

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 2162

SPONSOR: Comprehensive Planning, Local and Military Affairs Committee and Senator Kirkpatrick

SUBJECT: Local Government

DATE: April 5, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Bowman</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>RC</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill creates the Local Government Financial Technical Assistance Program to assist municipalities and independent special districts with financial and administrative matters. The Comptroller is directed to issue a request for proposal and select a contractor to provide the technical assistance. The Legislative Committee on Intergovernmental Relations (LCIR) is required to assist the Comptroller in selecting contractors and conduct a yearly performance review of the program.

The bill provides an appropriation of \$300,000 from general revenue to fund the Office of Comptroller's costs in implementing the requirements of the bill.

This bill creates a new section 163.055, Florida Statutes.

II. Present Situation:

Florida contains over 400 municipalities and approximately 1,000 special districts. These units of general and special purpose government occasionally experience financial difficulties. For example, on February 15, 1999, the Auditor General notified the Governor of 42 local governmental entities meeting one or more of the financial emergency conditions prescribed by s. 218.503(1), F.S. Eighteen of the local governments were identified as experiencing a true financial crises, while 24 of the local governments were technically in a state of financial emergency as defined in ch. 218, F.S. Of the 18 experiencing a serious financial crisis, the Auditor General identified one county, 9 municipalities, and 8 independent special districts as experiencing serious financial problems. Of the 24 local governmental entities technically in a financial state of emergency, one county, 13 municipalities and 10 independent special districts were identified.

Chapter 189, F.S., defines a "special district" as a local unit of special purpose, as opposed to general-purpose government within a limited boundary, created by general law, special act, local ordinance, or by rule of the Governor and Cabinet. Section 189.403, F.S., provides the criteria for

designating a special district as either dependent or independent. The chapter provides requirements for creation, merger and dissolution of special districts, and requires the Department of Community Affairs to compile and maintain an official list of special districts. The statute contains procedures for electing governing board members of special districts and provides for submitting board meeting notices to the department and other state agencies. This chapter also governs special district financing and provides for independent audits of special district finances in certain circumstances and submission of audit reports to various agencies.

The Local Government Financial Emergencies Act, ss., 218.50-218.504, F.S., defines when a local governmental entity is deemed to be in a state of emergency. The purpose of this act is to preserve and protect the fiscal solvency of local governments; to assist local governments in meeting their financial obligations and providing their essential services without interruption; and to assist local government through the improvements of local financial management procedures. A local government is required to notify the Governor and Legislative Auditing Committee when any one of the following factors has occurred or will occur:

- ▶ Failure to pay short-term loans or bond debt service within the same fiscal year;
- ▶ Failure to transfer at the appropriate time withheld taxes, employer contributions, social security taxes and pension benefits;
- ▶ Failure to pay wage and retirement benefits;
- ▶ An unreserved or total fund balance or retained earnings deficit for 2 successive years; and
- ▶ Noncompliance of the local government retirement system with certain actuarial requirements.

It also states various measures that may be taken by the Governor to alleviate an emergency situation. Similarly, special districts, pursuant to s. 189.409, F.S., are required to notify the Governor and the Legislative Auditing Committee when a financial emergency occurs or will occur if certain actions are not taken.

The LCIR is a legislative entity that facilitates the development of intergovernmental policies and practices. 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 provides various forms of assistance to legislative members and staff, and information to local governments and the public.

Section 163.05, F.S., creates a Small County Technical Assistance Program to provide financial and management technical assistance to small counties. The Comptroller is authorized to issue requests for proposals, select contractors and oversee the expenditure of funds. The LCIR is required to prepare an annual performance review of the program.

III. Effect of Proposed Changes:

The bill creates the Local Government Financial Technical Assistance Program and authorizes the Comptroller to issue a request for proposal to provide assistance to municipalities and independent special districts. The type of assistance to be provided through the request for proposal includes financial management, accounting, investment, budgeting and debt assistance. The bill does not specifically define qualification criteria for municipalities and independent special districts that can receive financial technical assistance. Presumably, such criteria would be developed in the request for proposal.

The contractor selected by the Comptroller must be a public agency or private, nonprofit corporation, association, or entity and be capable of providing financial management assistance, developing a needs-assessment to determine where assistance should be targeted, and providing financial emergency assistance from the Office of the Governor.

The Comptroller and the LCIR are required to review the contract proposals based on a list of factors, including the capacity of the provider to conduct needs-assessments and implement the program. The Comptroller selects the contractor and awards the contract and is authorized to enter into contracts with other state and local agencies and entities other than the contractor, for the purpose of administering the program.

The Comptroller is required to provide fiscal oversight and the LCIR must conduct an annual performance review of the program. A report describing the results of the performance review must be 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.

The bill appropriates \$300,000 of general revenue to the Office of the Comptroller to implement the provisions of the bill for fiscal year 1999-2000.

The bill is effective upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The Comptroller and the LCIR may incur some administrative costs in performing their responsibilities under the bill.

Municipalities and independent special districts that receive assistance may avoid falling into a state of financial emergency, thereby reducing the costs incurred by the local government and the state in remedying the financial problems.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.