

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



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Florida: Tools for Sustainable State Budgeting

Long-term budget assessment:

Budget stress test:

Report: "Long-Range Financial Outlook"³

Office: Senate Committee on Appropriations, House Appropriations Committee, Legislative Office of Economic and Demographic Research

Analyses

Florida's constitution requires a bicameral panel known as the Legislative Budget Commission to approve a "Long-Range Financial Outlook" each September.⁴ To fulfill this requirement, lawmakers task the Legislative Office of Economic and Demographic Research and the House and Senate Appropriations committees with jointly producing a report that includes a rich mix of data and analysis, including three years of revenue and spending projections.⁵

The resulting report uses a robust approach to projecting spending that accounts for growing costs from increased caseloads in areas such as K-12 education and Medicaid, an important step in a rapidly growing state.⁶ It also divides spending categories into “critical needs”—i.e., “the minimum funding requirements for core government functions within the current policy framework, absent significant law or structural changes”—and less essential “other high priority needs” to show where lawmakers have more discretion to adjust spending levels.⁷

In years when the report projects budget shortfalls, it outlines options for policymakers to close the gaps.⁸ With Florida enjoying strong budget conditions in recent years, the report has warned against large increases in ongoing spending, noting in 2022, “Although there are significant surpluses projected for all three years of the outlook, they are largely nonrecurring funds.”⁹

Policy impact

The report plays a key role in the initial stages of Florida’s annual budget process. Under the state constitution, when state agencies make budget requests, they must either use the projected numbers in the “Outlook” report or explain why they are not.¹⁰ The agency requests then serve as the starting point for the governor and Legislature to create their budget proposals.

Next steps

Florida lawmakers could extend the “Outlook” report’s three-year time frame. The state’s economy and budget depend heavily on ongoing population growth, so adding years to the analysis could determine whether the budget is likely to remain on a sustainable path in light of longer-term demographic trends, such as the aging of the Baby Boom generation. The 2022 version of the “Outlook” report warned, “As this cohort continues to age, the effects will vary over time, with the positive benefits nearing their end over this decade and the challenges still ahead.”¹¹

The state could also begin producing budget stress tests. Lawmakers could take advantage of Florida’s existing robust consensus forecasting process—in which “conferences” made up of legislative and executive branch representatives forecast revenue and, for key spending areas, caseloads and costs—by tasking the conferences with adding recession scenarios to their projections.¹² This analysis could then be included in the “Outlook” report, which already uses data from the conferences to project revenue and spending.¹³

Endnotes

- 1 The Pew Charitable Trusts, "Tools for Sustainable State Budgeting" (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, "States' Use of Sustainable Budgeting Tools" (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Florida Senate Committee on Appropriations, House Appropriations Committee, and Legislative Office of Economic and Demographic Research, "Long-Range Financial Outlook, Fiscal Years 2023-24 Through 2025-26" (2022), http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan_Fall-2022_2024-2226.pdf.
- 4 Florida Const. Art. III, § 19(c)(1), <http://www.leg.state.fl.us/Statutes/index.cfm?Mode=Constitution&Submenu=3&Tab=statutes#A3S19>.
- 5 Florida Senate Committee on Appropriations, House Appropriations Committee, and Legislative Office of Economic and Demographic Research, "Long-Range Financial Outlook, Fiscal Years 2023-24 Through 2025-26."
- 6 *Ibid.*, 9.
- 7 *Ibid.*
- 8 Florida Senate Committee on Appropriations, House Appropriations Committee, and Legislative Office of Economic and Demographic Research, "Long-Range Financial Outlook, Fiscal Years 2021-22 Through 2023-24" (2020), 25-27, http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan_Fall-2020_2022-2224.pdf.
- 9 Florida Senate Committee on Appropriations, House Appropriations Committee, and Legislative Office of Economic and Demographic Research, "Long-Range Financial Outlook, Fiscal Years 2023-24 Through 2025-26," 44-45.
- 10 Florida Const. Art. III, § 19(c)(1).
- 11 Florida Senate Committee on Appropriations, House Appropriations Committee, and Legislative Office of Economic and Demographic Research, "Long-Range Financial Outlook, Fiscal Years 2023-24 Through 2025-26," 40.
- 12 Florida Stat. Ann. § 216.136, http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0200-0299/0216/Sections/0216.136.html; Florida Office of Economic and Demographic Research, "Consensus Estimating Conferences," accessed Aug. 29, 2023, <http://edr.state.fl.us/Content/conferences/index.cfm>.
- 13 Florida Senate Committee on Appropriations, House Appropriations Committee, and Legislative Office of Economic and Demographic Research, "Long-Range Financial Outlook, Fiscal Years 2023-24 Through 2025-26," 3.

For more information, please visit: pewtrusts.org/fiscaltools

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