

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 861 Local Government Financial Reporting

**SPONSOR(S):** Roach

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1616

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local, Federal & Veterans Affairs Subcommittee	13 Y, 1 N	Darden	Miller
2) Appropriations Committee	29 Y, 0 N	Davis	Pridgeon
3) State Affairs Committee			

### SUMMARY ANALYSIS

The county or municipal budget officer is responsible for preparing a tentative budget for the fiscal year, including all estimated receipts, taxes to be levied, and balances carried forward from the previous year as well as all estimated expenditures, reserves, and balances carried over at the conclusion of the previous year. The county or municipal budget officer submits the tentative budget to the governing board, who are responsible for examining the tentative budget and making changes as necessary to ensure the budget is balanced. Once revisions to the tentative budget have been completed, the board must conduct a public hearing to adopt the tentative and final budgets. Counties and municipalities are required to post their annual budget to their websites, but current law does not set a required amount of time for which the information must be available.

The bill requires counties and municipalities to post their annual budgets to their respective websites for at least two years and tentative budgets to their websites for at least 45 days.

Beginning October 15, 2019, the bill requires each county and municipal budget officer to file an annual report to the Office of Economic and Demographic Research (EDR), in a format and on forms prescribed by EDR, including information concerning:

- Government spending per resident, including the rate for the five preceding fiscal years;
- Government debt per resident, including the rate for the five preceding fiscal years;
- Median income within the county or municipality;
- Average county or municipal employee salary;
- Percent of the entity's budget spent on salaries and benefits for the entity's employees; and
- Number of special taxing districts that are located wholly or partially within the county or municipality.

The bill requires EDR to develop the format and forms for reporting the information by July 15, 2019.

The bill may have an indeterminate negative fiscal impact on the state and local governments. See Fiscal Comments.

The bill shall take effect upon becoming law.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Present Situation

###### Preparation of County Budgets

The process of preparing a county budget begins with a certification from the county property appraiser to the county budget officer of the property appraiser's estimate of the total valuations against which taxes may be levied in the county.<sup>1</sup> This certified amount is used as the basis for estimating the millage rate and it is included on each tentative and final budget.

The county budget officer is responsible for preparing a tentative budget for the fiscal year, including all estimated receipts, taxes to be levied, and balances carried forward from the previous year as well as all estimated expenditures, reserves, and balances carried over at the conclusion of the previous year.<sup>2</sup> This process includes the budgets for the sheriff, clerk of the circuit court, supervisor of elections, and tax collector (if subject to a resolution entered into pursuant to s. 145.022(1), F.S.).<sup>3</sup>

The county budget officer submits the tentative budget to the board of county commissioners, who are responsible for examining the tentative budget and making changes as necessary to ensure the budget is balanced.<sup>4</sup> The board of county commissioners may not adjust the county budget officer's estimates of receipts other than taxes or of balances brought forward without the passage of a separate resolution.

Once revisions to the tentative budget have been completed, the board of county commissioners prepares a statement summarizing all of the adopted tentative budgets.<sup>5</sup> The summary statement must show the proposed tax millages, balances, reserves, and the total of each major classification of receipts and expenditures for each budget category and for the budget as a whole. The summary statement must be advertised one time in a newspaper of general circulation in the county. The board of county commissioners must conduct a public hearing to adopt the tentative and final budgets.<sup>6</sup>

The board of county commissioners may amend the county budget during the fiscal year or within the first 60 days of the following fiscal year.<sup>7</sup> These amendments may include:<sup>8</sup>

- Transferring appropriations within a fund, as long as the total appropriation for the fund does not change;<sup>9</sup>
- Transferring funds from a reserve for contingencies to another fund;
- Appropriating reserves intended for future construction and improvements to those purposes;
- Appropriating funds not anticipated, such as a grant, gift, donation, or reimbursement for damages;
- Increasing receipts from enterprise or proprietary funds; and
- Authorizing other amendments by resolution or ordinance of the board of county commissioners adopted at a public hearing.

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<sup>1</sup> S. 129.03(1), F.S.

<sup>2</sup> S. 129.03(3), F.S.

<sup>3</sup> S. 129.03(2), F.S.

<sup>4</sup> S. 129.03(3)(a), F.S.

<sup>5</sup> S. 129.03(3)(b), F.S.

<sup>6</sup> S. 129.03(3)(c), F.S.

<sup>7</sup> S. 129.06(2), F.S.

<sup>8</sup> S. 129.06(2)(a)-(f), F.S.

<sup>9</sup> The board of county commissioners may alternatively establish a process by which the county budget officer may reallocate such funds. S. 129.06(2)(a), F.S.

## Preparation of Municipal Budgets

Each municipality is required to adopt a budget every fiscal year.<sup>10</sup> Each municipal budget must be balanced, with revenues derived from taxation, carry forward balances, and other sources equal to the total amount of appropriations for expenditures and reserves. The adopted budget must describe each budgetary fund to the level of detail that is required in the municipality's annual financial report under s. 218.32(1), F.S.

A municipality may not levy ad valorem taxes unless it prepares a tentative budget containing the proposed millage rate necessary to fund the budget, excluding portions of the budget funded by sources other than ad valorem tax revenues.<sup>11</sup> The municipality must inform the property appraiser of its proposed millage rate for the upcoming fiscal year (including the rolled-back rate) as well as the time and location of the public hearing to adopt the tentative budget.<sup>12</sup> This hearing must be held between 65 and 80 days after the certification of taxable values by the property appraiser.<sup>13</sup>

Within 15 days after the meeting adopting the tentative budget, the governing body of the municipality must advertise, in a newspaper of general circulation in the county, its intent to adopt a final budget at a public meeting to be held within two to five days after the first publication of the notice.<sup>14</sup> During the hearing, the governing body of the municipality may amend the tentative budget, adopt a final budget, and adopt the millage rate to be levied.

The governing body of the municipality may amend the municipal budget during the fiscal year or within the first 60 days of the following fiscal year.<sup>15</sup> The amendment may transfer appropriations within a fund, as long as the total appropriation for the fund does not change,<sup>16</sup> or make other types of changes.<sup>17</sup> If an amendment to a municipal budget is not an intra-fund transfer, the amendment must be adopted by the same manner as the original budget.

## Online Posting of Local Government Budgets

Counties and municipalities are required to post their tentative and final budgets on their websites.<sup>18</sup> Counties and municipalities must post their tentative budget to their website at least two days before the budget meeting, the final budget within 30 days of adoption, and amendments to the budget within five days of adoption.<sup>19</sup> If a municipality does not have a website, the municipality must transmit the tentative and final budgets to the manager or administrator of the county in which the municipality is located, for posting on the county's website.<sup>20</sup>

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<sup>10</sup> S. 166.241(2), F.S.

<sup>11</sup> S. 200.065(2)(a), F.S.

<sup>12</sup> S. 200.065(2)(b), F.S.

<sup>13</sup> S. 200.065(2)(c), F.S.

<sup>14</sup> S. 200.065(2)(d), F.S.

<sup>15</sup> S. 166.241(4), F.S.

<sup>16</sup> S. 166.241(4)(a), F.S. The governing body of the municipality may also establish procedures, which authorize the designated budget officer to make changes of this sort. S. 166.241(4)(b), F.S.

<sup>17</sup> S. 166.241(4)(c), F.S. Other types of changes may include, for example, transferring funds from a reserve for contingencies to another fund or appropriating funds not anticipated, such as a grant, gift, donation, or reimbursement for damages. *See* s. 129.06(2), F.S. (types of amendments for county budgets).

<sup>18</sup> Ss. 129.03(3)(c), 166.241(3), F.S. (requirements for counties and municipalities, respectively).

<sup>19</sup> *Id.* and s. 129.06(2)(f)2., F.S.

<sup>20</sup> S. 166.241(3), F.S.

## **Effect of Proposed Changes**

The bill requires counties and municipalities to post their annual budgets to their respective websites for at least two years and tentative budgets to their websites for at least 45 days.

Beginning October 15, 2019, and each October 15 thereafter, the bill requires each county and municipal budget officer to submit to the Office of Economic and Demographic Research (EDR),<sup>21</sup> in a format and on forms prescribed by EDR, specified information regarding the final budget and the economic status of the local government. Specifically, each county and each municipality must submit:

- Government spending per resident, including the rate for the five preceding fiscal years;
- Government debt per resident, including the rate for the five preceding fiscal years;
- Median income within the county or municipality;
- Average county or municipal employee salary;
- Percent of the entity's budget spent on salaries and benefits for the entity's employees; and
- Number of special taxing districts that are located wholly or partially within the county or municipality.

The bill requires EDR to develop the format and forms for filing the information by July 15, 2019.

### **B. SECTION DIRECTORY:**

Section 1: Amends s. 129.03, F.S., to specify the period for which budget documents must appear on a county website and to require annual reporting of certain information.

Section 2: Amends s. 166.241, F.S., to specify the period for which budget documents must appear on a municipal website and to require annual reporting of certain information

Section 3: Requires EDR to establish the format and forms for use by counties and municipalities to submit the information required by the bill.

Section 4: Provides an effective date of upon becoming a law.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

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<sup>21</sup> The Office of Economic and Demographic Research is an entity established by Joint Rule 3.1 of the Legislature to provide research support services, principally regarding forecasting economic and social trends that affect policymaking, revenues, and appropriations. EDR maintains a compilation of annual reports and data regarding local governments, which can be found at <http://edr.state.fl.us/Content/local-government/index.cfm#reporting> (last visited Mar. 8, 2019).

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill has an indeterminate, but likely insignificant negative fiscal impact on expenditures and staff time of EDR. The bill requires EDR, by July 15, 2019, to develop forms for the submittal of budget data from counties and municipalities. It is anticipated that EDR will be able to absorb these additional impacts within existing resources.

The bill also requires counties and municipalities to electronically submit certain information regarding their final budgets and economic status to EDR. The submission of this information may have an insignificant negative fiscal impact on the expenditures and staff time of local governments.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill does not provide rulemaking authority or require executive branch rulemaking.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

None.