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DATE: April 2, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
LOCAL GOVERNMENT & VETERANS AFFAIRS
ANALYSIS**

BILL #: HB 1367

RELATING TO: Local Government/Financial Emergency

SPONSOR(S): Representative Gottlieb

TIED BILL(S): None

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

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS (SGC)
- (2) TOURISM (CCC)
- (3) FISCAL POLICY & RESOURCES (FRC)
- (4) COUNCIL FOR SMARTER GOVERNMENT
- (5)

I. SUMMARY:

This bill revises provisions which authorize certain municipalities with financial emergency status to impose per-vehicle surcharges on revenues from the sale or rental of space at parking facilities.

This bill adds an additional purpose for the municipality to impose a per-vehicle surcharge.

This bill removes the future repeal of this per-vehicle surcharge.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|------------------------------|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Local Government Financial Emergencies Act

Chapter 218, F.S., addresses financial matters relating to political subdivisions. Sections 218.50 through 218.504, F.S., contain the Local Government Financial Emergencies Act.

The purposes of the Act are as follows:

- To preserve and protect the fiscal solvency of local governmental entities;
- To aid local governmental entities in continuing necessary services, and in meeting financial responsibilities;
- To aid local governmental entities by improving local financial management practices (Section 218.501, F.S.)

Section 218.503 (1), F.S., outlines the criteria used to determine whether a local governmental entity is in a financial emergency. Criteria include such situations as when a local governmental entity is unable to pay short-term loans from banks within the fiscal year when due, transfer employees' withholding tax at the appropriate time, pay for one period the wages and salaries owed to employees. Other factors include when the local government has an unreserved to total fund balance or retained earnings deficit for which sufficient resources do not cover the deficit for two consecutive years, or when there has been noncompliance with the local government retirement system, as related to actuarial conditions provided by law.

Once at least one of the criteria is met, the local governmental entity is required to inform the Governor and the Joint Legislative Auditing Committee. (Section 218.503 (2), F.S.) This action then obligates the Governor's Office to contact the local governmental entity to assess how the entity has addressed resolution of the emergency. The Governor is provided the discretion to remedy the emergency in the following ways:

- Requiring Governor approval of the entity's budget;
- Authorizing a state loan;
- Precluding the entity from issuing bonds, notes, and certificates of indebtedness;
- Offering technical assistance to the entity;
- Establishing an oversight board; and
- Requiring and approving a recovery plan.

(Section 218.503 (3), F.S.)

The 1999 Legislature added a new subsection (5) to section 218.503, F.S., which authorizes municipalities with populations of greater than 300,000 on April 1, 1999, who have been previously declared in a state of financial emergency within the previous two fiscal years, to impose a discretionary per-vehicle surcharge of up to twenty percent on the gross revenues of the sale, lease, or rental of space at parking facilities within the jurisdiction of the municipality. The proceeds of this surcharge must be applied in the following manner: between sixty and eighty percent of the surcharge proceeds must be used by the governing authority to decrease its ad valorem tax millage rate or to decrease or eliminate non-ad valorem assessments, and a certain portion of the balance must be used to increase budget reserves. The provisions of this subsection are repealed on June 30, 2006.

The City of Miami's Financial Emergency

The City of Miami, one of the largest municipalities in the State of Florida, faced a \$68 million deficit in the City's Fiscal Year 1997 budget, which was set to begin on October 1, 1996. The City Manager indicated that the deficit resulted from consuming reserves, exhausting enterprise funds, consuming unrestricted funds, focusing on one-time revenue sources, and by inappropriately consuming self-insurance and pension bond revenues, all of which supported general operating requirements. The interim City Manager recommended increasing recurring revenues, such as solid waste fees, and initiating cost-containment measures. Although the city commission met several times in November 1996, it did not adopt any significant recurring revenues.

On December 2, 1996, the newly appointed City Manager contacted the Governor to report a state of financial emergency. The Governor issued Executive Order 96-391, creating a Financial Emergency Oversight Board to monitor the financial affairs of the City.

The Order additionally required the board to implement an Intergovernmental Cooperation Agreement (ICA), to be entered into by the state and the city commission by December 23, 1996. Contained in the ICA were provisions for a financial recovery plan for FY 1997, five year plans, approval of the city's budget and spending, contractual obligations, and the creation of a Fiscal Sufficiency Advisory Board (a financial oversight board).

The Board will continue to exist until the City has achieved three years following two consecutive, non-deficit years. This should occur on September 30, 2001. Shortly after that time, the Board should terminate.

C. EFFECT OF PROPOSED CHANGES:

This bill deletes the date of April 1, 1999, from the current requirement, so that a governing authority with a current population of 300,000, not a population of 300,000 as of April 1, 1999, is authorized to impose the surcharge.

This bill adds an additional purpose for the municipality to impose a per-vehicle surcharge, which is to build public facilities to foster economic growth.

This bill repeals the repeal date, currently set to expire on June 30, 2006.

The City of Miami is the only city eligible to levy this surcharge.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends subsection (5) of s. 218.503, F.S., to provide the following:

- Removes the date of April 1, 1999;
- Authorizes a municipal governing authority to impose this surcharge for the purpose of facilitating economic growth by contributing to the development of public facilities; and
- Repeals the repeal date.

Section 2. Provides that this act takes effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This bill has no fiscal impact on state revenues.

2. Expenditures:

This bill has no fiscal impact on state expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill may generate additional revenue for certain local governments.

2. Expenditures:

This bill has no fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill will increase costs for those drivers assessed the surcharge.

D. FISCAL COMMENTS:

N/A

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 expend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This 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:

This bill does not reduce the percentage of state tax shared with counties or municipalities

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

This bill does not necessitate additional rulemaking authority.

C. OTHER COMMENTS:

The City Manager with the City of Miami, indicates the following:

On behalf of the City of Miami, its elected officials and its residents, I thank you for sponsoring the bill that seeks to extend and expand the availability of the parking surcharge.

As you may know, almost one-third of the property within the City of Miami is not included on the tax rolls because it serves a governmental, educational or charitable purpose. This coupled with the fact that the population of the City of Miami doubles during the workday has presented a fundamental challenge to the City's finances.

Our studies estimate that 80% of those who pay the surcharge live outside of the City of Miami; however, these commuters would not ordinarily contribute to the City's general fund. The City of Miami must staff its services for the workday population that drives on its roads and seeks safety from the police and fire services. The parking surcharge compels these "free-riders" to contribute to the funding of those services.

For some time the City has referred to the 1990 Census data that documented the City of Miami as the fourth poorest City in the nation, the parking surcharge ensures that this poor resident base does not have to bear the cost of supporting commuters on its own.

The City has reduced its property tax by more than one mill with the implementation of the surcharge. Without an extension to the enabling statute, the poor residents of the City of Miami will again assume the burden of the commuter population.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

Prepared by:

Staff Director:

Cindy M. Brown

Joan Highsmith-Smith