

**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.)

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Prepared By: The Professional Staff of the Committee on Community Affairs

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BILL: SB 1512

INTRODUCER: Senator Diaz

SUBJECT: Local Government Reporting

DATE: February 5, 2020

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Toman</u>	<u>Ryon</u>	<u>CA</u>	<u>Pre-meeting</u>
2.	_____	_____	<u>AEG</u>	_____
3.	_____	_____	<u>AP</u>	_____

**I. Summary:**

SB 1512 removes current statutory requirements that county and municipal budget officers annually report certain economic status data to the Office of Economic and Demographic Research. Instead, the bill requires counties and municipalities to submit similar information to the Department of Financial Services (DFS). Beginning October 15, 2020, and each October 15 thereafter, each county and municipality must submit the following to DFS:

- The government spending per resident, including the per-resident spending for the past 5 fiscal years for the county or municipality.
- The government debt per resident, including the per-resident debt for the previous 5 fiscal years for the county or municipality.
- The average county or municipal employee salary, as applicable.
- The median income for the county or municipality.
- The average school grade for the county or municipality.
- The crime rate for the county.

Beginning January 15, 2021, and each January 15 thereafter, the bill requires DFS to generate and distribute a local government report depicting the fiscal and economic status of each county and municipality in the state and provide a comparative ranking with all other counties and municipalities. The local government report must be mailed to each household containing a registered voter and must be specific to the household's county (and municipality, if applicable). The report must assist the household in making direct comparisons of fiscal and economic metrics, fit on a single page, use colorful graphics, and provide the required information in an easy-to-understand format.

The bill also requires DFS to establish an interactive website, by January 15, 2021, that allows residents to compare information contained in the local government report as well as other specified information about counties and municipalities. DFS may choose one or more contractors to design and distribute the local government report and to create the interactive website through an open request for proposal process.

## II. Present Situation:

### Department of Financial Services

In 2002, the Legislature merged the state Departments of Insurance, Treasury and State Fire Marshal with the Department of Banking and Finance to create DFS.<sup>1</sup> The Chief Financial Officer (CFO), an elected member of the Cabinet who serves as the chief fiscal officer of the state, is the head of DFS.<sup>2</sup>

Section 20.121, F.S., establishes the following divisions within DFS:

- Accounting and Auditing;
- Consumer Services;
- Funeral, Cemetery, and Consumer Services;
- Insurance Agent and Agency Services;
- Investigative and Forensic Services;<sup>3</sup>
- Public Assistance Fraud;
- Rehabilitation and Liquidation;
- Risk Management;
- State Fire Marshal;
- Treasury;<sup>4</sup>
- Unclaimed Property;
- Workers' Compensation;
- Administration; and
- Office of the Insurance Consumer Advocate.

DFS is also the parent agency for the Financial Services Commission, which consists of the Governor, Attorney General, CFO, and Commissioner of Agriculture.<sup>5</sup> The Financial Services Commission has two subunits, the Office of Insurance Regulation and the Office of Financial Regulation.<sup>6</sup> Both subunits are managed by directors selected by the commission and must have at least 5 years of relevant experience in the previous 10 years.<sup>7</sup>

### 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

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<sup>1</sup> Chapter 2002-404, Laws of Fla.

<sup>2</sup> FLA. CONST., art. IV, s. 4. and s. 20.121, F.S.

<sup>3</sup> The Division of Investigative and Forensic Services is considered a criminal justice agency for purposes of ss. 943.045-943.08, F.S., and may conduct investigations within and outside of the state. The division includes the Bureau of Forensic Services; Bureau of Fire, Arson, and Explosives Investigations; Office of Fiscal Integrity; Bureau of Insurance Fraud; and Bureau of Workers' Compensation Fraud.

<sup>4</sup> The Division of Treasury includes the Bureau of Deferred Compensation, which is responsible for administering the Government Employees Deferred Compensation Plan established under s. 112.215, F.S. for state employees.

<sup>5</sup> Section 20.121(3), F.S.

<sup>6</sup> Section 20.121(3)(a), F.S.

<sup>7</sup> Section 20.121(3)(d), F.S.

for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit.<sup>8</sup> 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.<sup>9</sup> Notwithstanding other provisions of law, the budgets of all county officers must be in sufficient detail and contain such information as the board of county commissioners may require in furtherance of their powers and responsibilities.<sup>10</sup>

### **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.<sup>11</sup> Upon receipt of the tentative budgets and any revisions, the board prepares a summary of the adopted tentative budgets.<sup>12</sup> Public hearings are held to explain tentative and final budgets and to entertain community requests and complaints prior to budget adoption.<sup>13</sup> 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.<sup>14</sup> 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.<sup>15</sup> The final budget must be posted on the website within 30 days after adoption.<sup>16</sup>

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<sup>8</sup> 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.

<sup>9</sup> Section 129.01(2), F.S.

<sup>10</sup> 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.

<sup>11</sup> Section 129.03(2), F.S. Section 195.087(1) F.S., outlines the budget process for property appraisers in the state.

<sup>12</sup> Section 129.03(3)(b), F.S.

<sup>13</sup> Section 129.03(3)(c), F.S., also outlines public hearing practices and subsequent budget website posting and public record requirements.

<sup>14</sup> Section 166.241(2), F.S.

<sup>15</sup> Section 166.241(3), F.S.

<sup>16</sup> *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.

## Local Government Financial Reporting

Local governments are accountable for the manner in which they spend public funds, and the submission of financial reports required by state law is one method of demonstrating accountability. Section 218.39, F.S., requires the completion of an annual financial audit of accounts and records within nine months after the end of the fiscal year for counties, district school boards, charter schools, and charter technical career centers and certain municipalities and special districts. The statute requires filing of these annual financial audit reports with the State of Florida's Auditor General.

Section 218.32, F.S., requires counties, municipalities, and special districts to complete and submit to DFS a copy of its annual financial report (AFR) for the previous fiscal year no later than nine months after the end of the fiscal year. The AFR is not an audit but rather a unique financial document completed using a format prescribed by the DFS.<sup>17</sup>

The DFS's Bureau of Local Government has created a web-based AFR system called Local Government Electronic Reporting (LOGER) where local government entities complete and electronically submit AFRs.<sup>18</sup> DFS personnel verify an entity's data entered in LOGER by comparing the data to the financial statements included in the submitted audit report, or with other prescribed information from those entities not subject to the audit requirement and contact the entities for clarification when the comparisons yield significant differences.<sup>19</sup>

## Local Government Economic Status Reporting

In addition to the above local government financial reporting, ch. 2019-56, L.O.F., amended ss. 129.03 and 166.241, F.S., to require counties and municipalities respectively to report certain economic status information to the Office of Economic and Demographic Research (EDR). This includes information on:

- Government spending and debt per resident;
- Median income;
- Average local government employee salary;
- Percentage of budget spent on employee salaries and benefits; and
- The number of taxing districts.

### III. Effect of Proposed Changes:

**Section 1** amends s. 129.03, F.S., to remove counties' required annual economic status reporting submission to EDR as provided by ch. 2019-56 (see Present Situation on economic status reporting). This reporting is captured within the requirements of section 3 of the bill.

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<sup>17</sup> See Department of Financial Services Bureau of Financial Reporting, *Uniform Accounting System Manual for Florida Local Governments* (2014), available at [https://www.myfloridacfo.com/Division/AA/Manuals/2014UASManual-7-31-15\\_FINAL.pdf](https://www.myfloridacfo.com/Division/AA/Manuals/2014UASManual-7-31-15_FINAL.pdf) (last visited Jan. 6, 2020).

<sup>18</sup> LOGER is available at <https://apps.fldfs.com/LocalGov/Reports/> (last visited Jan. 6, 2020).

<sup>19</sup> See Florida Auditor General, *Local Government Financial Reporting System: Performance Audit Report 2019-028* (Sep. 2019), available at [https://flauditor.gov/pages/pdf\\_files/2019-028.pdf](https://flauditor.gov/pages/pdf_files/2019-028.pdf) (last visited Jan. 6, 2020).

**Section 2** amends s. 166.241, F.S., to remove municipalities' required annual economic status reporting submission to EDR as provided by ch. 2019-56 (see Present Situation on economic status reporting). This reporting is captured within the requirements of section 3 of the bill.

**Section 3** creates s. 218.323, F.S., to provide county and municipal fiscal and economic reporting requirements featuring an interactive repository of information that enables residents to compare the final budget and economic status of counties and municipalities. By October 15, 2020, and each October 15 thereafter, each county and each municipality shall electronically submit the following information to DFS in the method and format established by department rule:

- The government spending per resident, including the per-resident spending for the past 5 fiscal years for the county or municipality.
- The government debt per resident, including the per-resident debt for the previous 5 fiscal years for the county or municipality.
- The average county or municipal employee salary.
- The median income for the county or municipality.
- The average school grade for the county or municipality.
- The crime rate for the county.

By January 15, 2021, and each January 15 thereafter, DFS must generate and distribute a local government report depicting the fiscal and economic status of each county and municipality and providing a comparative ranking with all other counties and municipalities related to the information data points listed above. The local government report must be mailed to each household with a registered voter at the address and must be specific to the household's municipality and county. Each household not residing within a municipality must receive a local government report specific to the household's county. The local government report must assist the household in making direct comparisons of fiscal and economic metrics, must be a single page and use colorful graphics, and must provide the information in an easy to understand format.

In addition to the local government report, by January 15, 2021, DFS must establish an interactive website that allows residents to compare information about counties and municipalities. The website must include the information provided in local government report as well as the following:

- The population of the county or municipality.
- The unemployment rate for the county or municipality.
- The percent of budget spent on salaries and benefits for county or municipal employees. The website must depict the percent of budget spent on salaries and benefits for the county or municipality and the rank for the county or municipality compared to all counties or municipalities.
- The number of special taxing districts, wholly or partially, within the county or municipality.
- The government revenue per resident for the county or municipality, as applicable, and the rank for the county or municipality compared to all counties or municipalities.

DFS may choose one or more contractors to design and distribute the local government report and to create the interactive website through an open request for proposal process pursuant to ch. 287, F.S., on the procurement of personal property and services.

**Section 4** provides that the bill shall take effect upon becoming law.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

Article VII, Section 18(a) 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.

Under this bill, cities and counties will likely incur costs for the collection, calculation, and submission of the specified economic information to DFS. However, the mandate requirement does not apply to laws having an insignificant impact,<sup>20</sup> which for Fiscal Year 2020-2021 is forecast at approximately \$2.2 million.<sup>21,22</sup>

If such costs are determined to exceed \$2.2 million in the aggregate, and no other exemption or exception applies, in order to be binding on the cities and counties, the bill must contain a finding of important state interest and final passage must be approved by two-thirds of the membership of each house of the Legislature.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

##### **D. State Tax or Fee Increases:**

None.

##### **E. Other Constitutional Issues:**

None identified.

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<sup>20</sup> 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 Feb. 5, 2020).

<sup>21</sup> FLA. CONST. art. VII, s. 18(d).

<sup>22</sup> Based on the Florida Demographic Estimating Conference's December 3, 2019 population forecast for 2020 of 21,555,986. The conference packet is available at: <http://edr.state.fl.us/Content/conferences/population/ConferenceResults.pdf> (last visited Feb. 5, 2020).

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

None.

**C. Government Sector Impact:**

Counties and municipalities will likely incur expenses related to the collection and submission of required fiscal and economic reporting data. DFS will incur expenses related to the creation and mailing of required local government reports to registered voters as well as expenses linked to the establishment of the interactive website which would allow resident comparison of data.

**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 section 218.323 of the Florida Statutes.

**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.