



TAXATION AND BUDGET REFORM COMMISSION

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Staff Analysis and Economic Impact Statement

Measure: CS/SR 49, First Engrossed REFERENCE: ACTION:

Sponsor: Commissioner Randy Miller 1. F&T Favorable
2. TBRC Approved

Subject: Local Government Budgets/Line
Item

Date: March 7, 2008

I. Summary:

Committee Substitute for Statutory Recommendation 49 requires certain state constitution's county officers, boards, or taxing authorities receiving revenues from ad valorem taxes or fees to submit a line-item, zero-based budget to the county commission prior to the commission's budget hearings. CS/SR49 excludes tax collectors, property appraisers, and board of county commissioners from the requirement. The proposal's effective date is July 1, 2008.

II. Present Situation:

Article VII, s. 9(a), Fla. Const., states that counties, school districts, and municipalities shall, and special districts may, be authorized by law to levy ad valorem taxes. Local governments and districts may be authorized by general law to levy other taxes for their respective purposes, except ad valorem taxes on intangible personal property and taxes prohibited by the State Constitution.

Constitutional officers of counties which receive revenues from ad valorem taxes, as identified in Section 1 of Article VII of the State Constitution, include clerk of the circuit court, property appraiser, tax collector, supervisor of elections, sheriff, and county commissioners.

Section 218.32(1), F.S., requires local governments to submit an Annual Financial Report detailing their operations for the preceding fiscal year to the Department of Financial Services. The Department of Financial Services (DFS) makes an electronic filing system available to local governments that accumulates the financial information reported on the annual financial reports in a database and makes that information available to the public in an electronic format. Submission of the annual report depends on whether or not the local government entity is required to have an annual audit; if no audit is required the deadline is April 30 of each year, and if an audit is required the deadline is no later than 12 months after the end of the fiscal year. If DFS does not receive a completed annual

financial report from a local government entity within the required period, DFS must notify the Legislative Auditing Committee.

Section 218.33, F.S., provides guidance to the local governments for submitting annual financial reports. The statute provides that the local government fiscal year is from October 1 through September 30. The Department of Financial Services provides uniform accounting and practices for local government use.

In 2007, CS/CS/SB560 was proposed to require local governments to electronically post all revenues and all expenditures on the local government's website if one is available, or on the county government's website in a uniform format prescribed by the Department of Revenue. The reporting requirements were to take effect beginning in 2009, and be phased in over three years, beginning with larger local governments. There was no prohibition against early posting of the financial information, and the information was required to be on the website within three months after the end of the fiscal year. Local governments were required to prepare a summary report of all revenues and expenditures to be made available to the residents by mail, newspaper advertisement or in an electronic format posted on the website. In addition, Senate Bill 1546 was proposed to require that by the end of the fiscal year, each local government entity, county or municipal office, and taxing authority in the state to prepare a line-item detailed report identifying revenue sources and amounts, and expenditures categories and amounts. Senate 1902 required each local government to create and update annually a document designed to inform local government residents about the spending during the previous year. However, none of the bills were enacted.¹

Currently, some counties and other local government entities post budget information on their websites. However, there are no uniform design and information requirements. The design of the format and information included for budget review varies with the needs of the specific entity.

III. Effect of Proposed Changes:

Committee Substitute for Statutory Recommendation 49 requires certain constitutional officers, boards, or taxing authorities receiving revenues from ad valorem taxes or fees to submit a line-item, zero-based budget to the county commission prior to the commission's budget hearings. CS/SR49 excludes tax collectors, property appraisers, or board of county commissioners whose budgets are approved under ss.195.087 or 145.022 from the requirement. The proposal's effective date is July 1, 2008.

Zero based budgeting is designed to provide a justification for budget requests every budgeting cycle, regardless of the prior period budget. Generally, a "decision package" is developed by managers for projects or activities which include an analysis of cost, purpose, courses of action, measures of performance, consequences of not performing the activity and the benefits of the activities. However, the process takes a considerable

¹ The Florida Senate, *Transparency in Local Government Revenues and Expenditures, Interim Project Report 2008-109*, November 2007.

amount of time to prepare documents and conduct the review of operations in sufficient detail to justify costs each budgeting cycle without the reference of past expenditures.

A line item budget generally provides a separate line-item appropriation for each major category of expenditure. The categories typically include salaries, personnel service costs, and in some cases travel, capital outlay or equipment. There may be additional costs to produce line-item budgets for commission meetings if it is not the current format used for budget decisions.

In addition, there are ninety-five special districts, dependent and independent, with the ad valorem tax as a revenue source.² There are multiple methods of selecting board members and some special districts span multi-counties. These factors may complicate the ability of special district boards to comply with the requirement of CS/SR 49.

IV. Constitutional Issues:

A. Constitutional or Statutory Issues:

The proposal is appropriately classified as a statutory issue.

B. Other Constitutional Issues:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The proposal does not increase or reduce any state or local taxes or fees.

B. Private Sector Impact:

The proposal will have no significant impact on the private sector. Members of the public will have access to more detailed budget information from local government entities.

C. Government Sector Impact:

Constitutional officers, boards or taxing authorities affected by this proposal may incur additional costs to prepare the required line-item zero-base budget if it is not the current format submitted for county commission budget review.

² Department of Community Affairs, Customized Report for Special Districts; <http://www.floridaspecialdistricts.org/> (Last visited February, 2008).

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.