

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Community Affairs Committee

BILL: SB 1868

INTRODUCER: Senator Gardiner

SUBJECT: Federal Grants

DATE: January 25, 2012

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Toman	Yeatman	CA	Pre-meeting
2.			JU	
3.			BC	
4.				
5.				
6.				

I. Summary:

The bill requires a county, municipality, or special district to identify and disclose the projected, unfunded, long-term costs of each project funded by a federal grant prior to accepting such federal grant. A disclosure statement and a plan to fund the project after the depletion of the federal grant must be posted on the grantee's website 10 days before a vote to accept any monies. The bill further provides that a person may file a civil action to enforce the disclosure and plan provisions.

This bill does not apply to federal grants associated with natural disasters, grants involving the Federal Emergency Management Agency, grants received from the Department of Homeland Security, or Medicaid funds.

This bill creates an undesignated section of the Florida Statutes.

II. Present Situation:

Intergovernmental Grant Impact on Future Periods

A recent working paper by West Virginia University economists Russell Sobel and George Crowley examined the impact of federal grants on state and local tax policy in future periods.¹ Their analysis concluded that grant funding to state and local governments results in higher own

¹ Russell S. Sobel and George R. Crowley, *Do Intergovernmental Grants Create Ratchets in State and Local Taxes? Testing the Friedman-Sanford Hypothesis* (No. 10-51, August 2010) http://mercatus.org/sites/default/files/publication/Do%20Intergovernmental%20Grants%20Create%20Ratchets.WP_.Corrected.10.4.10_0.pdf (last visited Jan. 25, 2012).

source revenue and taxes in the future to support the programs initiated with the federal grant monies. The authors further argue that:

the recent large increase in federal grants to state and local governments that has occurred as part of the American Recovery and Reinvestment Act (ARRA) will have significant future tax implications at the state and local level as these governments raise revenue to continue these newly funded programs into the future. Federal grants to state and local governments have risen from \$461 billion in 2008 to \$654 billion in 2010. Based on our estimates, *future* state taxes will rise by between 33 and 42 cents for every dollar in federal grants states received today, while local revenues will rise by between 23 and 46 cents for every dollar in federal (or state) grants received today. Using our estimates, this increase of \$200 billion in federal grants will eventually result in roughly \$80 billion in future state and local tax and own source revenue increases. This suggests the true cost of fiscal stimulus is underestimated when the costs of future state and local tax increases are overlooked.²

Federal Aid to State and Local Governments by Program

The U.S. Census Bureau, Statistical Abstract for 2012, shows that Florida received \$22,686,000,000 in total federal aid for state and local governments in 2009.³ Selected federal department program total grant amounts and percentages of the overall total are shown in the table below.

Department	Total grant amount for 2009	% of total
Health and Human Services	\$13,573,000,000	59.8%
Education	\$2,201,000,000	9.7%
Transportation	\$2,038,000,000	8.9%
Housing and Urban Development	\$1,731,000,000	7.6%
Agriculture	\$1,418,000,000	6.3%
Labor	\$338,000,000	1.5%

Special Districts

Special Districts are governed by the Uniform Special District Accountability Act of 1989 in Chapter 189, F.S.⁴ Section 189.403(1), F.S., defines a “special district” as a confined local government unit established for a special purpose. A special district can be created by general law, special act, local ordinance, or by Governor or Cabinet rule.

The Special District Information Program (SDIP), maintains an official master list of the individual functions and status of all the dependent and independent special districts throughout

² *Id.*

³ U.S. Census Bureau, Statistical Abstract of the United States: 2012, *Table 434 Federal Aid to State and Local Governments – Selected Programs by State: 2009* available at <http://www.census.gov/compendia/statab/2012/tables/12s0434.pdf> (last visited Jan. 25, 2012).

⁴ Ch. 189, F.S., *see s.* 189.401, F.S.

the state.⁵ As of January 25, 2012, there were 1,620 special districts in the state of Florida. Examples of special districts in Florida include, but are not limited to, water management districts, community development districts, housing authority districts, fire control and rescue districts, mosquito control districts, and transportation districts.⁶

III. Effect of Proposed Changes:

Section 1 creates an undesignated section of law stating that before accepting federal grant funds, a county, municipality, or special district must identify and disclose the projected, unfunded, long-term costs of each project that is funded by a federal grant. Such unfunded costs include, but are not limited to, the projected payroll and maintenance costs to operate or administer the project after the depletion of the federal grant. The projected, unfunded, long-term costs shall be prominently disclosed by posting a disclosure statement on the website of the county, municipality, or special district at least 10 days before the county, municipality, or special district votes to accept the federal grant or otherwise takes any other action to authorize acceptance of the federal grant. The disclosure statement must describe the project and must include a plan for funding the project after the depletion of the federal grant.

This section of the bill further provides that a person may file a civil action to enforce the above provisions. If a civil action is filed against a county, municipality, or special district to enforce the above provisions and the court finds that the county, municipality, or special district failed to comply, the court shall assess and award against the appropriate county, municipality, or special district the reasonable costs of enforcement, including reasonable attorney fees.

This act does not apply to federal grants associated with natural disasters, grants involving the Federal Emergency Management Agency, grants received from the Department of Homeland Security, or Medicaid funds.

Section 2 provides an effective date of July 1, 2012.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, Section 18(a) of the Florida Constitution states that no county or municipality shall be bound by any general law requiring such county or municipality to spend funds or to take an action requiring the expenditure of funds unless the Legislature has determined that such law fulfills an important state interest and it meets one of these exceptions:

⁵ Sections 189.412(2) and 189.4035, F.S. See also Florida Department of Economic Opportunity, *Official List of Special Districts Online*, (available online at <http://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/index.cfm>) (last visited Jan. 25, 2012).

⁶ *Id.*

- The Legislature appropriates funds or provides a funding source not available for such county or municipality on February 1, 1989;
- The expenditure is required to comply with a law that applies to all persons similarly situated, including the state and counties or municipalities; or
- The law is required to comply with a federal requirement.

Subsection (d) provides an additional applicable exemption. Laws determined to have an “insignificant fiscal impact,” which means an amount not greater than the average statewide population for the applicable fiscal year times \$0.10 (\$1.88 million for FY 2010-2011), are exempt.

It is not anticipated that the costs to comply with this act will exceed \$1.88 million, however, if they do, the law may be unenforceable unless passed by two-thirds in each house of the Legislature.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Residents of the state will be afforded greater transparency related to the federal grant acceptance process of counties, municipalities and special districts.

C. Government Sector Impact:

Counties, municipalities and special districts will incur indeterminate costs related to the reporting and plan development requirements of the bill. In addition, any of these entities that do not have a website will need to create one to comply with the website posting provision.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

- B. **Amendments:**

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
