

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 Committee on Rules

BILL: SB 1616

INTRODUCER: Senator Baxley

SUBJECT: Local Government Financial Reporting

DATE: April 22, 2019

REVISED: _____

| ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|-----------|----------------|-----------|--------------------|
| 1. Toman | Yeatman | CA | Favorable |
| 2. Ponder | McVane | GO | Favorable |
| 3. Toman | Phelps | RC | Pre-meeting |

I. Summary:

SB 1616 specifies periods for which budget documents must appear on county and municipal websites and requires annual reporting of final budget and economic status information to the Office Economic and Demographic Research. Information to report includes government spending and debt per resident, median income, average local government employee salaries, percentage of budget spent on employee salaries and benefits, and the number of taxing districts within the local government's jurisdiction. Annual reporting of information must begin on October 15, 2019.

The bill takes effect upon becoming a law.

II. Present Situation:

County Budget Systems and Information

Chapter 129, F.S., establishes a budget system that controls the finances of the boards of county commissioners of Florida counties. Pursuant to s. 129.01, F.S., each county is required to prepare, approve, adopt, and execute an annual budget each fiscal year. The budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit.¹ The budget is approved by the board of county commissioners and must be balanced so that the total of the estimated receipts, including balances brought forward, equals the total of the appropriations and reserves.² Notwithstanding other provisions of law, the budgets of all county officers must be in sufficient detail and contain

¹ Section 129.01(1), F.S. The level of detail for the budget must meet level of detail requirements for annual financial reports under s. 218.32, F.S.

² Section 129.01(2), F.S.

such information as the board of county commissioners may require in furtherance of their powers and responsibilities.³

Preparation and Adoption of County Budgets

On or before June 1 of each year, the sheriff, the clerk of the circuit court and county comptroller, the tax collector, and the supervisor of elections each submit to the board of county commissioners a tentative budget for their respective offices for the ensuing fiscal year.⁴ Upon receipt of the tentative budgets and any revisions, the board prepares a summary of the adopted tentative budgets.⁵ Public hearings are held to explain tentative and final budgets and to entertain community requests and complaints prior to budget adoption.⁶ The tentative budget must be posted on the county's official website at least two days before a public hearing. The final budget must be posted on the website within 30 days after adoption. The tentative budgets, adopted tentative budgets, and final budgets are filed in the office of the county auditor as a public record.

Municipal Budget Requirements

The preparation, adoption, and website posting of municipal budgets follows a similar process to that of counties. Section 166.241(2), F.S., provides that each municipality must annually adopt a budget by ordinance or resolution unless the municipality has a charter that specifies another method for adoption. The funds available from taxation and other sources must equal the total appropriations for expenditures and reserves.⁷ Officers of a municipal government may not expend funds except according to the budgeted appropriations. The tentative budget must be posted on the municipality's official website at least two days before a public hearing.⁸ The final budget must be posted on the website within 30 days after adoption.⁹

Local Government Financial Reporting

Florida Statutes provide a number of local government financial reporting requirements including:

- Section 29.0085, F.S., requires each county to annually submit to the State Chief Financial Officer (CFO) a statement of revenues and expenditures in the form and manner prescribed by the CFO. By January 31 of each year, each county must submit to the CFO a statement of compliance from its independent certified public accountant engaged to conduct its annual financial audit indicating that the certified statement of expenditures was in accordance with state law.

³ Section 129.021, F.S. *See ss.* 125.01(1)(q), (r), and (v), and (6) and 129.01(2)(b), F.S., for more on these county powers and responsibilities.

⁴ Section 129.03(2), F.S. Section 195.087(1) F.S., outlines the budget process for property appraisers in the state.

⁵ Section 129.03(3)(b), F.S.

⁶ Section 129.03(3)(c), F.S., also outlines public hearing practices and subsequent budget website posting and public record requirements.

⁷ Section 166.241(2), F.S.

⁸ Section 166.241 (3), F.S.

⁹ *Id.* If the municipality does not operate an official website, the municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located, transmit the tentative budget and final budget to the manager or administrator of such county or counties who shall post the budgets on the county's website.

- Section 218.32(1), F.S., requires local governmental entities to submit to the Department of Financial Services (DFS) an annual financial report (AFR) and, if the local governmental entities meet the audit threshold specified in state law, a copy of their audit report. Each local governmental entity's website must provide a link to the DFS website to view the entity's submitted AFRs.¹⁰
- Section 218.32(2), F.S., requires the DFS to annually file, by December 1, a verified report with certain statutorily specified entities¹¹ showing the total revenues, expenditures, and outstanding long-term debt of each local governmental entity, regional planning council, local government finance commission, and municipal power corporation entity that is required to submit an AFR.
- Section 218.39, F.S., requires an annual financial audit of accounts and records be completed within nine months after the end of the fiscal year¹² for counties, district school boards, charter schools and charter technical career centers, and certain municipalities and special districts.

III. Effect of Proposed Changes:

Section 1 amends s. 129.03, F.S., to require that a county's tentative budget must remain posted on the county's website for 45 days and the final budget must remain posted on the website for two years.

In addition, by October 15, 2019, and annually thereafter, the county budget officer must electronically submit the following final budget and economic status information to the Office of Economic and Demographic Research (EDR):

- Government spending per resident for at least the previous five years;
- Government debt per resident for at least the previous five years;
- Median income within the county;
- Average county employee salary;
- Percent of budget spent on salaries and benefits for county employees; and
- Number of special taxing districts within the county.

Section 2 amends s. 166.241, F.S., to require that a municipality's tentative budget must remain posted on the municipality's website for 45 days and the final budget must remain posted on the website for two years.

In addition, by October 15, 2019, and annually thereafter, the municipal budget officer must electronically submit the following final budget and economic status information to the EDR:

- Government spending per resident for at least the previous five years;
- Government debt per resident for at least the previous five years;
- Median income within the municipality;

¹⁰ Section 218.32(g), F.S. If the local governmental entity does not have an official website, the county government's website must provide the required link for the local governmental entity.

¹¹ These entities are the Governor, the Legislature, the Auditor General, and the Special District Accountability Program of the Department of Economic Opportunity.

¹² Section 218.33, F.S., provides that each local governmental entity shall begin its fiscal year on October 1 of each year and end it on September 30.

- Average municipal employee salary;
- Percent of budget spent on salaries and benefits for municipal employees; and
- Number of special taxing districts within the municipality.

If the municipality amends the budget, the bill requires that the adopted amendment remain posted on the municipality's website for at least 2 years.

Section 3 creates an undesignated section of law requiring the EDR, by July 15, 2019, to establish the format and forms for use by counties and municipalities to submit information required by the bill.

Section 4 provides that the bill takes effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, Subsection (a) of section 18 of the Florida Constitution, provides that cities and counties are not bound by general laws requiring them to spend funds or take action that requires the expenditure of funds unless certain specified exemptions or exceptions are met.

The bill requires cities and counties to incur costs related to the collection, reporting and submission of information to EDR. However, the mandate requirements do not apply to laws having an insignificant impact, which for Fiscal Year 2018-2019 is forecast at slightly over \$2 million.^{13,14,15}

If such costs were determined to exceed \$2 million, paragraph (a) of section 18 would require the bill to contain a finding of important state interest and meet one of the exceptions specified in that paragraph (e.g., provision of funding or a funding mechanism, or enactment by vote of two-thirds of the membership of each house).

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

¹³ FLA. CONST. art. VII, s. 18(d).

¹⁴ An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year times \$0.10. See Florida Senate Committee on Community Affairs, *Interim Report 2012-115: Insignificant Impact*, (Sept. 2011), available at <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited Jan. 9, 2019).

¹⁵ Based on the Florida Demographic Estimating Conference's November 5, 2018 population forecast for 2019 of 21,170,399. The conference packet is available at <http://edr.state.fl.us/Content/conferences/population/ConferenceResults.pdf> (last visited Jan. 18, 2019).

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Counties, municipalities, and the EDR may incur costs related to the collection, reporting, and formatting of the bill's required information gathering.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 129.03 and 166.241.

This bill creates an undesignated section of law.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.