



## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the House Principles.

#### B. EFFECT OF PROPOSED CHANGES:

##### County Budget Process.

There are several key participants in the county budget process: the Board of County Commissioners; Sheriff; Property Appraiser; Tax Collector; Supervisor of Elections; Clerk; Office of Management and Budget; Stakeholders – Taxpayers; and County Operating Departments.

The components of a county's general fund include:

- Departments of the Board of County Commissioners;
- Elected Officials;
- Article V – State Courts;
- Mandated Programs;
- Agency Funding; and
- Reserves.

Section 129.01, F.S., establishes the budget process for counties. It provides, among other things, that an annual budget must be prepared, approved, adopted, and executed for each fiscal year ending September 30. The budget must be created using sound financial practices and generally accepted accounting principles. The budget controls the levy of taxes and the expenditure of money for all county purposes during the ensuing fiscal year. Each budget must conform to the following general directions and requirements:

(a) The budget shall be prepared, summarized, and approved by the board of county commissioners of each county.

(b) The budget must be balanced

(c) Provision may be made for the following reserves:

1. A reserve for contingencies may be provided in a sum not to exceed 10 percent of the total of the budget.

2. A reserve for cash balance to be carried over may be provided for the purpose of paying expenses from October 1 of the ensuing fiscal year until the time when the revenues for that year are expected to be available. This reserve may be not more than 20 percent of the total receipts and balances of the budget.

(d) An appropriation for "outstanding indebtedness" shall be made to provide for the payment of vouchers which have been incurred in and charged against the budget for the current year or a prior year, but which are expected to be unpaid at the beginning of the ensuing year for which the budget is being prepared.

(e) Any surplus arising from an excess of the estimated cash balance over the estimated amount of unpaid obligations to be carried over in a fund at the end of the current fiscal year may be transferred to any of the other funds of the county, and the amount so transferred shall be budgeted as a receipt to such other funds; provided, that no such surplus in a fund raised for debt service shall be transferred to another fund, except to a fund raised for the same purposes in the same territory, unless the debt of such territory has been extinguished, in which case it may be transferred to any other fund raised for that territory; provided, further, that no such surplus in a capital outlay reserve fund may be transferred to another fund until such time as the

projects for which such capital outlay reserve fund was raised have been completed and all obligations paid.

Section 129.02, F.S., requires each budget to conform to the following specific directions:

The general fund budget, the county transportation trust fund budget, the budget for county fine and forfeiture, and the capital outlay reserve fund must contain an estimate of receipts by source.<sup>1</sup> A bond interest and sinking fund budget must be made for each county and for each special district included within the county budget having bonds outstanding. The budget must contain an estimate of receipts by source, including any taxes authorized by law to be levied for that purpose, and including any balances brought forward, and an itemized estimate of expenditures and reserves.<sup>2</sup> For each special district included within the county budget, the operating fund budget must contain an estimate of receipts by source and balances and an itemized estimate of expenditures that will need to be incurred to carry on all functions and activities of the special district.<sup>3</sup>

In preparing and adopting a budget, a county has some additional duties described as follows:

Upon receipt of the tentative budgets and completion of any revisions made by the board, the board must prepare a statement summarizing all of the adopted tentative budgets. This summary statement shall show, for each budget and the total of all budgets, the proposed tax millages, the balances, the reserves, and the total of each major classification of receipts and expenditures, classified according to the classification of accounts prescribed by the appropriate state agency. The board shall cause this summary statement to be advertised one time in a newspaper of general circulation published in the county, or by posting at the courthouse door if there is no such newspaper, and the advertisement shall appear adjacent to the advertisement required pursuant to s. 200.065.<sup>4</sup> The tentative budgets, adopted tentative budgets, and final budgets shall be filed in the office of the county auditor as a public record.<sup>5</sup>

### Municipal Budget Process.

The statutory provisions for the municipal budget process are not as defined as for the county process.<sup>6</sup> Each municipality is required to follow the same fiscal year as counties, beginning October 1 of each year and ending September 30 of the following year. The governing body of each municipality is required to adopt a budget each fiscal year. The budget must be adopted by ordinance or resolution unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality.

The governing body of each municipality at any time within a fiscal year or within up to 60 days following the end of the fiscal year may amend a budget for that year as follows:

- (a) Appropriations for expenditures within a fund may be decreased or increased by motion recorded in the minutes, provided that the total of the appropriations of the fund is not changed.

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<sup>1</sup> See statute text for further specifics.

<sup>2</sup> Section 129.02(5), F.S.

<sup>3</sup> Section 129.02(6), F.S.

<sup>4</sup> Section 129.03(3)(b), F.S.

<sup>5</sup> Section 129.03(3)(c), F.S.

<sup>6</sup> Section 166.241, F.S.

- (b) The governing body may establish procedures by which the designated budget officer may authorize certain budget amendments within a department, provided that the total of the appropriations of the department is not changed.
- (c) If a budget amendment is required for a purpose not specifically authorized in paragraph (a) or paragraph (b), the budget amendment must be adopted in the same manner as the original budget unless otherwise specified in the charter of the respective municipality.

Special District Budget Process.

Section 189.418, F.S., establishes the budget process for special districts which are similar to the municipal budget requirements. The governing body of each special district must adopt a budget by resolution each fiscal year. The total amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total of appropriations for expenditures and reserves. The adopted budget must regulate expenditures of the special district. The proposed budget of a dependent special district shall be presented in accordance with generally accepted accounting principles, contained within the general budget of the local governing authority, and be clearly stated as the budget of the dependent district. However, with the concurrence of the local governing authority, a dependent district may be budgeted separately.

The governing body of each special district at any time within a fiscal year or within up to 60 days following the end of the fiscal year may amend a budget for that year. The budget amendment must be adopted by resolution.

Budget Preparation Timetable and Important Dates<sup>7</sup>

The Property Appraiser shall deliver to the presiding officer of each Taxing Authority within the county, on June 1, an estimate of the total assessed value of nonexempt property for the current year for budget planning purposes.<sup>8</sup>

The time periods specified below are considered directory and may be shortened provided: The Property Appraiser coordinates the shortening of time periods and gives written notice to all affected taxing authorities; however, no Taxing Authority shall be denied its right to the full time periods allowed.

DAY 1 is JULY 1, or Date of Certification, whichever is LATER

DAY

- 1=July 1      The Property Appraiser certifies the taxable value within the jurisdiction of the Taxing Authority on Forms DR-420 and DR-420S, to each Taxing Authority.
  
- 15=July 15    Within 15 days of certification of value, the county Board of County Commissioner's (BCC) budget officer submits a tentative budget to the board.<sup>9</sup>
  
- 35=August 4   Within 35 days of certification of value, each Taxing Authority shall advise the Property Appraiser of:
  - Prior year millage rate
  - Current year proposed millage rate.
  - Current year rolled-back rate (computed pursuant to s. 200.065, F.S.).
  - The date, time and meeting place of the tentative budget hearing.

Hearing Dates With July 1 Certification:

- No sooner than September 3, and no later than September 18

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<sup>7</sup> Some items are county specific where noted.

<sup>8</sup> s. 193.085(4), F.S.

<sup>9</sup> s. 129.03(3), F.S.

(Hearings are to be held within 80 days of certification of value, but not earlier than 65 days after certification.)

- Hearings can be held Monday through Friday and have to be held after 5:00 p.m.
- Hearings can be held any time on Saturday.
- Hearings can never be held on Sunday.
- The county commission shall not schedule its hearings on the same day scheduled by a school district.
- No Taxing Authority (except multi-county/water management districts) can hold a hearing on the same day as a school district and county commission.

If a Taxing Authority fails to provide the information required above within 35 days, the Taxing Authority shall be prohibited from levying a millage rate greater than the rolled-back rate for the upcoming year. The rolled-back rate shall be computed by the Property Appraiser and used in preparing the notice of proposed property taxes.<sup>10</sup>

55=August 24 Not later than 55 days after certification of value the Property Appraiser shall mail out the Notice of Proposed Property Taxes (TRIM Notice) pursuant to section 200.069, F.S.

- If a review notice has been issued pursuant to section 193.1142, F.S., the TRIM Notice may not be sent until the Department has approved the assessment roll.

80=September 3/September 18

Within 80 days of certification of value but not earlier than 65 days after certification, the Taxing Authority shall hold a public hearing on the tentative budget and proposed millage rate. This hearing is publicized via the TRIM Notice mailed out by the Property Appraiser.

- At this hearing, the Taxing Authority will amend and adopt the tentative budget, re-compute its proposed millage rate, and publicly announce the percent, if any, by which the re-computed proposed millage exceeds the rolled-back rate.
- Adopt a tentative millage and budget.
- If the millage rate tentatively adopted exceeds the proposed rate (as presented in the TRIM Notice), each taxpayer within the jurisdiction shall be notified of the increase by first class mail, at the expense of the Taxing Authority.

95=September 18/October 3

Within 15 days after the meeting adopting the tentative budget, the Taxing Authority shall advertise its intent to adopt a final millage and budget.

- If a millage rate greater than the rolled-back rate has been tentatively adopted, the advertisement shall be 1/4 page, and headed NOTICE OF PROPOSED TAX INCREASE.<sup>11</sup>
- If the tentative millage rate is equal to or less than the rolled-back rate, the advertisement shall be headed NOTICE OF BUDGET HEARING, with no size requirement.<sup>12</sup>
- In addition to the advertisement publicizing the final hearing, an adjacent notice meeting the budget summary requirements of s. 129.03(3) (b), F.S., shall also be published.<sup>13</sup>
- If the proposed operating budget expenditures for the upcoming year are greater than those for the current year, the following statement shall appear in the Budget Summary advertisement in bold faced type immediately following the heading.<sup>14</sup>  
**THE PROPOSED OPERATING BUDGET EXPENDITURES OF (name of Taxing Authority) ARE (percent rounded to one decimal place) MORE THAN LAST YEAR'S TOTAL OPERATING EXPENDITURES.**

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<sup>10</sup> s. 200.065(2) (b), F.S.

<sup>11</sup> s. 200.065(3) (a), F.S.

<sup>12</sup> s. 200.065(3) (b), F.S.

<sup>13</sup> s. 200.065(3) (1), F.S.

<sup>14</sup> s. 200.065(3)(l), F.S.

A public hearing to adopt a final millage rate and budget shall be held not less than 2 days or more than 5 days after the day that the advertisement is first published.<sup>15</sup>

- The first substantive issue discussed shall be the percentage increase in millage over the rolled-back rate.
- The adoption of the millage and budget shall be by separate votes with the millage adopted first, budget adopted second.
- In no event shall the millage rate adopted exceed the millage rate tentatively adopted.
- Prior to the adoption of the millage-levy resolution or ordinance, the name of the Taxing Authority, the rolled-back rate, the percentage increase over the rolled-back rate, and the millage rate to be levied shall be publicly announced.

#### WITHIN 3 DAYS OF FINAL HEARING

The resolution or ordinance adopting the final millage rate shall be forwarded to the Property Appraiser and the Tax Collector.

- No millage other than approved by referendum may be levied until the resolution or ordinance to levy is approved by the governing board of the Taxing Authority and submitted to the Property Appraiser and the Tax Collector.
- The receipt of the resolution or ordinance by the Property Appraiser shall be considered official notice of the millage rate approved by the Taxing Authority.<sup>16</sup> Prior to the extension of the rolls, the Property Appraiser shall notify each Taxing Authority of the aggregate change in the assessment roll, if any, from the preliminary roll, including but not limited to, those changes which result from actions by the value adjustment board or from correction of errors in the assessment roll.

WITHIN 3 DAYS after receipt of Certification of Final Taxable Value (Form DR-422), Taxing Authority completes and certifies final millage(s) to Property Appraiser.

#### WITHIN 30 DAYS OF FINAL HEARING

No later than 30 days following adoption of its millage and budget ordinances or resolutions, each Taxing Authority shall certify that they have complied with the provisions of Chapter 200, F.S., to the Property Tax Administration Program, Florida Department of Revenue.

#### Water Management Districts

Section 373.536, F.S., sets forth the requirements for water management district budgets and prescribes how unanticipated funds can be used.

#### Remaining Fund Balances.

The Government Finance Officers Association has published the following:<sup>17</sup>

The adequacy of unreserved fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures. A government's particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels. Furthermore, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much

<sup>15</sup> s. 200.065(2), F.S.

<sup>16</sup> s. 200.065(4), F.S.

<sup>17</sup> Excerpts from GFOA

emphasis upon the level of unreserved fund balance in the general fund at any one time.<sup>18</sup>

### Budget Reporting Projects.

The Association of Government Accountants (AGA) has established the Citizen-Centric government financial reporting project. The project is described as follows:

AGA's Citizen-Centric Government Reporting project encourages governments to publish short reports that give citizens a better understanding of their government and inform a more meaningful debate about fiscal priorities, performance results and future challenges.

Citizen-Centric Reporting is driven by the fact that governments exist to serve their citizens. Citizens have the right to understand how their government operates and whether their tax dollars are being spent efficiently and effectively. Governments have the responsibility to provide that information in an easily understandable way.

This initiative encourages governments to publish an annual "state of the government" report that is no more than four pages long. The reports, designed to be visually appealing, provide understandable information to citizens about the performance and financial condition of the government as well as demographics and future challenges that answer the question, "Are we better off today than we were last year?"<sup>19</sup>

### Travel Expenses

Section 112.061, F.S., established the rates of per diem and subsistence allowance for travel by state employees and authorizes reimbursement for actual expenses for lodging and chartered vehicles or transportation by privately owned vehicles.

### **Effect of Proposed Changes**

PCB 24 requires the same level of budget detail and disclosure to residents in counties, municipalities whose budgets are over \$1 million, and special districts whose revenues exceed \$250,000. The bill defines the terms "fund", "object of expenditure", and "spending entity" similarly for all three local government entities. Fund means a fiscal and accounting entity with a self-balancing set of accounts which are recorded and segregated to carry on specific activities or to attain certain objectives in accordance with applicable laws, special regulations, restrictions, or limitations, in accordance with generally accepted accounting principles. Object of expenditure means the classification of fund data by character of expenditure, which includes, but is not limited to, operating expenditures or expenses, personal services, debt service, capital outlay, grants, and transfers, in accordance with generally accepted accounting principles. Spending entity, as designated by the local government, means any office, unit, department, board, commission, county officer, or dependent special district (for a county or municipality) which is responsible for any particular expenditures or receipts.

The bill defines "unreserved undesignated fund balance" as any fund balance remaining after accounting for all reserved and designated governmental fund balances. The unreserved undesignated fund balance is limited to the greater of 20.0% of operating revenues or ninety days of regular general fund operating expenditures.

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<sup>18</sup> GFOA Paper: Appropriate Level of Unreserved Fund Balance in the General Fund (2002). Approved by the Committee on Accounting, Auditing and Financial Reporting and the Committee on Governmental Budgeting and Management, January 30, 2002. Approved by the Executive Board, February 15, 2002. Located at <http://www.gfoa.org/downloads/budget-appropriate.pdf> last visited on March 16, 2008.

<sup>19</sup> Association of Government Accountant's website located at <http://www.agacgfm.org/citizen/downloads/CitizenCentricFactSheet.pdf>, last visited March 16, 2008.

Those local governments whose budgets do not meet the Distinguished Budget Presentation Award criteria established by the Government Finance Officers Association, are required to present a complete financial plan by fund and by spending entity within each fund for the fiscal year. The budget must set out the following:

- All proposed expenditures by spending entity summarized by the object of expenditure;
- Anticipated revenues for the fiscal year;
- Estimated beginning and ending fund balances;
- The corresponding actual figures for the prior fiscal year, current revised budget or estimated current year actual, and proposed budget for the next fiscal year;
- Explanatory schedules noting material changes in proposed expenditures by spending entity;

The bill also requires a no-more-than four page written summary describing the important features of the proposed budget, including the budgetary basis of accounting used and a description of the services to be delivered during the fiscal year. This message must be made available to the residents in the particular local government by filing with the clerk of the circuit court or designated public office and must be posted online if the local government already has a website.

Additionally, the bill requires those municipalities or special districts who have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association to post the resulting Comprehensive Annual Financial Report in a designated public office and online if the local government has a website. If those local governments have not received such a Certificate, they must prepare a summary statement showing the budget, proposed tax millages, the balances, the reserves, and the total of each major classification of receipts and expenditures, and a brief explanation of any material increase or decrease by spending entity. The summary statement must be posted in a designated public office and online if the local government has a website. Counties will continue to publish a summary statement until fiscal year 2018-2019 at which time they will be able to post the Comprehensive Annual Financial Report in lieu of the summary statement.

Further, the bill requires the tentative and final budgets, approved by the governing body, of municipalities and special districts to be filed at a designated public office and posted online if the local government has a website.

Water management districts who have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association may provide the resulting Comprehensive Annual Financial Report online and advertise the website address in lieu of the summary advertisement currently required. The bill designates certain unanticipated revenues as unreserved undesignated funds and limits those funds to the greater of 20.0% of operating revenues or ninety days of regular general fund operating expenditures.

### Travel Expenses

The bill amends s. 112.061, F.S., by limiting actual expenses for lodging to no more than \$200 per night excluding taxes unless approved in writing by the agency head when lodging is not reasonably available for less than the maximum rate. In addition, transportation by charter or rental vehicle is preferred when the cost of a rental vehicle is less than the estimated amount required to reimburse the traveler for transportation by his or her own vehicle. The traveler may use his or her own private vehicle and be reimbursed at the lesser amount. Water management districts, the Florida Inland Navigation District, Northwest Florida Regional Housing Authority, Northwest Florida Transportation Corridor Authority, Sarasota-Manatee Airport Authority, Space Florida, and the Tampa Bay Area Regional Transportation Authority is now subject to the requirements of s. 112.061, F.S.

## C. SECTION DIRECTORY:

Section 1: Amends s. 112.061, F.S., relating to travel expenses.



Section 2: Amends s. 129.01, F.S., relating to county budget.

Section 3: Amends s. 129.02, F.S., relating to county preparation of budget.

Section 4: Amends s. 129.021, F.S., relating county officer budget.

Section 5: Amends s. 129.03, F.S., relating to summary statements.

Section 6: Amends s. 166.241, F.S., relating to municipal budgets.

Section 7: Amends s. 189.418, F.S., relating to special district budgets.

Section 8: Amends s. 373.536, F.S., relating to water management districts budgets.

Section 9: Amends s. 189.429, F.S., relating to special district codification.

Section 10: Amends s. 191.015, F.S., relating to fire control district codification.

Section 11: Provides an effective date of upon becoming law and applies to the 2008-2009 fiscal year.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

None.

### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

Local governments will be required to expend a de minimus amount to produce the not-to-exceed four page budget message.

### **C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

Residents of local governments will have access to an easy to understand and read summary which will provide greater transparency of how their local government spends their tax dollars.

### **D. FISCAL COMMENTS:**

None.

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

##### 1. Applicability of Municipality/County Mandates Provision:

The mandate provision appears to apply because the bill requires certain local governments to produce a not-to-exceed four page budget summary; however, an exemption applies because the incremental cost of publication presents an insignificant fiscal impact.

##### 2. Other:

None.

#### B. RULE-MAKING AUTHORITY:

None.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### D. STATEMENT OF THE SPONSOR

Not applicable.

### IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

None.