

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.)

Prepared By: The Professional Staff of the Policy and Steering Committee on Ways and Means

BILL: CS/SJR 2204

INTRODUCER: Policy and Steering Committee on Ways and Means and Senator Alexander

SUBJECT: Chief Financial Officer

DATE: March 19, 2010 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	McKay	Wilson	GO	Favorable
2.	McVaney	Coburn	WPSC	Fav/CS
3.			RC	
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE..... Statement of Substantial Changes

B. AMENDMENTS..... Technical amendments were recommended

Amendments were recommended

Significant amendments were recommended

I. Summary:

CS/SJR 2204 proposes an amendment to the Florida Constitution relating to the duties of the Chief Financial Officer (CFO), to require the CFO to establish and maintain uniform accounting of funds for all public entities, and to supervise that accounting. The amendment also requires any enforcement mechanisms to ensure compliance with accounting procedures and financial requirements to be imposed by general law if the mechanism involves financial or budgetary restrictions.

This joint resolution amends article IV, section 4 of the Florida Constitution.

II. Present Situation:

Constitutional Amendment Process

Article XI of the Florida Constitution sets forth various methods for proposing amendments to the constitution, along with the methods for approval or rejection of proposals. One method by which constitutional amendments may be proposed is by joint resolution agreed to by three-fifths

of the membership of each house of the Legislature.¹ Any such proposal must be submitted to the electors, either at the next general election held more than 90 days after the joint resolution is filed with the Secretary of State, or, if pursuant to law enacted by the affirmative vote of three-fourths of the membership of each house of the Legislature and limited to a single amendment or revision, at an earlier special election held more than 90 days after such filing.² If the proposed amendment is approved by a vote of at least 60 percent of the electors voting on the measure, it becomes effective as an amendment to the Florida Constitution on the first Tuesday after the first Monday in January following the election, or on such other date as may be specified in the amendment.³

The Florida Accounting Information Resource System

The Florida Accounting Information Resource System (FLAIR) is one of the subsystems of the Florida Financial Management Information System established in s. 215.93, F.S. The Department of Financial Services (DFS) is the functional owner of FLAIR, which must include the following functions:

- Accounting and reporting so as to provide timely data for producing financial statements for the state in accordance with generally accepted accounting principles; and
- Auditing and settling claims against the state.

According to the FLAIR Procedures Manual:

To conform to GASB Statement No. 1, General Principles Section 1800, a chart of State Standard codes has been developed for the State of Florida which classifies Organizational structures, Budget Entities, Internal Budget Indicators, Funds, General Ledger Codes, Object Codes, Appropriation Categories, and State Programs. It also provides for other classifications as they are required. The Florida Accounting Information Resource System further provides for fund accounting, budgetary accounting, financial accounting and legal compliance with the statutes of the State of Florida.⁴

Local Government Annual Financial Reports

Section 218.32 (1), F.S., requires that local governments submit to DFS an Annual Financial Report covering their operations for the preceding fiscal year. DFS makes available to local governments an electronic filing system 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.

In order to improve government accountability by making financial information reported by Florida's local governments more comparable, thereby enabling local taxpayers and local policy

¹ FLA. CONST. art. XI, s. 1.

² FLA. CONST. art. XI, s. 5(a).

³ FLA. CONST. art. XI s. 5(e).

⁴ FLAIR Procedures Manual, chapter 2, page 1, available on March 5, 2010 at:
<http://www.myfloridacfo.com/aadir/docs/FLAIRProceduresCh.1-7.pdf>

makers to better understand and evaluate local government service delivery and operations, all local governmental entities are required to use accounting principles, such as the Uniform Accounting System Chart of Accounts when completing their Annual Financial Report.

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, which must schedule a hearing.

If the Legislative Auditing Committee determines that an entity should be subject to further state action, the committee must:

- In the case of a local government entity or a district school board, direct the Department of Revenue and the Department of Financial Services to withhold any funds not pledged for bond debt service satisfaction until the local government entity or the district school board is in compliance. The committee must specify the date that action will begin and both departments must receive notification 30 days before the date the withheld funds would normally be distributed.⁵
- In the case of a special district, the committee must notify the Department of Community Affairs and the department must offer assistance to the special district. If the district continues in noncompliance, the department must petition the circuit court in Leon County for a writ of certiorari, and the court must award attorney costs and court fees to the prevailing party.⁶
- In the case of a charter school or charter technical career center, the committee must notify the appropriate sponsoring entity that may terminate the charter.⁷

Local Government Accounting Practices and Procedures

Section 218.33(2), F.S., requires each local governmental entity to follow uniform accounting practices and procedures as promulgated by rule of DFS to assure the use of proper accounting and fiscal management by such units. The rules must include a uniform classification of accounts.

Local Government Annual Financial Audit Reports

Section 218.39, F.S., provides that if a local government will not be audited by the Auditor General, the local government must provide for an annual financial audit to be completed within 12 months after the end of the fiscal year. The audit must be conducted by an independent certified public accountant retained by the entity and paid for from public funds. The entities are:

- Each county, district school board, charter school, or charter technical center;
- Each city with revenues or expenditures and expenses of more than \$250,000;
- Each special district with revenues or expenditures and expenses of more than \$100,000;

⁵ Section 11.40(5), F.S.

⁶ See s. 189.421(3), F.S.

⁷ See s. 11.40(5), F.S.

- Each city with revenues or expenditures and expenses between \$100,000 and \$250,000 that has not been audited within the 2 preceding fiscal years; and
- Each special district with revenues or expenditures and expenses between \$50,000 and \$100,000 that has not been audited within the 2 preceding fiscal years.

Uniform Records and Accounts – Education

Pursuant to s. 1010.01, F.S., the financial records and accounts of each school district, community college, and other institution or agency under the supervision of the State Board of Education must be prepared and maintained as prescribed by law and rules of the State Board of Education. The financial records and accounts of each state university under the supervision of the Board of Governors must be prepared and maintained as prescribed by law and rules of the Board of Governors.

Rules of the State Board of Education and rules of the Board of Governors must incorporate the requirements of law and accounting principles generally accepted in the United States, and the rules must include a uniform classification of accounts.

Each state university must annually file with the Board of Governors financial statements prepared in conformity with accounting principles generally accepted by the United States and the uniform classification of accounts prescribed by the Board of Governors.

Required financial accounts and reports must include provisions that are unique to each of the following: K-12 school districts, community colleges, and state universities, and must provide for the data to be reported to the National Center of Educational Statistics and other governmental and professional educational data information services as appropriate.

Cost Accounting and Reporting – School Districts

Each school district must account for expenditures of all state, local, and federal funds on a school-by-school and a district-aggregate basis in accordance with the manual developed by the Department of Education (DOE) or as provided by law.⁸ The DOE has incorporated into an administrative rule⁹ the Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2001), which provides Florida school districts with a uniform chart of accounts for budgeting and financial reporting.

The chart of accounts included in the Redbook is adapted from the United States Department of Education publication, *Financial Accounting for Local and State School Systems*, which establishes a comprehensive and uniform structure for reporting education fiscal data. The Florida chart of accounts was modified following the initial publication of the Federal manual in 1957 and the major revision of 1973. Subsequent Federal revisions in 1980 and 1990 have also been addressed to ensure compatibility in national statistical reports.¹⁰

⁸ Section 1010.20(1), F.S.

⁹ Rule 6A-1.001, F.A.C.

¹⁰ Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2001), 1-1

Constitutional Duties of the Chief Financial Officer

Article IV, section 4(c) of the Florida Constitution provides that “the chief financial officer shall serve as the chief financial officer of the state, and shall settle and approve accounts against the state, and shall keep all state funds and securities.”

III. Effect of Proposed Changes:

The joint resolution proposes an amendment to Article IV, Section 4 of the Florida Constitution. The amendment requires the Chief Financial Officer to establish and maintain uniform accounting of funds of the legislative and judicial branches, all state agencies, state universities, state and community colleges, school districts, water management districts, other local governments, and all statutorily authorized public entities, and supervise matters pertaining to the accounting of funds, except as otherwise provided by law.

The amendment also requires any enforcement mechanisms to ensure compliance with accounting procedures and financial requirements to be imposed as provided by general law if the mechanism involves financial or budgetary restrictions.

This joint resolution provides no effective date for the constitutional amendment. In accordance with article XI, section 5 of the Florida Constitution, it would take effect on the first Tuesday after the first Monday in January following the election at which it was approved by the electorate.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. **Government Sector Impact:**

Each constitutional amendment is required to be published in a newspaper of general circulation in each county, once in the sixth week and once in the tenth week preceding the general election.¹¹ Costs for advertising vary depending upon the length of the amendment. According to the Department of State, the average cost of publishing a constitutional amendment with the ballot summary is \$102,053. The cost varies depending on the length of the full text. The average cost per word is \$94.68.

VI. **Technical Deficiencies:**

None.

VII. **Related Issues:**

CS/SB 2206 provides for the implementation of the charts of accounts.

VIII. **Additional Information:**

A. **Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Policy and Steering Committee on Ways and Means on March 19, 2010:

The committee substitute clarifies that the CFO's responsibilities for establishing and maintaining uniform accounting applies to funds held by the legislative and judicial branches. In addition, the committee substitute clarifies that financial and budgetary restrictions imposed for noncompliance must be imposed by general law.

B. **Amendments:**

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

¹¹ FLA. CONST. art. XI, s. 5(d).