STORAGE NAME: h1905.ca
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HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS

BILL #: HB 1905

RELATING TO: Taxation/Municipal Revenues

SPONSOR(S): Representative Ryan

COMPANION BILL(S): SB 1218 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) COMMUNITY AFFAIRS
(2) FINANCE & TAXATION
(3)
(4)
(5)

I. SUMMARY:

This bill allows the City of Miami to impose a surcharge of up to 20 percent on fees for parking at facilities open to the public within the municipality.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

The Local Government Financial Emergencies Act

Chapter 218, part V, F.S., is known as the "Local Government Financial Emergencies Act." 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 governments through the improvements of local financial management procedures.

Subsection 218.503 (1), F.S., states that a local government shall be in a state of a financial emergency when any of the following conditions occur:

- There has been a failure, within the same fiscal year, to pay short-term loans from banks or to make bond debt service payments when due;
- There has been a failure to transfer at the appropriate time, due to lack of funds, taxes withheld on the income of employees or employer and employee contributions for Federal Social Security or any pension or retirement benefits owed to former employees;
- There has been a failure to pay for one pay period, due to lack of funds, wages and salaries owed to employees or retirement benefits owed to former employees;
- There has been an unreserved to total fund balance or retained earnings deficit for which sufficient resources of the local government are not available to cover the deficit for 2 successive years; or
- There has been noncompliance with the local government retirement system as related to actuarial conditions provided by law.

A local government must notify the Governor and Joint Legislative Auditing Committee when one or more of the previous conditions has occurred or will occur. Additionally, any state agency may notify the Governor and Legislative Auditing Committee if any of the previous conditions has occurred or will occur.

The Governor has the authority in s. 218.503, F.S., to implement measures to resolve the financial emergency. Such measures include:

- Requiring approval of the local government's budget by the Governor;
- Authorizing a loan;
- Prohibiting further debt;
- Reviewing records and reports;
- Providing technical assistance and consulting with the local officials regarding steps to bring the books of account, accounting systems, financial procedures, and reports into compliance with state requirements;
- Establishing an oversight board; and
- Requiring and approving a recovery plan.

Status Report on the City of Miami's Financial Emergency

Staff of the Joint Legislative Auditing Committee recently prepared a Status Report on the City of Miami's Financial Emergency. The following are excerpts from that report.

The City of Miami, one of the largest municipalities in the State of Florida, faced a $68 million deficit in the City's FY 1997 budget that was set to begin on October 1, 1996. Mr. Stierheim, interim City Manager, drafted the Strategic Financial Recovery Plan (November 15, 1996) that provided comments and recommendations on how the city's financial health could be restored and strengthened. He commented that Miami fell into a $68 million deficit over the past several years by:

"consuming reserves; exhausting enterprise funds; consuming unrestricted funds; depending on one-time revenue sources; and finally by inappropriately consuming self insurance and pension bond revenues, all of which went to support general operating requirements."

His recommendations included increasing recurring revenues, specifically solid waste fees, and implementing cost-containment measures. The city commission did not adopt any substantial recurring revenues at several meetings in November 1996.

On December 2, 1996, Edward Marquez, newly appointed City Manager, notified the Governor that the city was in a state of a financial emergency. The Governor responded by issuing Executive Order 96-391, creating a Financial Emergency Oversight Board to monitor the financial affairs of the city with respect to the financial emergency.

The order also required the board to prepare an Intergovernmental Cooperation Agreement (ICA) to be entered into by the state and the city commission on or before December 23, 1996. Major elements of the ICA include: a Financial Recovery Plan for FY 1997; Five Year Plans; Approval of the City's Budget and Spending; Contractual Obligations; Estimating Conference; Fiscal Sufficiency Advisory Board; Compliance with the ICA; and Duration of the ICA. The board met many times to discuss the elements required by the ICA, including the 1997 Financial Recovery Plan, Five Year Plans, and Operating Budgets.

Subsequently, the board has approved budgets for Fiscal Years 1997 and 1998, and a preliminary Fiscal Year 1999 budget. The board has also approved the latest Five Year Plan (FY 1999 through 2003). Currently, the city is in compliance with the conditions of the ICA, which includes the financial recovery plan. The board will continue until the Governor has determined that the conditions specified in s. 218.504, F.S., have been satisfied.

As of October 31, 1998, the state has invested approximately $1,696,551 to insure that the oversight process in Miami is successful.

B. EFFECT OF PROPOSED CHANGES:

This bill authorizes a city with a resident population of 300,000 or more on April 1, 1999, and which has been declared in a state of financial emergency pursuant to this section within the previous 2 fiscal years, to impose a discretionary per-vehicle surcharge of up to 20 percent on the gross revenues of the sale, lease, or rental of space at parking facilities within the municipality. The parking facilities must be open for use to the general public.

The City of Miami is the only city that would currently be eligible to levy this surcharge.

C. APPLICATION OF PRINCIPLES:

1. <u>Less Government:</u>

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

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

N/A

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

N/A

(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:

Section 218.503, Florida Statutes

E. SECTION-BY-SECTION ANALYSIS:

See EFFECT OF PROPOSED CHANGES Section.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

   N/A

2. Recurring Effects:

   N/A

3. Long Run Effects Other Than Normal Growth:

   N/A

4. Total Revenues and Expenditures:

   N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

   N/A

2. Recurring Effects:

   Jurisdictions adopting the surcharge will benefit from the parking fee surcharge.

3. Long Run Effects Other Than Normal Growth:

   N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

If implemented, users of public parking facilities in jurisdictions adopting the surcharge will pay higher parking fees.

2. Direct Private Sector Benefits:

Indeterminate.

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

Indeterminate.

D. FISCAL COMMENTS:

According to the City of Miami, the surcharge would generate $13 to $15 million annually by levying the surcharge on the estimated 75,000 to 100,000 parking spaces.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

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