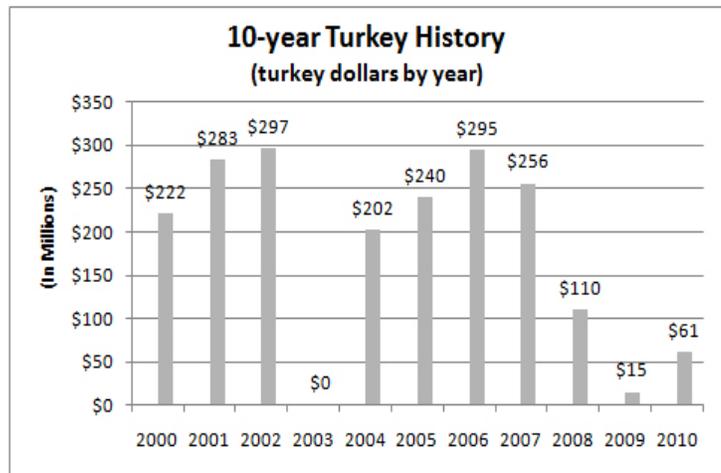


The 2010 Florida TaxWatch Turkey Watch Report

Turkeys Circumvent Accountability, Fair Procedures, Budget Priorities and Integrity

Despite facing the largest budget shortfall in the state’s history, legislators added numerous member projects and other projects historically referred to as “turkeys” to the FY 2010-11 state budget. Equally, despite a budget process that in some aspects was one of the most open in years, some projects were still added late in the conference – even after the conference committees had finished their work and unresolved issues were “bumped” to the leadership. This year Florida TaxWatch has identified 41 appropriations worth \$60.6 million as budget turkeys.



“The most delicious of all privileges— spending other people’s money.”

John Randolph,
Early 19th Century
Member of Congress

The Florida TaxWatch annual Turkey Watch spotlights legislative projects placed in the budget without proper opportunity for public review and debate, which circumvent lawfully established procedures, or which non-competitively benefit a very limited special interest or local area of the state. **The “budget turkey” label does not condemn a project’s worthiness,** but instead focuses on the budget process, including instances where the Legislature has not followed its own policies and procedures to ensure the highest standards of accountability and government efficiency.

This year’s turkey is relatively small compared to recent history, but it is an increase from last year’s \$15 million total. The increase is surprising – not only because of the tight fiscal situation – but because prior to the session, both the House Speaker and Senate President told members that there was no money for member projects and there would not be a Community Budget Issue Request (CBIR) process this year.

As was the case last year, there was much uncertainty about how much revenue was going to be available for the budget, due to the anticipated extra federal Medicaid assistance (FMAP). Given these circumstances, and the fact that the House and Senate took very different approaches to developing their respective budgets, the Florida TaxWatch review allowed for a bit more legislative discretion for appropriations added late in the process, especially those that are for state operations or programs that have been historically funded.

The 2010 turkey consists largely of appropriations to specific organizations that were added in conference and appropriations that bypassed established selection processes or competitive bidding.

Most of these projects could be considered local member projects.

Appropriations to specific organizations added in conference. This type of appropriation is a clear-cut “turkey” as defined under Florida TaxWatch criteria. A project added in conference means that it was not requested by an agency, not recommended by the Governor, and not included in the House or Senate budget as passed by the respective chamber. This lack of scrutiny was highlighted in a grand jury’s indictment of a past Speaker of the Florida House of Representatives when it stated: “The appropriation process that gives unbridled discretion to the President of the Senate, Speaker of the House of Representatives and Appropriation Chairmen needs to be changed. The procedure currently in place requires that our elected Legislators vote on a final budget that they have no knowledge about because it is finalized in a meeting between only two legislators. This process allows taxpayer money to be budgeted for special purposes by those few legislators who happen to be in a position of power.” While this is not to suggest that any of these appropriations rise to the level of that case, it does serve as an important reminder that there are serious problems with adding appropriations, especially to private or local recipients, late in the process.

Transportation projects not in the DOT work program. This is another type of appropriation that has historically been a clear-cut turkey. The Department of Transportation has an effective legislatively established process, beginning with local input, which determines how and where our state transportation dollars are spent. Items inserted into the budget outside of the work program process result in delay or elimination of projects that did go through the process. Adherence to this established process is especially important this year after the Legislature swept \$160 million from the State Transportation Trust Fund (STTF) to use in the general revenue budget, a move which affected many previously planned projects.

The raid of the STTF was controversial. The House planned to sweep \$428 million from the State Transportation Trust Fund (STTF) for use in other areas. The Senate’s position was not to raid the fund. During the budget conference, it was agreed to sweep \$160 million (\$40 million would be restored in the state receives the FMAP money). Florida TaxWatch, along with many other organizations, led by the Florida Road Builders Association, has repeatedly urged the Legislature to not raid the State Transportation Fund. This very short-sighted measure would cost Florida thousands of jobs. Because this sweep received significant debate during the session, it does not qualify for the turkey label. However, the Governor has indicated he may veto the sweep, especially if he can “de-couple” it from language inserted in the budget that mandates that if vetoed, education funding would be reduced. Florida TaxWatch supports such a veto.

Other projects that bypass established selection processes or competitive bidding. Some local projects that were placed into the budget before conference, either in the House or Senate budget, are also designated turkeys because they bypass established selection processes or competitive bidding. For example, the Department of State has a grant process for Cultural and Museum Grants. Specifying a specific recipient in proviso language circumvents that peer review selection competitive process.

Similarly, awarding contracted services to specific providers bypasses competitive bidding and agency input into where limited funds are needed most.

A Word About Higher Education PECO Funding

Another area that has historically been a source of turkey-labeled projects is spending for university and community college building projects. This year, none of those projects are on the Turkey List, despite a huge influx of funding and the late addition of projects.

This year, the Senate has a proposal to change the communications services and gross receipts taxes that, while not a tax increase, had the effect of shifting about \$20 million from general revenue into the public education capital outlay (PECO) fund to allow for more bonding. As a result, Senate budget has \$234 million more college and university projects than the House. This legislation was subsequently approved by both chambers.

Both the Florida College System and the universities' Board of Governors prepare PECO budget requests and a prioritized three-year capital outlay request. Historically, Florida TaxWatch has used these to determine if building projects were turkeys. The added bonding capacity allowed the Legislature to fully fund the college and university capital budget requests. Additional money provides an opportunity for legislators to secure funding for projects that may not be the highest priorities. This did not happen this year.

In addition to fully funding the 2010-11 requests, all of the additional projects were on the three-year list or were high priorities on the individual institutions' Capital Improvement Plans. Most were top priority. Moreover, during the conference process, when the two budget chairs met to discuss spending for community college and university building projects, representatives from each institution were invited to make their case for funding. This public input, especially at the conference chair level, is very rare, if not unprecedented. All funded projects were discussed at that meeting.

The process was not perfect. Five projects were added in conference, presumably because the Senate developed the original list of new projects and the House then added its input. But these projects were discussed in public and were all high priorities of the institutions. In addition to the PECO money, \$6.4 million in general revenue was inserted in conference. If this money would have been specified for a newly inserted project, it would have likely been labeled a turkey.

There is legitimate debate as to whether the state should add the additional bonding when the state is already above its 7% debt service to revenue benchmark ratio. But that is not the focus of the turkey report. The added funding was approved in legislation in the normal process and the legislators did a good job of adhering to the process in distributing those funds. Therefore, none of the projects appear on our Turkey List.

What Else Could A Turkey Buy?

One of the best arguments for stopping turkeys is the many essential state services to which the funds spent on budget turkeys could otherwise have been appropriated. The value of the opportunity cost of state funds is especially high this year, when many core government services suffered funding cuts. Here are just a few alternatives to turkeys.

- **Saving Transportation Jobs** – Reduce the raid of the State Transportation Trust Fund by

almost half, which would save approximately 60 jobs per million dollars not raided or more than 4,000 jobs.

- **Restore Funding Cuts to Programs Serving Vulnerable Floridians:**
 - **\$14.4 million** for adoption subsidies to families that adopt foster children that was eliminated
 - **\$2.6 million** was Healthy Start coalitions, serving at-risk pregnant women and infants, that was cut
 - **\$10 million** for Healthy Families, which prevents child abuse and neglect, which was cut. Approximately 4,500 families are expected to be dropped from the program.
- **Student Funding** – \$60 million could increase per student funding for K-12 by \$22.68 (60,000,000/2,645,079.41)
- **Teachers/Education** – Every \$1 million could provide one of the following:
 - 18 additional teachers (at an average salary and benefits of \$55,000)
 - qualified Voluntary Pre-K teachers for 35 half-day classes
 - 100,000 hours of direct tutoring time
 - 2,000 computers
 - 18,000 new textbooks

The Florida TaxWatch Budget Turkey Review Process

The annual Florida TaxWatch Turkey Watch is a review of the state budget passed by the Legislature. It highlights appropriations that were determined by Florida TaxWatch to have bypassed the proper appropriations review process. These items are recommended to the Governor for line-item veto.

It must be stressed that this is not a critique of an individual project's merit, value or "need," but instead the review looks at how an item makes it into the budget, often pointing to instances where the Legislature has not followed its own set policies and procedures in the budget process. The analysis focuses legislative projects placed in the budget without full opportunity for public review or which circumvent competition and lawfully established procedures. These appropriations often benefit a very limited special interest, a specific local area of the state, or a specific private organization.

An example: After the House and Senate each pass their respective budget, a conference committee is formed to compromise the differences between the two. From a good public policy perspective, this should not be the time to add new projects into the debate. By doing so, the conference committee circumvents the established budgeting process and may afford only a few legislators the opportunity to make the decisions on how state funds will be appropriated. Because the final Conference Report cannot be amended – it can only be voted up or down – this places the rest of the Legislature in the position of having to vote the entire budget down in order to object to specific items. Again, many of these projects may be worthwhile, but the fact remains that special earmarks ignore or limit fiscal and performance accountability, agency flexibility and discretion, and often bypass competitive selection processes.

Most of these appropriations are local projects and tend to be “member projects” – appropriations requested by individual legislators for their district. The extent to which the state should fund local projects is a debatable issue, but when it does, care must be taken that a broad and public consensus has been reached on whether the state should be assisting with the funding of the specific type of local project. This then ensures that the selected projects must have received sufficient review, followed any selection process that may have been properly established, and competed against other similar projects across the state.

It is important to understand that every year the state funds billions of dollars worth of “local” projects. These can be part of a statewide system for which it is generally accepted that the state has some responsibility, such as transportation or school construction. There are also state programs to fund projects that are perhaps more local in nature, such as parks, public libraries, and cultural programs.

Generally, these local projects are not specifically named in the appropriations act. The Legislature decides the level of funding and the funds are distributed to the projects selected through established processes. Securing local project funding outside of such processes – or funding one for which a process does not exist – requires that it be added by name to the budget document. These projects are clear examples of traditional “turkeys” and form the core of the Turkey Watch review.

Examples of Turkeys

1. Projects that did not go through review and selection processes that are established in state law or rule. Examples include transportation, school construction and local parks. Projects that go through the process but are funded ahead of higher priority projects (as determined by the process) can also be turkeys.
2. Appropriations that were inserted in the budget during conference committee deliberations, meaning they did not appear in either the Senate or House final budget.
3. Subsidies to private organizations, councils or committees that can and should obtain funding from private sources.
4. Local government projects benefiting local area residents but lacking significant local funding support and/or overall benefit to the state as a whole.
5. Appropriations that circumvent competition and mandate that a specific vendor or project receive funding.
6. Projects or programs added late in the process that bypass legitimate review and proper evaluation because they were not in an agency budget request or the governor's recommended budget or were not on the agenda for legislative committee hearings.
7. Other turkeys may include: appropriations from inappropriate trust funds, duplicative appropriations and appropriations contingent on legislation that did not pass.

"Public money ought to be touched with the most scrupulous conscientiousness of honor. It is not the produce of riches only, but of the hard earnings of labor and poverty."

Thomas Paine

Research Process

The first step of the Florida TaxWatch review is to go through the final budget passed by the Legislature (conference report) in order to highlight specific appropriations that were added to the budget after the Governor's recommended budget. The focus is on appropriations for which the recipient is specifically named—such as a city or county, an organization, or a vendor. Appropriations in the Governor's budget are rarely considered in the turkey review. This is not to say that the Governor's budget is free of waste, questionable projects, or even parochial spending. However, if an appropriation in the Governor's budget makes it to the conference report, that generally means that it was reviewed and approved at all levels—agency, executive, and legislative. It should be noted that the Governor's budget contains far fewer specifically named recipients than the conference report.

The next step in the TaxWatch review process is to determine when the item entered the process—whether during the agency budget request, the Governor's recommendations, via appropriations committee bills, the final House and Senate budgets, or in the conference report. Generally, the earlier an item has entered the process the better—turkeys tend to show up later in the appropriations process. Usually, almost all conference-added items receive the turkey designation. Florida TaxWatch carefully considers allowing for some legislative flexibility if a project is truly beneficial statewide and was added due to unique and/or special circumstances, such as authorization to spend federal money that may have become available late in the appropriations process and therefore would not be utilized otherwise. The unique circumstances of this budget year led to a greater allowance for legislative discretion than in past years.

In further recognition of legislative prerogatives, Florida TaxWatch usually does not designate items that were funded in both the House and Senate final budgets as turkeys, except under special circumstances, such as bypassing an established competitive process for local projects.

After a list of potential turkeys is developed, each item is researched and the relevant state agency is contacted to confirm that the agency did not include the item in the agency's legislative budget request. For the most part, an item requested by an agency is not a turkey. The agency also provides information as to whether the appropriation is consistent with the agency's mission, if the agency has been involved with the appropriated item previously, and if any proviso language unnecessarily restricts the agency or the item's options. Florida TaxWatch also establishes whether the agency funds similar programs to the item(s) in question and, if so, how those projects are selected.

Information can also be obtained from the Governor's Office, the Legislature, and the potential recipient of the funds.

BUDGETING WITHOUT DISCIPLINE

Just as the Rule of Law is critically essential in a civil society, so is the integrity, transparency and accountability of the budget process to ensure the highest and best use of the taxpayers' hard earned money.

10-YEAR TURKEY HISTORY

Year	Number of Items on Florida TaxWatch List	Amount	Of Florida TaxWatch Recommendations	
			Number & % Governor Vetoed	Amount & % Governor Vetoed
2009*	10	\$15 million	0 (0.0%)	0 (0.0%)
2008**	132	\$110 million	1 (0.8%)	\$840,000 (0.8%)
2007	505	\$256 million	301 (60%)	\$141 million (55%)
2006	489	\$295 million	306 (63%)	\$151 million (51%)
2005	413	\$240 million	252 (61%)	\$125 million (52%)
2004	227	\$202 million	133 (59%)	\$129 million (64%)
2003	0	0	n/a	n/a
2002	450	\$297 million	198 (44%)	\$69 million (23%)
2001	528	\$283 million	302 (57%)	\$179 million (63%)
2000	281	\$222 million	206 (73%)	\$159 million (72%)

* Governor Crist vetoed only two provisions of the budget, neither of which were spending projects.

** Governor Crist vetoed only three provisions.

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About Florida TaxWatch

Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 30-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies, and programs, and to increase the productivity and accountability of Florida Government.

Florida TaxWatch's research recommends productivity enhancements and explains the statewide impact of economic and tax and spend policies and practices on citizens and businesses. Florida TaxWatch has worked diligently and effectively to help state government shape responsible fiscal and public policy that adds value and benefit to taxpayers.

This diligence has yielded impressive results: in its first two decades alone, policymakers and government employees implemented three-fourths of Florida TaxWatch's cost-saving recommendations, saving the taxpayers of Florida more than \$6.2 billion -- approximately \$1,067 in added value for every Florida family, according to an independent assessment by Florida State University.

Florida TaxWatch has a historical understanding of state government, public policy issues, and the battles fought in the past necessary to structure effective solutions for today and the future. It is the only statewide organization devoted entirely to Florida taxing and spending issues. Its research and recommendations are reported on regularly by the statewide news media.

Supported by voluntary, tax-deductible memberships and grants, Florida TaxWatch is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, philanthropic foundations, professionals, associations, labor organizations, retirees -- simply stated, the taxpayers of Florida. The officers, Board of Trustees and members of Florida TaxWatch are respected leaders and citizens from across Florida, committed to improving the health and prosperity of Florida.

With your help, Florida TaxWatch will continue its diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer, who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications, and selecting professional staff. As an independent research institute and taxpayer watchdog, Florida TaxWatch does not accept money from Florida state and local governments. The research findings and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff, distinguished Board of Trustees, or Executive Committee, and are not influenced by the positions of the individuals or organizations who directly or indirectly support the research.

Florida TaxWatch Values

◆ Integrity ◆ Productivity ◆ Accountability ◆ Independence ◆ Quality Research