

STORAGE NAME: h1605.ft
DATE: February 12, 1998

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 1605
RELATING TO: Ad Valorem Tax Administration
SPONSOR(S): Representative Eggelletion
COMPANION BILL(S): SB 0124

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS YEAS 7 NAYS 0
 - (2) FINANCE AND TAXATION
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

House Bill 1605 amends section 200.065, Florida Statutes, which provides requirements for taxing authorities relating to the determination of the levied millage.

The bill changes the "Notice of Tax Increase" for schools boards to conform with the "Notice of Tax Increase" for all other taxing authorities, which was amended by the 1996 legislature. School boards are required to advertise their proposed percentage of increase over the rolled back millage rate for the coming fiscal year. The bill proposes deletion of the requirement and instead the bill requires the following information:

- The Initially proposed tax levy.
- Less tax reductions due to Value Adjustment Board and other assessment changes.
- The Actual property tax levy.

In addition, the bill amends paragraph (1) of subsection (3) of section 200.065, F.S., which outlines the TRIM Budget Summary Notice, allowing all taxing authorities to exclude the following expenditures from the tally of "proposed operating budget expenditures" in their advertisements:

- Inventory.
- Balances carried forward from the previous fiscal year.
- Amounts encumbered for payment for services which have not been paid.

Finally, this bill amends s. 200.065(9)(a), F.S., changing the second "Truth in Millage" (TRIM) advertisement for school boards under certain conditions. If the proposed discretionary millage for capital outlay is unchanged from the previous year, the advertisement is phrased "continue to impose" rather than "impose."

This bill has no fiscal impact on state agencies or state funds.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Chapter 200, Florida Statutes, governs the method of fixing millage by local taxing authorities. The substance of the Truth in Millage (TRIM) law is primarily found in sections 200.065 and 200.068, Florida Statutes. The TRIM provisions were originally enacted in 1980 and have changed little since. The TRIM provisions were part of a comprehensive property tax administration package aimed at bringing property assessments to the constitutionally mandated level of "just valuation." The law was designed to inform property owners experiencing increases in assessed values about the millage adoption and rollback process.

By statute, taxing authorities must comply with all aspects of the notice requirements of TRIM or be required to correctly readvertise notices and rehold their budget hearings. Noncompliance may subject a taxing authority to forfeiture of state funds otherwise available to it.

TRIM provisions of the law contain measures which were specifically drawn to:

- Inform taxpayers that increases in assessments did not necessarily result in higher taxes.
- Focus on the local government budgetary process rather than on the assessment and review process performed by the property appraisers and value adjustment board;
- Increase awareness of the importance of the budget process in the development of millage rates.
- Encourage taxpayer involvement in the local budgetary process.

To accomplish these objectives, the statute requires each taxing authority to hold two public hearings when establishing operating expenditure requirements and millage rates necessary to fund the proposed budget for the current fiscal year. Taxpayers are informed of their opportunity to attend budget hearings through two notices. Except for school districts, notice of the first hearing on the tentative budget and proposed millage rate is mailed to each property owner by the county property appraiser in August. Because their first budget hearing is held before the TRIM notice is sent, in July of each year school districts advertise their first public hearing in a newspaper of general circulation in the county. The second public hearing (for all taxing entities) to adopt a final millage rate and budget is advertised in a newspaper of general circulation in the county.

The newspaper advertisements required under TRIM announce proposed tax increases and the time, date, and meeting place of the public hearing. For school boards, the "Notice of Tax Increase" must show, among other things, the percentage increase in the millage rate proposed for the current budget year over the "rolled back" millage rate. The rolled back millage rate is the millage rate, exclusive of new construction, additions to structures, deletions, and property added due to geographic boundary changes, that will provide the same ad valorem tax revenue for a taxing authority as was levied during the prior year.

Until 1997, all taxing entities were required to advertise the "Notice of Tax Increase." However, Chapter 96-211, Laws of Florida, amended section 200.065, Florida Statutes, to require taxing authorities, other than school districts, to advertise a "Notice of Proposed Tax Increase". This notice discloses the initially proposed tax levy for last year, tax reductions due to Value Adjustment Board (VAB) and other assessment changes for the last year, and this year's proposed tax levy. This notice is designed to identify the effect of delayed property value adjustments made by county VABs and to show how the current year proposed budget differs from the next fiscal year proposed budget.

TRIM Advertisements must also contain a budget summary as outlined in section 129.03(3)(b), Florida Statutes., which compares the current year's expenditures with the proposed budget. The budget summary must specify the proposed increase, if any, in expenditures from the current to the next fiscal year. "Expenditures" for both the current and proposed budget include all moneys that

- were or could be expended during the applicable fiscal year, or
- were or could be retained as a balance for future spending in the fiscal year.

However, "expenditures" for both the current and proposed budgets do not include:

- Moneys held or used in trust, agency, or internal service funds.
- Expenditures of bond proceeds for capital outlay or for advanced refunded debt principal.

Section 236.25(2), Florida Statutes, allows school boards to levy up to 2 mills for capital outlay to fund a variety of projects. The second TRIM advertisement, as specified in section 200.065(9)(a), Florida Statutes, requires school boards identify those projects funded by this levy.

B. EFFECT OF PROPOSED CHANGES:

This bill amends section 200.065(3)(c), Florida Statutes, to change the required "Notice of Tax Increase" for school boards to conform to the "Notice of Proposed Tax Increase" used by all other property taxing authorities. In addition, the bill eliminates the reference to the proposed percentage increase in millage over the "rolled back" millage rate. Like the "Notice of Proposed Tax Increase," for all other taxing authorities the revised notice discloses the initially proposed tax levy for the preceding year, tax reductions due to VAB and other assessment changes for the preceding year, and this year's proposed tax levy. In addition, the title of the notice would include the word "Proposed."

This bill also amends paragraph (l) of subsection (3) of section 200.065, Florida Statutes, which applies to all taxing authorities. This bill would allow taxing authorities to exclude certain expenditures from the tally of "proposed operating budget expenditures." The proposed excluded expenditures are as follows:

- Inventory.
- Balances carried forward from the previous fiscal year.
- Amounts encumbered for payment for services which have not yet been paid.

By excluding these expenditures from the calculation of the proposed budget, and not excluding them from the summary of the current budget, comparison between the two budgets loses validity. If there is an actual increase from the current to the proposed budget, it may not accurately be reflected in the TRIM Budget Summary Notice.

Finally, this bill amends section 200.065(9)(a), Florida Statutes, to change the second TRIM advertisement for school boards under certain conditions. If the proposed discretionary millage for capital outlay is unchanged from the previous year, the advertisement is phrased "continue to impose" rather than "impose".

C. APPLICATION OF PRINCIPLES:

1. Less Government:

Does the bill create, increase or reduce, either directly or indirectly:

- (1) any authority to make rules or adjudicate disputes?

N/A

- (2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes, in lieu of expressing the amount as a percentage over the rolled back rate, the school boards are now mandated to report the initially proposed tax levy; less tax reductions due to Value Adjustment Board and other assessment changes; resulting in the actual property tax levy.

In addition, all taxing authorities are required to calculate the proposed operating budget expenditures less: a) inventory; b) balances carried forward from the previous fiscal year; or c) amounts encumbered for payment for services which have not yet been paid.

- (3) any entitlement to a government service or benefit?

No

a. If an agency or program is eliminated or reduced:

- (1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

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(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No

- b. Does the bill require or authorize an increase in any fees?

No

- c. Does the bill reduce total taxes, both rates and revenues?

No

- d. Does the bill reduce total fees, both rates and revenues?

No

- e. Does the bill authorize any fee or tax increase by any local government?

No

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Yes, the local taxing authorities that are impacted will perform the additional calculations required to present the new information. In addition, they will pay for any additional advertising costs related to the proposed changes.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 200.065, Florida Statutes is amended due to the proposed changes.

E. SECTION-BY-SECTION RESEARCH:

Section 1. Amends paragraphs (c) and (1) of subsection (3) and paragraph (a) of subsection (9) of section 200.065, Florida Statutes.

The first change includes strike-as language which requires school boards to advertise the percentage of increase the proposed millage rate is over the rolled back rate. In lieu of that language the bill requires school boards to advertise the following:

- The initially proposed tax levy.
- Less tax reductions due to Value Adjustment Board and other assessment changes.
- The actual property tax levy.

In addition, the title of the notice would include the word "Proposed."

The second change removes the requirement that all taxing authorities include the following amount summaries in the advertisement of their proposed operating budget expenditures.

- Inventory.
- Balances carried forward from the previous fiscal year.
- Amounts encumbered for payment for services which have not been paid out.

Finally, this bill changes the second "Truth in Millage" (TRIM) advertisement for school boards under certain conditions. If the proposed discretionary millage for capital outlay is unchanged from the previous year, the advertisement is phrased "continue to impose" rather than "impose."

Section 2. This act shall take effect January 1, 1998.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

The change in the phrasing to the "Notice of Proposed Tax Increase" for school boards serves to set uniform standards for all taxing authorities.

However, the language which applies to all taxing authorities related to exemptions from the "proposed operating budget expenditures" summary has caused some concern among local government and special district associations. The language obscures scrutiny of the availability of certain local funds, which already may be committed, from public view. In addition, section 129.03 (3)(b) requires that county governments advertise the information in question.

The Florida League of Cities, The Florida Association of Counties, the Florida School Boards Association and the Special Districts Association were contacted by staff. The Florida League of Cities and the Special Districts Association stated that they did not support the information exclusion from their members TRIM advertisement. The Florida School Boards Association supports the new provision. The Florida Association of Counties has not responded at the time of publication of this research statement.

Finally, the effective date of the bill is January 1, 1998 because it is a carried over bill from the 1997 session. This should be amended to read January 1, 1999.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Three amendments offered by Representative Eggelton were adopted unanimously by the House Committee on Community Affairs on December 3, 1997.

Amendment 1 is a technical amendment which removed the language "1996 supplement" from the bill.

Amendment 2 is a technical amendment which removed "1998" from the bill and inserted "of the year following the year in which enacted."

Amendment 3 inserts the language "school districts" providing that the proposed change to the method of calculating the "proposed operating budget expenditures" would apply only to school districts. Thus, school districts will no longer be required to advertise in the operating expenditures section of their TRIM notice; inventory, balances carried forward from the previous year, or amounts encumbered for payment for services which have not yet been paid out. However, since all other taxing authorities will be required to include these amounts in

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their "proposed operating budget expenditures", the ability of Taxpayer's to compare and understand the TRIM notices of different taxing authorities may be impaired.

VII. SIGNATURES:

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