



A BUDGET INVESTING IN FLORIDA'S FUTURE

2019-2020 FISCAL YEAR

Florida's adopted budgets in the previous decade have focused on tax giveaways and handouts for corporations while Florida's families struggled to make ends meet. At the same time, the previous legislatures boasted about the reduction of more than \$10 billion in revenues over a decade which could have been used to invest in Florida's communities.

While the number of jobs in the state have increased over that period as the nation recovered from the Great Recession and our population grew by more than 2.5 million people, the connection between tax cuts and subsidies for profitable corporations and

job growth is tenuous at best. Moreover, the recovery from the recession has been uneven with a majority of Florida's counties lagging behind.

The 2019-2020 New Sunshine Deal budget is the first step to reversing the disturbing trend of starving the state of resources available for needed services and capital investments.

The focus of the New Sunshine Deal is one of common-sense investments in our families, communities, and businesses that will provide the basis for building a strong state economy that works for all Floridians.

The experience of states across the nation and empirical studies have shown that tax cuts and subsidies are not the answer to create broad prosperity. They routinely fail to have a significant impact on job creation. The businesses, mostly local startups, that create jobs rely on high-quality K-12 and higher education that generate a skilled workforce, roads and bridges well maintained and with sufficient capacity to serve their needs and a natural and built environment conducive to quality of life that will attract the skilled workers they need to grow and thrive.

Florida is a state in which everyone can contribute, achieve financial stability and, ultimately, prosper. As policymakers, legislators can move the state in this direction by investing in our residents' potential and in our natural and built environments by crafting policies that help the many Floridians struggling to make ends meet.

The New Sunshine Deal budget keeps in mind the challenges ahead. Florida's population is projected to grow to 26 million by 2030. Climate change threatens our coastal areas. Our environment is suffering. We lag behind in many metrics reflective of our ability to compete in the economy of the future. Too many of our residents lack the opportunities they need to thrive. The investments proposed in this budget outline

and respond to all of these challenges and will help us build an economy that works for all.

OVERVIEW

The New Sunshine Deal's total recommendation for the Fiscal Year 2019-2020 budget is nearly identical to the one proposed by Governor DeSantis. While providing more support for the working families of Florida, increasing teacher pay, increasing state worker pay, protecting our environment, and supporting our state's agriculture. This is all accomplished while adding roughly \$700 million more to the state's reserves than Governor DeSantis, ensuring fiscal responsibility by properly preparing the state for future rainy days.

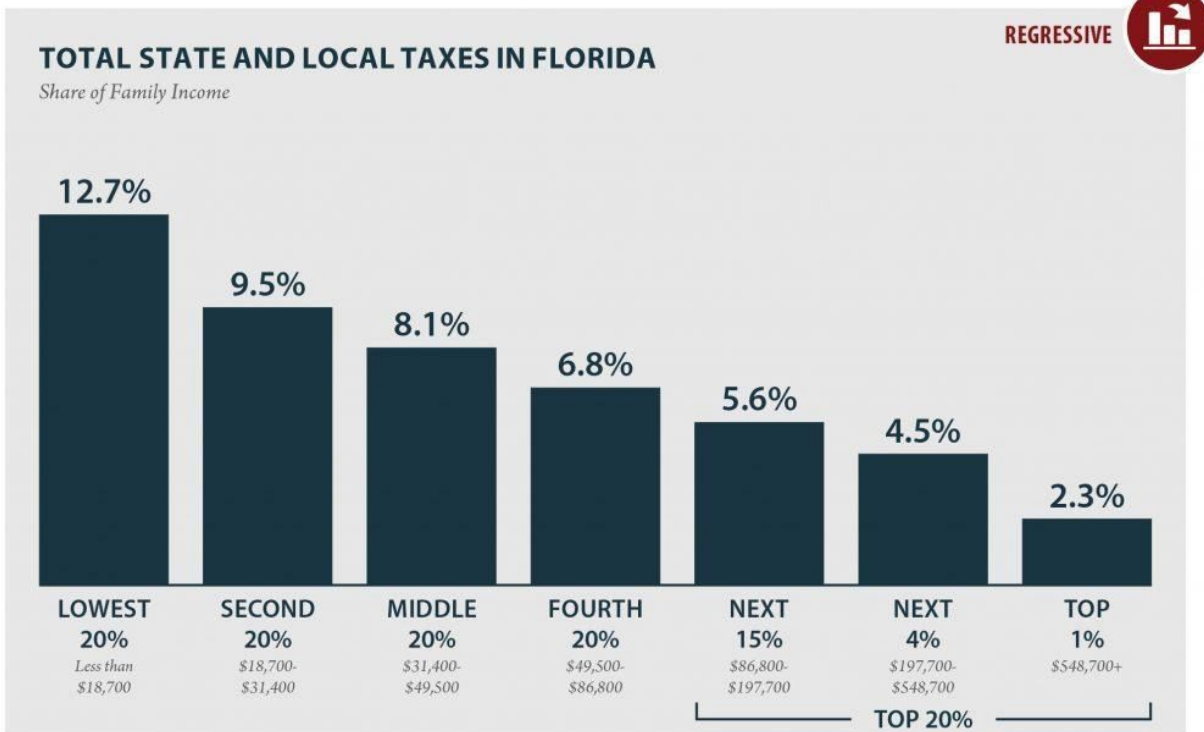
TAX REBATES FOR WORKING FAMILIES

Working Families Tax Rebate Program

\$524 million

The New Sunshine Deal understands that the state's tax burden falls most heavily on our families at the lowest income levels. Because of its reliance on regressive taxes and fees, Florida's poorest families pay the highest proportion of their incomes supporting state and local governments.

The nonpartisan Institute on Taxation and Economic Policy's (ITEP) most recent "Who Pays" report ranks Florida 48th in the nation in terms of the fairness of its tax systems. Families in the lowest 20% of income, making less than \$18,700 annually, pay 12.7% of their earnings in state and local taxes while those with incomes in the top 1%, exceeding \$548,000, pay only 2.3% of their incomes.



Source: Institute on Taxation and Economic Policy: "Who Pays" 6th Edition

The New Sunshine Deal addresses this disparity by providing \$524 million to create the Working Families Tax Rebate Program. The funding will serve as a rebate against taxes paid by working families struggling to make ends meet. It will also serve to expand our economy and create jobs.

The program piggybacks off the federal Earned Income Tax Credit (EITC) and benefits are set at 10% of the federal credit for each working family that claims the rebate. The Federal EITC program is billed as the most successful anti-poverty program in our nation's history and has received bipartisan support since its creation in the 1970's because it rewards work.

Beyond providing help for working families struggling to make ends meet, the program will serve to stimulate the economies of the communities in which these families live.

Putting dollars in the hands of those most likely to spend them will ensure that there is spinoff economic benefit that tax reduction programs are designed to provide.

Sales Tax Holidays to Save Families

Included

The New Sunshine Deal includes sales tax holidays that will benefit Florida's families. This includes funding for two holidays which will save an estimated \$45.3 million in the upcoming fiscal year, including: \$39.5 million from a three-day back-to-school sales tax holiday helping Florida families prepare for the upcoming school year; \$5.8 million from one-week disaster preparedness sales tax holidays to encourage Floridians to be prepared for the hurricane season.

ADDITIONAL TAX RELIEF FOR BUSINESSES

Reducing Commercial Lease Tax

\$62 million

Recent legislative action in conjunction with budget adoption reduced the sales tax on commercial rents by .3%, providing relief to businesses throughout the state. This proposal would provide an additional .2% reduction in this tax.

INVESTING IN THE FUTURE: OUR YOUTH

The single most important, forward looking investment state government can make is in our youth. They are our future.

That future will be brightest when young people have access to a school system that is adequately funded, built and administered to improve education outcomes. That system must start at the pre-school level and continue through K-12 years and producing graduates ready to contribute to the workforce of a changing economy.

Unfortunately, comparing our system to others nationally demonstrates that we have not invested sufficiently to achieve that system. Education Week, in its annual “Quality Counts” reports, compares K-12 school systems across the fifty states. The most recent Quality Counts reports finds that Florida lags in a number of educational achievement metrics and toward this end, the New Sunshine Deal’s budget includes the following funding.

K-12

Categorical Salary Increase

\$747.5 million

Our ability to provide a high-quality education to our children depends on our ability to attract and retain the best teachers to inspire them to learn and staff to support those teachers. Unfortunately, the salary levels our districts can offer are far short of levels adequate to ensure the best educators staff our schools. “Best and Worst States for Teachers”, a recent study by Wallet Hub, ranked Florida 47th among the states and District of Columbia citing low pay and rapid turnover.

To remedy this situation, the New Sunshine Deal proposes to provide an additional \$747 million as a dedicated categorical in the FEFP to provide an across the board salary increase for Florida school personnel. This increase would constitute a first step toward increasing salaries by 13% which would have teachers paid at the national average.

Additional Increase for Mental Health Services

\$24 million

The tragedy at Parkland has drawn attention to the lack of funding for mental health services in our schools where pressures attendant to changes our youth go through are severe. The New Sunshine Deal delivers additional funding in the amount of \$24 million for school districts to supplement mental health services provided their students.

Florida Mass Shooting Trust Fund

\$27.5 million

The New Sunshine Deal appropriates \$27.5 million in a newly created trust fund for mental health assistance for victims and witnesses of mass shootings.

Voluntary Pre-K Funding Increase

\$11 million

Pre-K programs have been shown to improve educational outcomes during school years and improved economic performance throughout life. Increased funding for voluntary Pre-K programs is the best investment in Florida's future. The New Sunshine Deal Budget provides an increase of \$11 million for these important programs.

Hope Scholarships

\$140 million

The New Sunshine Deal proposes eliminating the recently created Hope Scholarship program for a budget savings of \$140 million. The program has not generated much demand and the premise behind it, that bullying in our schools is best dealt with by removing the bullied rather than dealing with the bully is flawed at best.

Restore Full RLE

\$289.7 million

The New Sunshine Deal calls for maintaining the full Required Local Effort (RLE) freeing these funds for to adequately pay our teachers and support staff.

Eliminate Teacher Bonus Program

\$423 million

The New Sunshine Deal was created with the belief that Floridians deserve investments into their communities and that includes investing in our teachers who need an across the board salary increase, not arbitrary bonus programs. The proposed salary increase amounts to \$747 million. The funds saved from eliminating the bonus program will contribute toward the cost of the salary increase. A salary increase that is added to salary base and can be relied on year after year is a better approach to adequately

compensating our teachers and support staff than a bonus that is not guaranteed to continue.

Reduce PECO Funding for Charter Schools

\$105 million

The New Sunshine Deal calls for the reduction of PECO capital funding for charter schools throughout the state. Capital funding made available in support of these facilities should not exceed the amount of funding available for our traditional public schools.

Higher Education

HBCU Matching Endowment Scholarship Program

\$2 million

The New Sunshine Deal includes \$2 million to create and fund a matching endowment scholarship program for Historically Black Colleges and Universities located within the state of Florida.

College Security and Mental Health Funding

\$10 million

The New Sunshine Deal Budget includes \$10 million of badly needed funds for the state's college system to improve campus security and provide additional mental health services.

HEALTH

Good health is a prerequisite for quality of life and the ability to be productive in the workforce. Unfortunately, Florida has underinvested in the health of its residents for far too long.

More than 2.6 million Floridians, 12.9% of our population, lacked health care coverage at some point in 2017 according to the U.S. Census Bureau. Florida's uninsured are unable to access affordable routine health care that would keep them productive in the short term. They are also more susceptible to chronic conditions that would cost more to treat in the long term. Response to catastrophic health events in the absence of coverage can send hard working Florida families into bankruptcy.

The state's failure to take advantage of the opportunity to expand Medicaid coverage provided by the Affordable Care Act, leaves too many Floridians without access to care and billions of dollars that could be stimulating our economy, languishing in Washington.

The New Sunshine Deal budget proposes the following initiatives to ensure that all of our residents have access to the health care they need to thrive and contribute to Florida's economic growth.

Medicaid Expansion

\$150 million

More than 700,000 Floridians would benefit from affordable healthcare should Florida expand Medicaid as provided by the Affordable Care Act. Expansion would also deliver billions of federal dollars into the state's economy, stimulating growth and creating jobs. It is expected that expansion will deliver general revenue savings in beyond the modest 10% state contribution to coverage for Floridians newly eligible for health care.

Opioid Epidemic Funding

\$15.4 million

Opioid abuse has brought tragedy to too many Florida families. Funding for programs to combat the epidemic is increased by \$15.4 million over the recommended level bringing total program funding to \$100 million.

Navigators Funding

\$2 million

Recent cuts at the federal level have decimated the ability of health care navigator programs to help Florida families enroll in coverage available under the Affordable Care Act. The proposed funding would restore support for these valuable programs to previous levels, resulting in more Floridians with needed coverage.

Family Planning/STD Prevention Funding

\$10 million

State funding in the amount of \$10 million is provided to supplement sexually transmitted disease prevention and treatment programs funding through the federal Center on Disease Control's Section 318 grant program. Funding would go to organizations providing medically accurate information about reproductive health care.

BUILDING THE ECONOMY OF THE FUTURE

The past decade has seen an approach to job creation based on corporate tax cuts and subsidies to profitable businesses. This approach has failed to bring good paying jobs to the state and to deliver on the promise of prosperity that benefits all Floridians. Many counties are no better off than they were before the recession.

The vast majority of new jobs created in any economy come from small businesses started and grown by entrepreneurs native to that economy and attracted to build their futures by the quality of life of their communities, the access to the skilled workforce and public infrastructure critical to the success of their business.

The optimal role of public policy is ensuring that the conditions are in place for entrepreneurs to start and grow their businesses. While fulfilling this role is central to

every proposed investment in this budget proposal, the following represent some specific initiatives geared to sow the seeds for economic growth.

Full Funding for Agriculture & Consumer Affairs **\$197 million**

Agriculture is a major driver of Florida’s economy. The New Sunshine Deal proposes full funding for the Department of Agriculture and Consumer Affairs to provide funding in order to adequately fund its efforts in support of the industry.

Arts & Cultural Funding **\$58 million**

Funding in support of the state’s arts and cultural organizations is restored to a higher level than recent years in the New Sunshine Deal. These organizations and institutions provide a quality of life to our communities while supporting the tourism that constitutes a major driver of our state economy.

Veterans Entrepreneur Training Grants **\$1 million**

Small businesses are the most effective economic engine in creating new jobs. This budget proposal includes an additional \$1 million to support grants to veterans to assist them in entrepreneurial endeavors as requested by the Department of Veterans Affairs.

AFFORDABLE HOUSING

When it comes to affordable housing, Florida has a crisis. More than 900,000 households pay more than 50% of their incomes to place a roof above their heads. More than 30,000 Floridians, including families and veterans are homeless here, more than all but two other states. Given our economy’s reliance on low wage jobs, this situation is not likely to improve soon. The prevalence of hurricanes and other

environmental disasters means that a significant number of our housing units are routinely removed from the stock.

And our housing situation is not only bad for those suffering from affordability problems. It's bad for our economy as the workforce entrepreneurs need to staff their new and growing businesses that can't afford to live in proximity to job opportunities.

On the other side of the coin, investments in housing construction and rehabilitation, have a spinoff effect, creating more jobs in local communities throughout the state.

In the face of these facts, the choices made in the last decade to sweep more than \$2.2 billion from the Sadowski Trust Fund are exceedingly unfortunate. The New Sunshine Deal is a commitment to protecting housing dollars in the Trust Fund dedicated for its intended purpose, but more is needed in light of the need to rebuild housing lost to recent hurricanes. The New Sunshine Deal proposes to do more in light of this need.

Sadowski Trust Fund Program **Included**

The New Sunshine Deal provides full funding to the state's affordable housing programs, such as SAIL and SHIP, and calls for legislation that would prevent any further sweeps from the Sadowski Trust Fund.

Additional Housing Funding for Hurricane Impact Areas **\$24.7 million**

Recent hurricanes have devastated housing in impacted portions of the state. In order to address these needs, the budget proposal includes bonding at a debt service cost of \$24.7 million to respond to these needs. This additional funding would obviate the need to divert Sadowski Trust Fund resources from other areas of the state with critical needs for affordable housing, and through bonding provide the Panhandle with \$247 million in housing support.

PROTECTING OUR ENVIRONMENT

Perhaps the greatest attraction our state has to offer to our current residents and those who might come here to visit, live, work or do business is our natural environment. Our beaches, springs, lakes and forests are the basis of our tourism industry and the quality of life we have come to cherish. If our successes as a state are to continue into the future, we must make the investments necessary to protect them.

This means acting as a responsible steward of our public lands, cleaning our waterways, preserving our beaches and building our resiliency in the face of climate change that threatens our coastal areas.

The New Sunshine Deal Budget includes the following funding to protect our most valuable resource.

Florida Forever Funding

\$200 million

The New Sunshine Deal proposes funding Florida's premier conservation and recreation lands acquisition program at \$300 million with the anticipation of using this funding for bonding. This bonding will provide the state with the purchasing power of \$3 billion dollars.

Innovative Solutions to Algae

\$20 million

Blue green algae originating in Lake Okeechobee has been spilling through the Caloosahatchee and St. Lucie Rivers and fouling our beaches and coastal wetlands on both coasts. Its negative impact on tourism and quality of life cannot be overstated. Similar impacts from Red Tide have been felt in much larger areas of our coastline. The New Sunshine Deal Budget includes \$20 million beyond the current proposed funding to address this problem more thoroughly and expeditiously.

Resiliency Projects

\$20 million

Many coastal areas in the state are already threatened by rising seas. \$20 million in funding is provided in support of climate resiliency projects for the new Office of Resilient Coastline Program in Florida communities threatened by climate change.

Beach Restoration

\$20 million

Many of our best beaches are suffering from erosion. Funding for beach nourishment projects is provided at a level \$20 million beyond the amount recommended.

PUBLIC SAFETY

The New Sunshine Deal backs significant criminal justice reform as a means to ensure public safety while also ensuring that only those that pose a risk to safety are incarcerated. Reform will appropriately see the state move from having one of the highest incarceration rates in the nation.

Savings generated from downsizing our correctional system needs to be reinvested in mental health and substance abuse services and ensuring that those released from the system have the best possible chance at a successful reentry into society.

The New Sunshine Deal proposes the funding increases needed to prepare for criminal justice reform that will, hopefully, be passed in this session.

Enhanced Offender Rehabilitation

\$20 million

Formerly incarcerated people returning to society need adequate services to ensure that their return is successful. A smooth transition to the community and gainful employment will ensure they do not reenter the system. \$20 million in additional

funding is included to fund enhanced offender rehabilitation services in the Department of Corrections.

GENERAL GOVERNMENT

The New Sunshine Deal Budget calls for other funding in general government areas that will support the initiatives outlined above. These are outlined below.

Salary Increase for State Workforce \$64.2 million

The public workforce is our state’s greatest asset. In past years, salaries have failed to keep pace with the cost of living and the increases in productivity they have delivered. The New Sunshine Deal Budget makes an additional investment in the workforce to reflect these dynamics, calling for an increase of \$1,000 for each employee in state service with a general revenue impact estimated at \$64.2 million.

Administrative Costs: Working Families Tax Rebate Program \$10 million

Administering the Working Families Tax Rebate Program will entail administrative costs. The New Sunshine Deal proposal includes \$10 million to cover these costs.

United Way VITA Funding \$3 million

Funding provided in prior years for programs to assist taxpayers in maximizing the amount of federal income tax credits and refunds they receive have provided a positive return on investment both for the families receiving the assistance and our economy as additional federal funds were brought into our communities. Funding in the amount of \$3 million is included to continue this valuable program.

Comprehensive Compensation Study \$1 million

Funding of \$1 million is provided for a comprehensive study of employee compensation in Florida state government to provide recommendations aimed at adjusting salaries in future years across agencies and in line with salaries provided in comparable states.

Infrastructure Priority Study

\$3 million

Florida's infrastructure needs are great, both in terms of deferred maintenance of existing capital assets and new infrastructure needed to address a growing population. \$3 million is provided for a study to enumerate and prioritize these needs and recommend strategies for meeting them in future budgets.

Workforce Training Needs Study

\$1 million

Economic Development in the Sunshine State is dependent on the availability of a skilled, trained workforce to meet the needs of the jobs of the future. Funding is provided to determine the workforce training needs and the best method to provide that training.

PROPOSED REVENUE INITIATIVES

The following provides a brief description of revenues supporting the New Sunshine Deal budget proposal. All dollar figures are expressed in millions.

Worldwide Corporate Combined Reporting

\$1156 million

A recent report (1/17/2019) from the progressive Institute on Taxation and Economic Policy (ITEP), estimates the additional revenue that could be generated in Florida by adopting combined corporate reporting for tax purposes at \$1.156 billion. Every year, corporations use complicated schemes to shift U.S. earnings to subsidiaries in offshore

tax havens—countries with minimal or no taxes—in order to reduce their state and federal income tax liability by billions of dollars.

Meanwhile, smaller, wholly-domestic U.S. businesses cannot game the system in the same way. The result is that large multinational businesses compete on an uneven playing field, avoiding taxes that their small competitors must pay. Innovation in the marketplace is replaced by innovation in the tax code.

Closing this loophole will generate revenue to support the investments that will generate jobs and economic growth in the Sunshine State.

Tax on Online Sales

\$426 million

A recent decision in federal court has opened the door for states to tax all online sales from out of state vendors. The New Sunshine Deal proposes state legislation that would take advantage of this opportunity. This would “level the playing field” and remove an incentive to patronize out of state retailers at the expense of local small businesses. The estimate of additional revenue to be collected reflects the low estimate produced by the General Accountability Office.

Eliminate Sales Tax Loopholes

\$217.6 million

The state of Florida has numerous sales tax loopholes many of which solely serve the purpose of benefiting the rich, at the expense of working families. The New Sunshine Deal has identified 18 loopholes that would be eliminated. In addition to eliminating these exemptions now, the proposal includes legislation to automatically sunset all Florida tax expenditures on a rolling basis, require cost/benefit analyses and an affirmative vote to reinstate them based on that analysis.