

STORAGE NAME: H1825.ca

DATE: March 25, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS**

BILL #: HB 1825

RELATING TO: Local Government

SPONSOR(S): Representative C. Smith

COMPANION BILL(S): SB 2162 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS
 - (2) FINANCIAL SERVICES
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

This bill creates the Local Government Financial Technical Assistance Program (Program). The Program provides technical assistance to municipalities and special districts to enable them to implement workable solutions to financially related problems.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Background: Florida is a state comprised of many local governments with about 200 of the state's 400 cities having a population of less than 5,000. With one-half of the states's population residing in the unincorporated areas, there are almost 1,000 special districts statewide. Every year millions of dollars are lost as many, primarily small, local governments experience financial deterioration, and many of those with problems ultimately fall into financial emergency status. The causes range from the personnel's inability or lack of knowledge in budget preparation to inefficiency in basic bookkeeping and financial monitoring. For small special districts with utility services, there are problems with rate setting and planning for reserve and replacement. These local governments also tend to lack basic internal controls, as well as appropriate checks and balances within their small financial operations. Also, many elected officials from these local governments are unaware of what their staff should provide to them in order to properly monitor the financial affairs of the entity, and are uninformed as to appropriate levels of debt. Many local governments that end up in a financial emergency have excessive levels of debt.

Local Government Financial Emergencies Act: The Local Government Financial Emergencies Act is found in sections 218.50-218.504, Florida Statutes. The act defines when a local governmental entity is deemed to be in a state of emergency. It also describes the various measures that may be taken by the Governor or Governor's designee to alleviate an emergency situation.

Legislative Committee on Intergovernmental Relations (LCIR): Created in 1977, as the Advisory Council on Intergovernmental Relations and renamed the Legislative Committee on Intergovernmental Relations (LCIR) in 1996, the Committee is an entity that facilitates the development of intergovernmental policies and practices. The LCIR is statutorily authorized to:

- 1) Serve as a forum for the discussion and study of intergovernmental problems;
- 2) Evaluate the interrelationships among local, regional, state, interstate, and federal agencies in the provision of public services and prepare studies and recommendations to improve organizational structure, operational efficiency, allocation of functional responsibility, and the delivery of service;
- 3) Analyze the structure, functions, revenue requirements, and fiscal policies of the state and its political subdivisions;
- 4) Examine proposed and existing federal and state programs;
- 5) Review the research and recommendations of national commissions studying local government relationships and problems, such as the federal Advisory Commission on Intergovernmental Relations; and
- 6) Analyze the fiscal impact of new state programs or amendments to existing programs on municipalities and counties.

When a study is completed, the LCIR reports its findings and recommendations to the presiding officers of the Legislature and the Governor. The ultimate challenge facing the Florida LCIR is improving coordination and cooperation between state agencies, local governments, and the federal government.

The LCIR, as provided by law, is composed of 15 members. Eight are Legislative members with four Senators appointed by the Senate President and four Representatives appointed by the House Speaker. The remaining seven members are appointed by the Governor and must be local elected officials or state officials. All members are appointed for 2-year terms.

The LCIR conducts policy research and serves as a forum for addressing intergovernmental policies. LCIR staff provide various forms of assistance to legislative members and staff, and information to local governments and the public.

The committee conducts research and issues reports on a wide range of issues, including: municipal annexation, state revenue-sharing programs, impact fees, special district accountability, regional governance, local occupational license taxes, jail finance and administration, article V costs, double taxation, salaries of county constitutional officers and elected school district officials, local government financial emergencies, local government debt, community-based and intermediate criminal sanction programs, local infrastructure costs, constitutional initiatives and referenda, urban infill and infrastructure capacity, administration of local government taxes, local government service delivery, local government mandates, local government reporting requirements, and the cost of providing services to Florida's Newcomers.

B. EFFECT OF PROPOSED CHANGES:

The bill creates the Local Government Financial Technical Assistance Program, as follows:

- Provides legislative findings and declaration;
- Requires the Comptroller to enter into certain contracts;
- Provides for review of the contract proposals;
- Provides for fiscal oversight by the Comptroller;
- Provides for an annual performance review; and
- Provides for a report.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No. The bill contains no specific delegation of rule-making authority.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes.

The Comptroller:

Authorizes the Comptroller to enter into contracts with program providers.

Requires the Comptroller to do the following:

-- Issue a request for proposals to provide assistance to municipalities and special districts.

-- Review each contract proposal submitted.

Allows the Comptroller to enter into contracts and agreements with other state and local agencies and with any person, association, corporation, or entity other than the program providers, for the purpose of administering this section.

Requires the Comptroller to provide fiscal oversight to ensure that funds expended for the program are used in accordance with the contracts.

The Program Providers:

Authorizes program providers who will do the following:

- Use existing resources, services, and information that are available from state or local agencies, universities, or the private sector.
- Seek and accept funding from any public or private source.
- Annually submit information to assist the Legislative Committee on Intergovernmental Relations in preparing a performance review that will include an analysis of the effectiveness of the program.
- Assist municipalities and special districts in developing alternative revenue sources.
- Provide for an annual independent financial audit of the program.
- Provide assistance to municipalities and special districts in the areas of financial management, accounting, investing, budgeting, and debt issuance.
- Develop a needs assessment to determine where assistance should be targeted, and establish a priority system to deliver assistance to those jurisdictions most in need through the most economical means available.
- Provide financial emergency assistance upon direction from the Office of the Governor pursuant to s. 218.503, Florida Statutes - Determination of financial emergency.

The Legislative Committee on Intergovernmental Relations (LCIR):

- At the request of the Comptroller, the LCIR will assist in the preparation of the request for proposals.
- Requires the LCIR review each contract proposal and submit to the Comptroller, in writing, advisory comments and recommendations, citing with specificity the reasons for its recommendations.

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

None.

E. SECTION-BY-SECTION ANALYSIS:

Section 1: Creates section 163.055, F.S., as follows:

- Creating the Local Government Financial Technical Assistance Program (Program).
 - Providing legislative findings regarding municipalities and special districts, as follows:
 - ◆ There are 400 municipalities and almost 1,000 special districts, statewide.
 - ◆ Of the 400 municipalities in the state, over 200 have a population under 5,000.
 - ◆ Projected revenue and expenditure trends of many small municipalities and special districts indicate that a serious fiscal condition has developed that could require a number of municipalities and special districts to declare financial emergencies.
 - ◆ State and federal mandates will continue to place additional funding demands on all municipalities and special districts.
 - ◆ Millions of dollars are lost every year as many, primarily small, local governments experience financial deterioration and many of those ultimately fall into financial emergency status.
 - ◆ State government lacks the specific technical expertise or resources to effectively perform ongoing educational support and financial emergency detection or assistance.
 - Provides Legislative declaration, as follows:
 - ◆ The fiscal emergencies confronting various municipalities and special districts require an investment that will facilitate efforts to improve the productivity and efficiency of their financial structures and operating procedures.

- ◆ Current and additional revenue enhancements authorized by the Legislature should be managed and administered using appropriate management practices and expertise.
- Provides that the purpose of this section is to provide technical assistance to municipalities and special districts to enable them to implement workable solutions to financially related problems.
- Requires the Comptroller to enter into contracts with program providers who must do the following:
 - ◆ Be a public agency or private, nonprofit corporation, association, or entity.
 - ◆ Use existing resources, services, and information that are available from state or local agencies, universities, or the private sector.
 - ◆ Seek and accept funding from any public or private source.
 - ◆ Annually submit information to assist the LCIR in preparing a performance review that will include an analysis of the effectiveness of the program.
 - ◆ Assist municipalities and special districts in developing alternative revenue sources.
 - ◆ Provide for an annual independent financial audit of the program.
 - ◆ Provide assistance to municipalities and special districts in the areas of financial management, accounting, investing, budgeting, and debt issuance.
 - ◆ Develop a needs assessment to determine where assistance should be targeted, and establish a priority system to deliver assistance to those jurisdictions most in need through the most economical means available.
 - ◆ Provide financial emergency assistance upon direction from the Office of the Governor pursuant to section 218.503, Florida Statutes.

[Note: Section 218.503, Florida Statutes, provides for the determination of financial emergency under the Local Government Financial Emergencies Act.]

- Requires the Comptroller to do the following:
 - ◆ Issue a request for proposals to provide assistance to municipalities and special districts.
- At the request of the Comptroller, the LCIR must assist in the preparation of the request for proposals.
- Requires the Comptroller to review each contract proposal submitted.
- Requires the LCIR to review each contract proposal and submit advisory comments and recommendations, citing with specificity the reasons for its recommendations, to the Comptroller.
- Requires the Comptroller and the council to consider the following factors in reviewing contract proposals:
 - ◆ The demonstrated capacity of the provider to conduct needs assessments and implement the program as proposed.
 - ◆ The number of municipalities and special districts to be served under the proposal.
 - ◆ The cost of the program as specified in a proposed budget.

- ◆ The short-term and long-term benefits of the assistance to municipalities and special districts.
- ◆ The form and extent to which existing resources, services, and information that are available from state and local agencies, universities, and the private sector that will be used by the provider under the contract.
- Requires that a decision of the Comptroller to award a contract under this section is final.
- Requires that the decision of the Comptroller to award a contract under this section must be in writing with a copy provided to the LCIR.
- Allows the Comptroller to enter into contracts and agreements with other state and local agencies and with any person, association, corporation, or entity other than the program providers, for the purpose of administering this section.
- Requires the Comptroller to provide fiscal oversight to ensure that funds expended for the program are used in accordance with the contracts.
- Requires the LCIR to annually conduct a performance review of the program.
 - ◆ Requires the findings of the review to be presented in a report submitted to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller by January 15 of each year.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

No.

2. Recurring Effects:

Indeterminate.

Subsection 163.055(7), authorizes the Comptroller to enter into contracts and agreements with other state and local agencies, among other organizations, for the purpose of administering this Program.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

Indeterminate.

Subsection 163.055(7), authorizes the Comptroller to enter into contracts and agreements with other state and local agencies, among other organizations, for the purpose of administering this Program.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

Yes.

This Program will serve as a "preventive measure" to small municipalities and special districts who are at risk of or are experiencing financial emergencies.

3. Long Run Effects Other Than Normal Growth:

Yes.

This Program will assist small municipalities and special districts who are at risk of or are experiencing financial emergencies in stabilizing their financial circumstances and will stabilize these local governments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require municipalities or counties to spend money or to take action that requires a significant expenditure of money.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill is not anticipated to reduce the authority of municipalities or counties to raise total aggregate revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the total aggregate municipality/county percentage share of a state tax.

V. COMMENTS:

The Florida League of Cities: The Florida League of Cities **supports** the bill.

The Florida Association of Special Districts: The Florida Association of Special Districts **supports the bill but objects to the finding that "many" special districts are in a serious fiscal condition.**

According to the Association, the problem is that smaller special districts may be operating within their means, but not reporting their financial condition correctly or at all. Both are factors which may lead to a

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declaration of financial emergency. Also, it is the lack of in-house financial expertise which leads to the need for the investment that will facilitate efforts to improve productivity and efficiency.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

At the March 30, 1999, meeting of the House Committee on Community Affairs, the sponsor will offer the following amendments to the bill:

Amendment #1: A technical amendment correcting a reference to the LCIR.

Amendment #2: An amendment to provide for a General Revenue appropriation of \$300,000 to the Office of the Comptroller to be used for the purpose of carrying out the provisions of this program for FY 1999-2000.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Staff Director:

Tonya Sue Chavis, Esq.

Joan Highsmith-Smith