



Legislative Session Good for Florida's Economy

May 10, 2005

The just ended legislative session produced mostly good results for Florida's economy.

First, the legislature passed a \$65.1 billion budget for fiscal year 2005-06. Given how much additional one-time revenue was available this year – almost \$4 billion more than originally projected – the budget was relatively conservative. Over \$1 billion was added to reserves, and spending increases for most programs were modest. State employees got a 3.5 percent raise, which was good but not over the top. Education was the big winner, with outlays increased by over \$1 billion. K-12 was the focus, with spending per student increased significantly.

Second, the legislature passed portions of the Governor's plan to revamp Florida's Medicaid program. The Medicaid program provides healthcare to Florida's neediest citizens and is not to be confused with Medicare, which provides healthcare to seniors. Medicaid spending in Florida has increased by more than 15 percent per year for the last three years and consumes a huge portion of the state budget, second only to education. Without reform Medicaid would keep increasing and was projected to top 25 percent of total state spending by 2010 if not reformed, so the approval of the Governor's plan was a major milestone.

The plan will shift Medicaid from a fee-for-service basis to a managed care model. In this way the state can finally control the growth in Medicaid spending. Hopefully, private-sector HMO's will be better able than the state was to provide healthcare at a reasonable cost. However, the legislature only approved the reform program on a pilot basis in two counties, Duval and Broward. If it is successful there, then the reforms will be spread throughout the state.

Finally, the legislature passed landmark growth management legislation. For the first time schools will have to be provided concurrently with development.

Furthermore, for the first time local governments will have to rectify their existing backlogs of unfunded capital needs for roads, parks, and utilities. In addition, the legislature tightens the requirements that new growth is allowed only when and if infrastructure is in place or under contract. The state will enforce these new requirements with an annual reporting system. And the state authorized spending \$1.5 billion for new state roads.

Unfortunately, the legislature did not provide any additional funding for local governments, and they failed to make it easier for local governments to raise taxes to pay for infrastructure, such as roads and schools, without voter referendum. But on the whole this was a legislative session that will make a positive and important contribution to Florida's economy.

This is Hank Fishkind for 90.7 FM, WMFE News.

<http://www.fishkind.com>