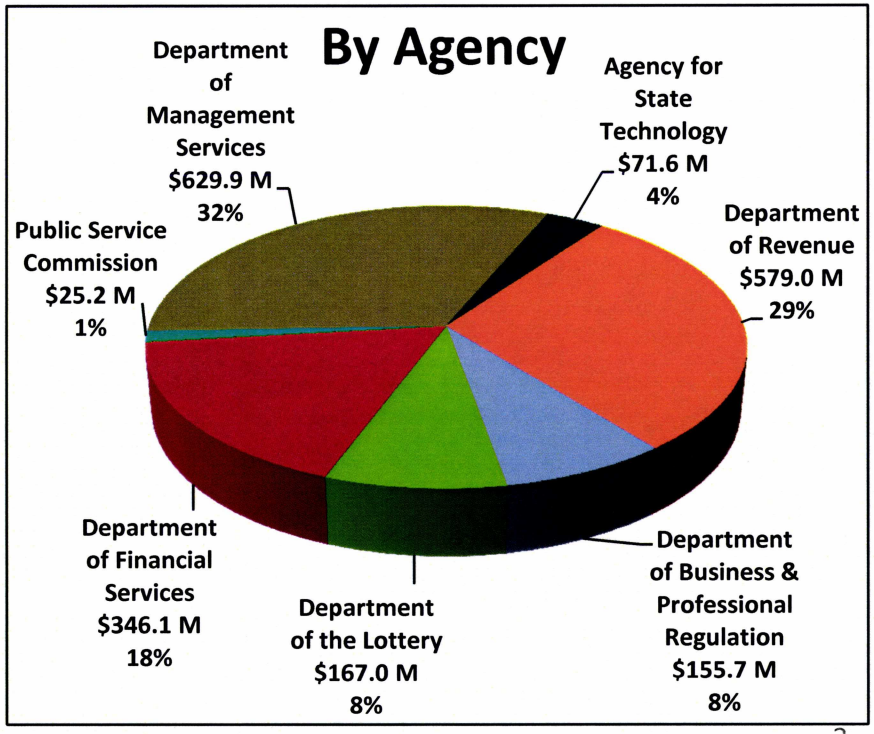


Government Operations & Technology Appropriations Subcommittee
Fiscal Year 2016-2017

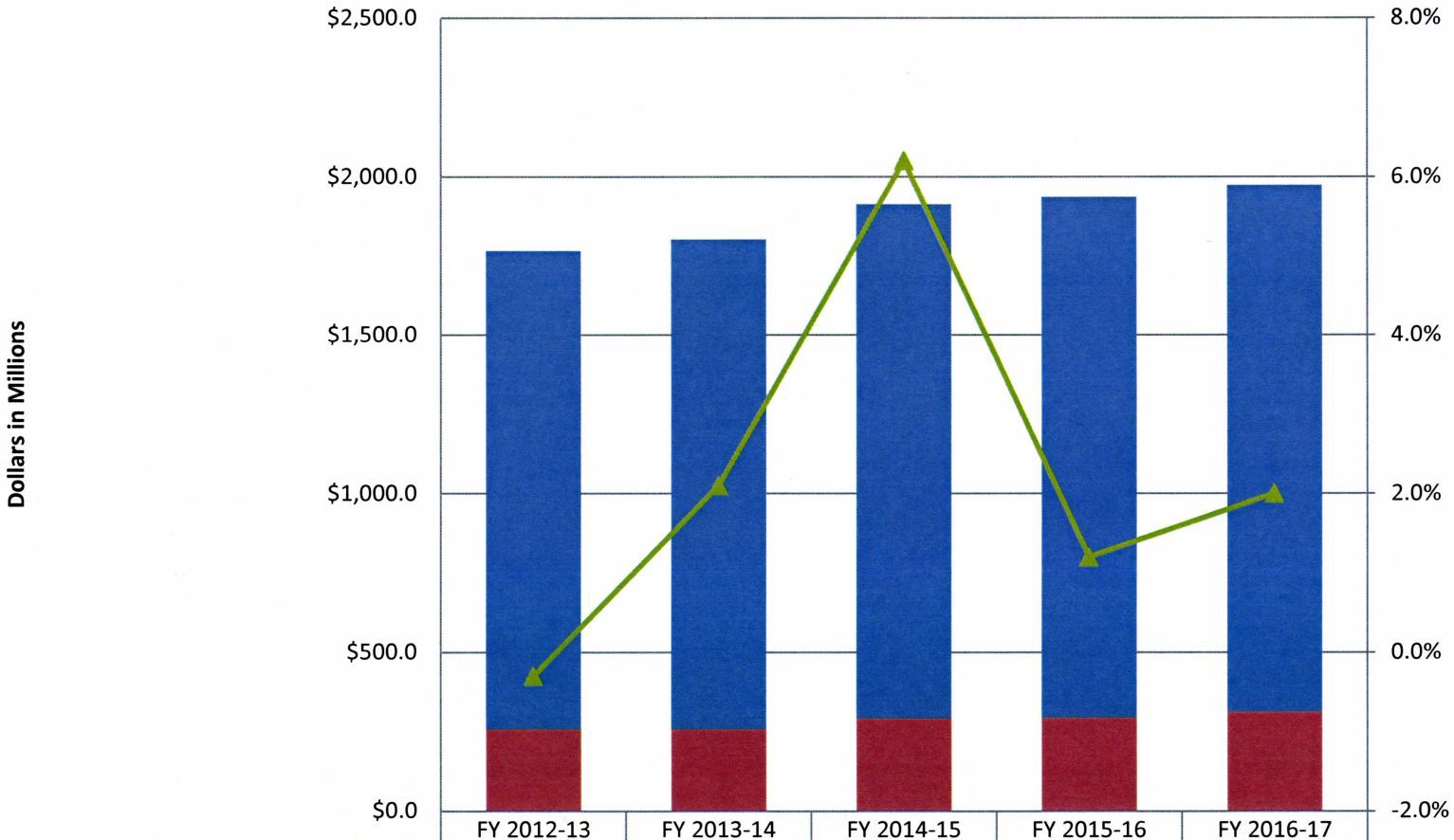
Agency Funding Overview (In Millions)

#	Program	FTE	General Revenue	State Trust Funds	Federal Funds	Total All Funds
1	Department of the Lottery	420.00	0	167,030,768	0	**167,030,768**
2	Department of Financial Services	2,597.50	26,375,268	315,620,405	4,075,005	**346,070,678**
3	Public Service Commission	277.00	214889	24,969,183	0	**25,184,072**
4	Department of Management Services	1,075.00	67,145,321	562,294,219	412,131	**629,851,671**
5	Agency for State Technology	231.00	3,594,373	68,010,648	0	**71,605,021**
6	Department of Revenue	5,132.00	213,208,689	135,500,103	230,321,553	**579,030,345**
7	Department of Business & Professional Regulation	1,618.25	2,669,228	152,772,975	231,854	**155,674,057**
8	**Totals**	**11,350.75**	**313,207,768**	**1,426,198,301**	**235,040,543**	**1,974,446,612**





Government Operations & Technology Appropriations Subcommittee
Five Year Funding History



	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Trust Funds	$1,507.4	$1,543.7	$1,621.9	$1,642.1	$1,661.2
General Revenue	$258.3	$258.3	$291.9	$294.1	$313.2
Percentage Change from Prior Year	-0.3%	2.1%	6.2%	1.2%	2.0%

What Is the Base Budget?

Like many other state and local jurisdictions, Florida's approach to budgeting is incremental. This means that revisions to the budget are either increases or decreases from an agreed upon starting point and the net effect is the appropriation for the year budgeted.

The base budget is this starting point. It is essentially the budget necessary to continue the current year's appropriations decisions into the next new fiscal year. The base budget is a consensus document agreed upon by staffs of the Governor, House and Senate and is developed as follows:

1) The appropriations for the current year budget, as passed by the Legislature in the General Appropriations Act (GAA), are adjusted for:
   a) Vetoes;
   b) Supplemental appropriations in substantive bills that have become law;
   c) Failed contingencies in the GAA, where, for example, the GAA provided an appropriation contingent upon enactment of substantive legislation, which legislation failed to become law;
   d) Agency reorganizations authorized by law but not included in the GAA; and
   e) Distributions of funds in the "Administered Funds" section of the GAA pursuant to section 8 and other proviso.

2) The base budget is then developed by adjusting the current year budget as follows:
   a) The nonrecurring funding is removed;
   b) Increases or decreases in funding decisions that were enacted for a portion of the current year are annualized to reflect the full 12-month cost in the subsequent year;
   c) Interim budget amendments of a recurring nature are included; and
   d) Technical corrections/adjustments are made.

These adjustments implement the most recent legislative funding decisions, as adjusted for vetoes, that comprise the "base" from which to start the incremental decision-making for the ensuing year.

Government Operations & Technology Appropriations Subcommittee Base Budget

FY 2016-17 Total Appropriation = $1,974,446,612

FY 2017-18 Total *Base Budget* = $1,865,886,486

- **Difference - $108.6 million = FY 2016-17 Total Appropriation *minus* nonrecurring appropriations *and other adjustments.***

Examples from Base Budget Summary

	PUBLIC SERVICE COMMISSION FY 2017-18 BASE BUDGET				
	PROGRAM / SERVICE	**FTE**	**GENERAL REVENUE**	**TRUST FUND**	**TOTAL**
Program →	**PROGRAM: COMMISSIONERS AND ADMINISTRATIVE SERVICES**				
Budget Entity →	**PUBLIC SERVICE COMMISSIONERS**				
	Office of Commissioners	18.00	-	2,494,864	**2,494,864**
	PUBLIC SERVICE COMMISSIONERS TOTAL	**18.00**	**0**	**2,494,864**	**2,494,864**
Budget Entity →	**EXECUTIVE DIRECTION AND SUPPORT SERVICES**				
	Office of the Executive Director	7.00	-	1,039,258	**1,039,258**
	Division of Administrative & Information Technology Services	36.00	-	3,825,594	**3,825,594**
	Office of the Commission Clerk	14.00	-	1,128,559	**1,128,559**
	EXECUTIVE DIRECTION AND SUPPORT SERVICES TOTAL	**57.00**	**0**	**5,993,411**	**5,993,411**
Budget Entity →	**LEGAL SERVICES**				
	Office of General Counsel	27.00	79,278	2,572,924	**2,652,202**
	LEGAL SERVICES TOTAL	**27.00**	**79,278**	**2,572,924**	**2,652,202**
Program →	**PROGRAM: UTILITY REGULATION AND CONSUMER ASSISTANCE**				
Budget Entity →	**UTILITY REGULATION**				
	Division of Engineering	38.00	67,158	2,930,116	**2,997,274**
	Division of Accounting and Finance	28.00	-	2,156,124	**2,156,124**
	Division of Economics	25.00	-	2,098,535	**2,098,535**
	Office of Industry Development and Market Research	15.00	69,453	1,333,756	**1,403,209**
	Office of Telecommunications	14.00	-	1,208,213	**1,208,213**
	Office of Consumer Assistance and Outreach	26.00	-	1,791,011	**1,791,011**
	UTILITY REGULATION TOTAL	**146.00**	**136,611**	**11,517,755**	**11,654,366**
Budget Entity →	**AUDITING AND PERFORMANCE ANALYSIS**				
	Office of Auditing and Performance Analysis	29.00	-	2,439,643	**2,439,643**
	AUDITING AND PERFORMANCE ANALYSIS TOTAL	**29.00**	**0**	**2,439,643**	**2,439,643**
	PUBLIC SERVICE COMMISSION TOTAL	**277.00**	**215,889**	**25,018,597**	**25,234,486**

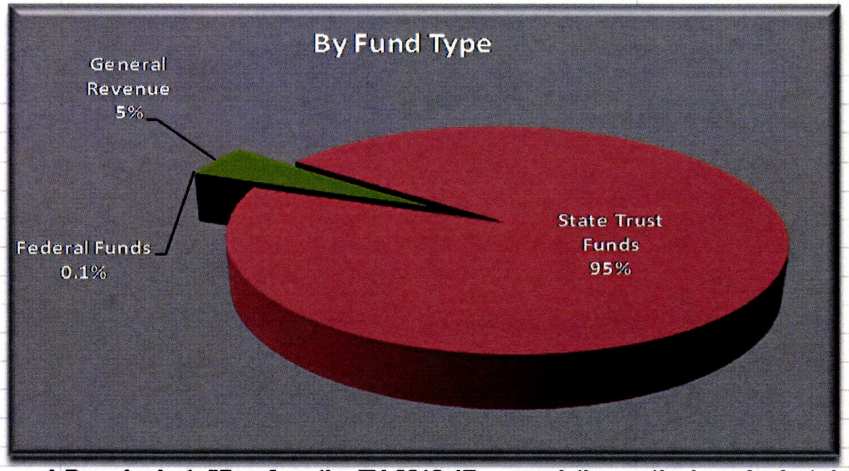
Examples from Base Budget

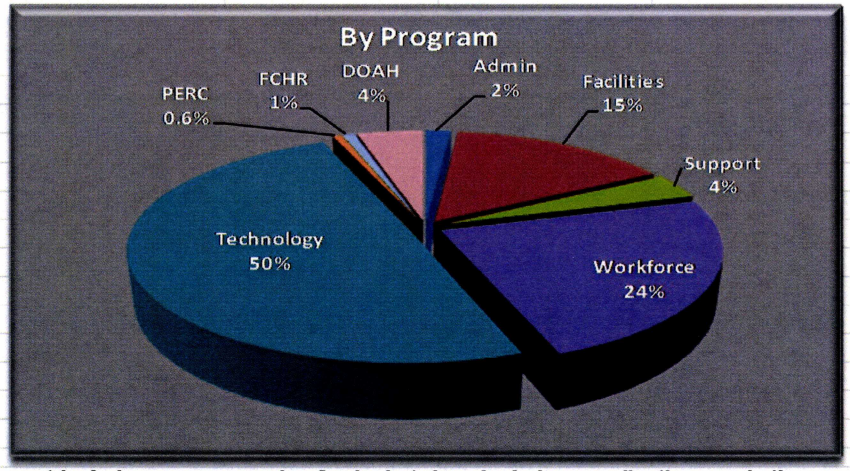
Department of Management Services
Fiscal Year 2017-18 Base Budget Review - Agency Summary

The Department of Management Services is the administrative and operations arm of Florida's state government. The department is organized into the broad areas of Administration, Workforce, Support, Real Estate Management, and Telecommunications Services. The department also provides administrative support for other programs that are responsible for their own mission and statutory compliance.

	FTE	Recurring	Nonrecurring	Total
Fiscal Year 2016-17 Appropriations:	1,075.00	569,836,089	60,015,582	629,851,671

Agency Funding Overview		Base Budget FY 2017-18*				
	Program	FTE	GR	State Trust Funds	Federal Funds	Total
1	Administration	81.00	279,806	9,441,469	0	9,721,275
2	Facilities	267.50	0	86,298,117	0	86,298,117
3	Support	80.00	1,284,745	19,894,657	0	21,179,402
4	Workforce	248.00	18,759,750	116,911,085	0	135,670,835
5	Information Technology	82.00	0	282,948,817	0	282,948,817
6	Public Employees Relations Commission	24.00	1,731,644	1,744,058	0	3,475,702
7	Commission on Human Relations	51.50	4,307,251	206,073	412,142	4,925,466
8	Division of Administrative Hearings	241.00	0	26,075,876	0	26,075,876
9	**Total**	**1,075.00**	**26,363,196**	**543,520,152**	**412,142**	**570,295,490**





* Base budget differs from the FY 2016-17 appropriation as the base budget does not include any nonrecurring funds, but does include annualizations and other adjustments.

Examples from Base Budget

Department of Management Services - Programs & Services Descriptions

A	**Program: Administration**	
	1	**Budget Entity/Service: Executive Direction & Support Services**
		Provides direction and support to the program areas and entities within the department and other entities as required by law. This service provides financial management, personnel, purchasing, internal audit, legal, legislative, communications, project management and performance improvement services, planning and budgeting, print shop, property management, and technology services for the agency. Partial services are provided to the Agency for State Technology and for two commissions - the Commission on Human Relations and the Public Employees Relations Commission.
	2	**Budget Entity/Service: State Employee Leasing**
		Provides a state leasing program which allows employees identified in law to remain state employees and to be leased by Enterprise Florida, Inc. on a reimbursement basis.
B	**Program: Facilities**	
	1	**Budget Entity/Service: Facilities Management**
		Provides project management oversight of the Fixed Capital Outlay (FCO) and tenant improvement funds appropriated by the Legislature, oversees the operation and maintenance of structures managed by the Department of Management Services (DMS) including the Florida Facilities Pool, maintains the facilities' grounds, administers public and private leasing, and manages parking services for state employees.
	2	**Budget Entity/Service: Building Construction**
		Provides project management oversight of the Fixed Capital Outlay (FCO) funds appropriated by the Legislature, or as requested by other state agencies through client agency agreements, for the construction, repair and/or renovation of state-owned facilities and structures. Additionally, Building Construction evaluates state agency and judicial branch FCO requests and makes recommendations to the Executive Office of the Governor on construction requirements and costs as authorized in law.
C	**Program: Support**	
	1	**Budget Entity/Service: Federal Property Assistance**
		Responsible for acquiring and distributing federally owned tangible personal property declared excess/surplus to the federal government and allocated to the State of Florida for the benefit of the citizens of Florida through public agencies and private/nonprofit health and education organizations. Acquisition of federal surplus equipment and supplies by eligible organizations can result in a major cost avoidance in asset procurement, which translates into tax dollar savings. Similarly, this service is responsible for acquiring and distributing U.S. Department of Defense owned tangible personal property declared excess to the needs of the military and approved for the State of Florida for the benefit of state and local law enforcement agencies.

Examples from Base Budget

Administration Program

Fiscal Year 2017-18 Base Budget Review - Details

	Program: Administration	FTE	General Revenue Fund	Trust Funds	Total All Funds	Explanation
		81.00	**279,806**	**9,441,469**	**9,721,275**	
1	**Budget Entity: Executive Direction and Support Services**					
2	**Brief Description of Entity:** Executive Direction and Support Services provides direction and support to the program areas and entities within the department and other entities as required by law. This service provides financial management, personnel, purchasing, internal audit, legal, legislative, communications, project management and performance improvement services, planning and budgeting, print shop, property management, and technology services for the agency. Partial services are provided to the Agency for State Technology, and for two commissions - the Commission on Human Relations and the Public Employees Relations Commission.					
3	Salaries & Benefits	80.00	163,024	6,968,291	7,131,315	The Salaries & Benefits appropriation category provides funding for 80.00 positions. The budget includes costs for salary and wages, and employer contributions for FICA, state retirement, health, life, and disability insurances.
4	Other Personal Services		0	83,164	83,164	The OPS appropriation category provides funding for temporary employees to assist with administrative duties.
5	Expenses		41,497	695,893	737,390	The Expenses appropriation category primarily includes funding for building rent, equipment rental, office supplies, travel, training, communication services and devices, software license fees, subscriptions, and dues.
6	Operating Capital Outlay		0	9,688	9,688	The OCO appropriation category provides funding for the acquisition of furniture and equipment costing more than $1,000 per item.
7	SC: Contracted Services		51,680	258,112	309,792	This special category provides funding for vendor payments for contracted services such as: portal hosted customer relations system (CRS), equipment maintenance contracts, and the customer satisfaction survey contractor.
8	SC: Contracted Legal Services		0	891,000	891,000	This special category provides funding for the payment of outside legal services contracted by the department.
9	SC: Mail Services		0	58,004	58,004	This special category provides funding for vendor payments for the mail services contract with Pitney Bowes.
10	SC: Risk Management Insurance		0	14,096	14,096	This special category provides funding for premiums transferred to the state self-insurance program administered by the Department of Financial Services.
11	SC: Lease Or Lease-Purchase Of Equipment		0	14,427	14,427	This category is used to fund the lease or lease-purchase of equipment, fixtures, and other tangible personal property.
12	SC: Transfers To Dms For Hr Services / Statewide Contract		0	29,777	29,777	This special category provides funding for the transfer of the statewide personnel assessment to the State Personnel System Trust Fund to fund the human resource outsourcing contract and the Division of Human Resource Management.
13	SC: Data Processing Services - State Data Center - Agency For State Technology		23,605	250,143	273,748	This special category provides funding for the transfer to the State Data Center for IT related services such as: communications access, information processing, Internet services, custom application development infrastructure support and maintenance for Internet and mainframe applications, electronic commerce services, and legacy system operations and maintenance.
14	**Total - Exec.**	**80.00**	**279,806**	**9,272,595**	**9,552,401**	

Long-Range Financial Outlook

Article III, Section 19(c)(1), Florida Constitution

- The Florida Constitution states that no later than September 15 of each year, the joint legislative budget commission shall issue a long-range financial outlook setting out recommended fiscal strategies for the state and its departments and agencies in order to assist the legislature in making budget decisions.
- The long-range financial outlook must include major workload and revenue estimates.
- Section 216.012(1), Florida Statutes, states that the commission shall develop a long-range <u>three-year</u> financial outlook.

Government Operations & Technology Appropriations Subcommittee
Fiscal Year 2017-2018

	Long Range Financial Outlook Key Budget Drivers Fiscal Year 2017-18 (in millions)					
Dept	**Issue**	**Total GR**	**Recurring GR**	**NR GR**	**Trust**	**Issue Description**
DOR	Fiscally Constrained Counties - Property Tax	25.3	0.0	25.3	0.0	Funding is based on December 6, 2016 Revenue Estimating Conference. Annually, the preliminary ad valorem tax rolls from all 67 counties are submitted to the DOR each year on July 1. The annual estimate for impact to Fiscally Constrained Counties uses this tax roll information to project the distributions to the counties.
DMS	Non Florida Retirement (FRS) Pensions and Benefits	(0.5)	(0.5)	0.0	0.0	Pension benefits for Florida National Guard and Disabled Judges. Base funding currently is $17.9 million for Non-FRS Pensions of which $16.4 million is for Florida National Guard.
DMS	State Building Pool - General Repairs and Maintenance	18.6	0.0	18.6	9.8	$18.6 million in NR GR and $9.8 million in NR TF for general building repairs and maintenance. Based on a 3-year average of funding. The current backlog of repairs is $210.1 million.
DMS	State Building Pool - Critical Repairs (Life/Safety and ADA)	14.4	0.0	14.4	0.4	$14.4 million in NR GR and $0.4M NR TF for critical repairs related to life, health and safety issues (including ADA compliance) in FY 2017-18. ADA compliance backlog of projects total $158.9 million based on new federal guidelines.
DFS	Florida Accounting Information Resource System - FLAIR Replacement / PALM	24.1	0.0	24.1	21.2	The estimated cost to replace the state's accounting system is $228 million (FLAIR Business Case). The estimated cost for FY 2017-18 was $45.3 million for the first actual year of building a new accounting/cash management system.
DBPR	Compulsive Gambling Prevention	0.3	0.0	0.3	0.0	Section 551.118, F.S., requires the DBPR to contract with a private provider for a compulsive gambling prevention program and funds the program through an annual $250,000 fee assessed to each slot machine licensee (currently 8 licensed). FY 2016-17 General Appropriations Act provides $1.25 million; base $930K. This issue would keep funding at current levels.
DBPR	Legal Costs - Alcoholic Beverages & Tobacco cases	0.4	0.0	0.4	0.0	Estimated funding based on appropriations of $350K NR GR in FY 2015-16 and FY 2016-17 to assist DBPR with legal costs due to tax litigation cases concerning the taxation of Other Tobacco Products. The DBPR was engaged in in over 40 cases as of January 2016.
DMS	Florida Interoperability Network (FIN) - Statewide Law Enforcement Radio System	1.4	0.0	1.4	0.0	Based on the current contract, $1.4 million in nonrecurring GR funding is needed.
DMS	Mutual Aid Buildout (MAB) - Statewide Law Enforcement Radio System	1.2	0.0	1.2	0.0	Based on the current contract, $1.2 million in nonrecurring GR funding is needed.
DOR	Aerial Photography - Property Tax Administration	0.2	0.0	0.2	0.0	Current law requires DOR to provide aerial photos for counties with a population up to 25,000. The cost in FY 2017-18 to do so is $87,308 (Glades County). In FY 2017-18, to fund counties up to 50,000 in population, the need is $167,299 in nonrecurring GR based on DOR's three-year statutory schedule for updating photographs. The Outlook included funding for both Glades County ($87,308) and Okeechobee ($79,991).
	Total	**85.3**	**(0.5)**	**85.8**	**31.3**	

Government Operations & Technology Appropriations Subcommittee

Budget Exercise

Hypothetical Budget Exercise

- Preparation for allocations
- Requires an analytic examination of the base budget
- Target budget reductions based on a uniform methodology to be achieved by each subcommittee.
- Subcommittees are requested to report findings and conclusions to the Appropriations Committee week of February 13th

Hypothetical Budget Exercise

Target A Reduction

(dollars in millions)

Subcommittee	Recurring	NR	Total
Government Operations & Technology	(20.6)	(12.8)	(33.4)

Target B Reduction

(dollars in millions)

Subcommittee	Recurring	NR	Total
Government Operations & Technology	(52.8)	(17.1)	(69.8)

Guidelines for Budget Exercise

- The total reduction amount allocated to the subcommittee must be achieved by:
  - reducing base appropriations,
  - reducing or eliminating items funded in the Long Range Financial Outlook,
  - increasing state revenues,
  - redirecting recurring state trust funds to the General Revenue Fund. A one-time transfer (i.e., sweep) may be used to address the non-recurring portion of the reduction allocation,
  - any combination of the above.
- A recurring reduction may be used instead of a nonrecurring reduction to meet the target total but not vice versa.
- Reductions cannot violate federal law, the U.S. or Florida constitution.
- Agency administrative costs can be reduced but cannot be eliminated.
- Reductions cannot be based upon unrealistic, future-year or assumption-laden savings.
- Federal funds cannot be used to solve the recurring or non-recurring shortfall. Federal funding should be examined however and suggestions made for potential revisions or reductions
- Trust fund reductions must provide information regarding the specific revenue source of the reduction. Reductions should include information regarding the specific budget entity and the program reduced.
- Any revenue increase must include specific information regarding the fee or tax increased and must be within the subcommittee's jurisdiction.
- In addition to achieving the target reductions, subcommittee members may also recommend other reprioritizations of the base.