

**The Florida Senate**  
**PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: General Government Appropriations Committee

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BILL: CS/SB 1424

INTRODUCER: General Government Appropriations Committee and Senator Carlton

SUBJECT: State Financial Matters

DATE: April 13, 2007

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>McVaney</u>	<u>DeLoach</u>	<u>GA</u>	<u>Fav/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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**I. Summary:**

Chapter 216, Florida Statutes, the planning and budgeting law, provides guidelines to the Governor, the judicial branch, and state agencies for developing and submitting legislative budget requests and administering legislative appropriations.

This bill clarifies the State Board of Administration's authority to invest in alternative investments.

This bill limits the initiation of fixed capital outlay projects through the budget amendment process and clarifies that the Legislature may designate the timing and amount of an appropriation to be released in a bill other than the General Appropriations Act.

This bill assigns the Taxation and Budget Reform Commission to the Office of Legislative Services for administrative purposes.

This bill sets specific dates by which the Executive Office of the Governor and the Commissioner of Education must act regarding the transfer of funds to meet class size reduction requirements.

This bill amends the following sections of the Florida Statutes: 215.47, 216.181, 216.1827, 216.192, 216.292, 286.036, and 1003.03.

## II. Present Situation:

Section 215.47, F.S., specifies the limits on investments administered by the State Board of Administration. The provisions relevant to this bill relate to the limitation of no more than five percent of any fund in private equity through participation in limited partnerships and limited liability companies (generally known as the alternative investment pool). In 2006, the Legislature defined the term “alternative investments” more broadly to mean “an investment . . . in a private equity fund, venture fund, hedge fund, or distress fund or a direct investment in a portfolio company through an investment manager.”

Section 216.181, F.S., provides guidelines for amendments to the original approved operating budgets of state entities. The guidelines provide that an amendment:

- Must be consistent with legislative policy and intent.
- May not initiate or commence a new program or eliminate an existing program.
- May not provide funding or increase funding for items which were funded by the Legislature in an amount less than that requested by the Governor or which were vetoed.
- Must be supported by adequate and appropriate revenues available.
- May not conflict with any provision of law.
- May not provide funding for any issue which was requested by the agency or branch in its legislative budget request and not funded in the General Appropriations Act.
- May not provide general salary increases which the Legislature has not authorized.

Section 216.1827, F.S., requires state agencies to maintain a comprehensive performance accountability system based on legislatively adopted performance measures and standards. The agencies are permitted to recommend changes to these performance measures and standards through the review and objection process set forth in ch. 216, F.S. However, the law does not provide any mechanism for modification to activities other than by formal legislative action.

Section 216.192, F.S., specifies the release schedule of appropriated funds. Generally, unless otherwise provided in the General Appropriations Act, up to 25 percent of an appropriation may be released immediately. By August 1, the Executive Office of the Governor must submit to the Chief Financial Officer the release plans for the remainder of the funds.

Section 216.292(5), F.S., prohibits the use of a transfer of funds to initiate a fixed capital outlay project that has not received a specific legislative appropriation. However, the law permits the use of federal funds for a fixed capital outlay project for the Department of Military Affairs if the project does not carry a continuing commitment on future legislative appropriations.

Section 286.036, F.S., assigns the Taxation and Budget Reform Commission (a constitutionally created commission with the power to recommend constitutional amendments) to the Board of Regents for administrative purposes. The Board of Regents was abolished July 1, 2001. The responsibilities of the board have not been reassigned.

Section 1003.03, F.S., requires the Executive Office of the Governor to process a budget amendment to transfer funds from a school district’s operating categorical to the district’s approved fixed capital outlay category for class size reduction if the district has failed to meet its

class size reduction requirements. However, the Commissioner of Education may recommend an alternative transfer amount if the Board of Education has reviewed evidence that the district took appropriate efforts to meet the requirements. This alternative transfer amount is subject to approval by the Legislative Budget Commission. The law does not set specific dates by which the Executive Office of the Governor, the Commissioner, or the Legislative Budget Commission must act.

### **III. Effect of Proposed Changes:**

**Section 1** amends s. 215.47, F.S., to adopt the definition of “alternative investments” for this allocation of funds.

**Section 2** amends s. 216.181, F.S., to specify that an interim budget amendment may not initiate a new fixed capital outlay project. However, the Executive Office of the Governor may approve a budget amendment relating to federal funds provided to the Department of Military Affairs for specific fixed capital outlay projects.

**Section 3** amends s. 216.1827, F.S., to allow agencies to recommend modifications to, or creation of activities.

**Section 4** amends s. 216.192, F.S., to allow any legislative enactment, not only the General Appropriations Act, to specify an extraordinary release amount for an appropriation.

**Section 5.** amends s. 216.292, F.S., to make a conforming change to the modifications in section 2 of this bill.

**Section 6** amends s. 286.036, F.S., to assign the Taxation and Budget Reform Commission to the Office of Legislative Services for administrative purposes.

**Section 7** amends s. 1003.03, F.S., to require the Executive Office of the Governor to transfer school district funds to the class size reduction category for those districts that fail to meet the class size reduction requirements. The Commissioner of Education may recommend an alternative amount to transfer by February 15.

**Section 8** provides that the bill shall take effect July 1, 2007.

### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

## **VIII. Summary of Amendments:**

None.

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This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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