



## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

The bill does not appear to implicate any of the House principles.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Present Situation**

Public libraries are governed by chapter 257, F.S. Specific provisions for State Aid grants to libraries are in ss. 257.17, F.S., 257.171, 257.172, and 257.18, F.S. The Department of State (DOS) notes the purpose of the State Aid is to assist local governments in providing public library service and to provide an incentive for local governments to invest in libraries. The State Aid to libraries grant program is comprised of three interrelated grants: equalization, multicounty and operating. The funding given to each grant area is based upon local expenditures. The grants and criteria are below:

- Equalization grants- awarded to county library systems that also meet the requirements for operating grants that have limited financial resources.
- Multicounty grants- awarded to systems of two or more counties that have joined together to provide library service to their residents.
- Operating grants- awarded to any county or municipality that meets basic criteria for professional library service.

State Aid has remained at essentially the same level, \$32 million, since FY 2001-02. In FY 2001-02 State Aid was matching local expenditures at 9.18 cents per local dollar, this amount in FY 2006-07 has fallen to 4.6 cents per local dollar. This is a result of increased local expenditures. The State Aid resources have been increasingly going to equalization grants, over the past six years, in part due to the way the grant funds are calculated. The proportion of State Aid that has gone to equalization grants has increased from 11% of total State Aid appropriation in FY 2000-01 to nearly 28% in FY 2006-07. Based on FY 2005-06 funding, under the current formula, operating grants are totaling \$20,790,746 or 65%; equalization grants total \$8,877,057 or 28%; and multicounty grants total \$2,331,439 or 7%.

The current formula, in s. 257.18, F.S., does not limit the percentage of equalization grant funds that can go to a single county, enabling a few counties to receive large grants, further reducing the funds available for operating grants that benefit all qualified libraries. The current formula for equalization grants does not consider a county's ability to levy taxes for library services, only the local funds that are expended. The formula does not have a mechanism for a gradual phase-out for libraries who no longer qualify for the equalization grant, nor does it prevent counties from moving in and out of eligibility.

##### **Proposed changes**

HB 801 amends the State Aid to libraries grant program by revising eligibility criteria for multicounty and equalization grants. The bill revises the determination for and amount of multicounty base grants and changes the process for calculating equalization grants.

The criteria used for awarding multicounty library grants found in, s. 257.172, F.S., is amended to:

- Restrict multicounty grants to systems serving a population of 50,000 or more and that include at least one county that is eligible for an equalization grant
- Establish a multicounty base grant of \$50,000 for systems serving two counties, which will come from the State Aid appropriation

- Increase the multicounty base grant for systems serving three or more counties from \$250,000 to \$350,000, which will come from the State Aid appropriation if appropriations are increased from FY 2006-07 by 3 percent.

The criteria used for awarding equalization library grants found in s. 257.18, F.S., is amended to:

- Add requirements that award equalization grants only to counties that received an equalization grant in FY 2006-07 and have been continuously eligible since that period
- Determine the need for an equalization grant by using the county's operating millage or per capita income rather than by using the county's expenditures for library services
- Establishes a three year phase out from the equalization grants for counties that become ineligible
- Limits the amount of equalization that can go to any single county, restricting the county to not receive a grant that is equal to more than 10% of the total amount required to fund equalization grants to all eligible counties
- Provides a base level of funding for equalization grants but limits the portion of State Aid that goes to equalization grants.

Based on FY 2006-07 funding of \$31,999,233 using the criteria established by this bill operating grants increase to 70.5% of total aid, Equalization grants will decrease to 22.1% of total aid, and Multicounty grants will slightly increase to 7.4% of total aid.

Assuming FY 2006-07 appropriation levels, all but three counties will receive an increase in one or more types of grants. The three counties affected negatively are Clay, Hernando, and Nassau counties:

- Applying the new formula criteria that no county may receive an equalization grant greater than 10% of the total of all equalization grants:
  - Clay County will see a decrease in its equalization grant by \$828,474. Clay County currently received \$1,716,179 in equalization grant funding, applying the new formula criteria, the grant will be reduced to \$887,705.
  - Hernando County will see a decrease in its equalization by \$944,387. Hernando County received \$1,828,026 in equalization grant funding, applying the new formula criteria, the grant would be reduced to \$883,639.
- Applying the new formula that phases out counties over a three year period that no longer meet equalization criteria Nassau County will see a \$10,868 reduction as it enters into the first year of the phase out program.

The remaining counties and municipalities will see some increase in funding due to the changing criteria. The new formula directs a greater portion of funds to operating grants benefiting libraries of all sizes.

The bill eliminates the reference that the Chief Financial Officer shall issue warrants to the eligible political subdivisions. This is reflected in current practice and is seen as removing an unnecessary reference to the current practice.

#### C. SECTION DIRECTORY:

Section 1: Amends section 257.172, F.S., changes the determination and base grant for multicounty grants.

Section 2: Amends section 257.18, F.S., changes the process for determining eligibility grants, limits the amount of equalization grant that can go to any one county, limits the amount of State Aid that can go to equalization grants.

Section 3: Amends section 257.22, F.S., removes the provision that the Chief Financial Officer shall issue warrants to the eligible political subdivisions.

Section 4: Provides an effective date of July 1, 2007.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures: None. The bill changes the formula for State Aid funding to be distributed if appropriated. It does not appropriate additional monies.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

Revenues: The bill appears to have a positive fiscal impact on most local governments.

Assuming FY 2006-07 appropriation levels, all but three counties will receive an increase in one or more types of grants. The three counties affected negatively are Clay, Hernando, and Nassau counties:

- Applying the new formula criteria that no county may receive an equalization grant greater than 10% of the total of all equalization grants:
  - Clay County will see a decrease in its equalization grant by \$828,474. Clay County currently received \$1,716,179 in equalization grant funding, applying the new formula criteria, the grant will be reduced to \$887,705.
  - Hernando County will see a decrease in its equalization by \$944,387. Hernando County received \$1,828,026 in equalization grant funding, applying the new formula criteria, the grant would be reduced to \$883,639.
- Applying the new formula that phases out counties over a three year period that no longer meet equalization criteria Nassau County will see a \$10,868 reduction as it enters into the first year of the phase out program.

The remaining counties and municipalities will see some increase in funding due to the changing criteria. The new formula directs a greater portion of funds to operating grants benefiting libraries of all sizes.

Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

### D. FISCAL COMMENTS:

None.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take action requiring the expenditure of funds. This bill does not reduce the percentage of state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

HB 801 will prove to level the playing field and provide equality in funding to the 34 county libraries that receive equalization grants across the state. In 33 of those counties, by revising the 17 year old formula which determines library eligibility for equalization grants, funding will increase. However, funding will decrease in the 3 countries that have received disproportionate and unfair advantage with the current formula.

**IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES**