

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 7069 PCB SAC 20-03 Local Government Reporting

**SPONSOR(S):** Appropriations Committee, State Affairs Committee, Ingoglia

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1512

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: State Affairs Committee	19 Y, 3 N	Darden	Williamson
1) Appropriations Committee	18 Y, 10 N, As CS	Mullins	Pridgeon

### SUMMARY ANALYSIS

Each county and municipal budget officer is required, by October 15 of each year, to submit to the Office of Economic and Demographic Research (EDR), in a format and on forms prescribed by EDR, specified information regarding the final budget and the economic status of the local government.

Beginning January 15, 2021 (and each January 15 thereafter), the bill requires the Department of Financial Services (DFS) to generate and distribute a local government report card that enables residents to compare community conditions and government performance metrics of counties and municipalities. The report card must contain comparative rankings and grades with all other counties and municipalities. The local government report card must be mailed to each household containing a registered voter and must be specific to the household's county (and municipality, if applicable). The report must assist the household in making direct comparisons of community conditions and government performance metrics, fit on a single page, use colorful graphics, and provide the information in an easy-to-understand format. The report must include:

- The government spending grade;
- The government debt grade;
- The cost of government grade;
- The public safety grade; and
- The education grade.

The bill also requires DFS to establish an interactive website, by January 15, 2021, that allows residents to compare certain information about counties and municipalities. In addition to the contents of the local government report card, the website must provide, at a minimum, the:

- Population of each county or municipality;
- Unemployment rate for each county or municipality;
- Percent of the population by educational attainment within each county or municipality;
- Government revenue per resident for the county or municipality; and
- Number of special taxing districts located wholly or partially within each county or municipality.

The bill repeals the requirement that county and municipal budget officers report specified information regarding its final budget and the economic status of the local government to EDR. Instead, the bill requires counties and municipalities to submit to DFS, in a manner and format established by department rule, information necessary for the preparation of the local government report and interactive website. This information must be reported by October 15 of each year, beginning in 2020.

The bill appropriates \$3 million from the General Revenue Fund annually to DFS to generate and distribute the local government report card and to implement the interactive website. The bill may have an indeterminate, likely insignificant fiscal impact on local governments. See fiscal discussion.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Present Situation

##### Department of Financial Services

The Department of Financial Services (DFS) was formed, effective January 2003, by the merger of the Department of Insurance, Treasury, State Fire Marshal, and the Department of Banking and Finance.<sup>1</sup> The Chief Financial Officer (CFO) is the head of the department.<sup>2</sup>

Section 20.121, F.S., establishes the following 13 divisions (and one independent office) within DFS:

- Accounting and Auditing;
- Consumer Services;
- Funeral, Cemetery, and Consumer Services;
- Insurance Agent and Agency Services;
- Investigative and Forensic Services;<sup>3</sup>
- Public Assistance Fraud;
- Rehabilitation and Liquidation;
- Risk Management;
- State Fire Marshal;
- Treasury;<sup>4</sup>
- Unclaimed Property;
- Workers' Compensation;
- Administration; and
- Office of the Insurance Consumer Advocate.

DFS is also the parent agency for the Financial Services Commission, which consists of the Governor, Attorney General, CFO, and Commissioner of Agriculture.<sup>5</sup> The Financial Services Commission has two subunits, the Office of Insurance Regulation and the Office of Financial Regulation.<sup>6</sup> Both subunits are managed by directors selected by the commission and must have at least five years of relevant experience in the previous 10 years.<sup>7</sup>

##### Local Government Reporting

###### *Financial Reports*

Currently, local government entities that are required to provide an audit under s. 218.39, F.S., must submit an audit report and annual financial report to DFS within 45 days of completion of the audit report, but no later than nine months after the end of the fiscal year.<sup>8</sup> Local government entities that are not required to submit an audit must submit an annual financial report to DFS no later than nine months

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<sup>1</sup> See ch. 2002-404, Laws of Fla. (creating DFS and providing for reorganization of existing agencies).

<sup>2</sup> S. 20.121(1), F.S.

<sup>3</sup> The Division of Investigative and Forensic Services is considered a criminal justice agency for purposes of ss. 943.045-943.08, F.S., and may conduct investigations within and outside of the state. The division includes the Bureau of Forensic Services; Bureau of Fire, Arson, and Explosives Investigations; Office of Fiscal Integrity; Bureau of Insurance Fraud; and Bureau of Workers' Compensation Fraud.

<sup>4</sup> The Division of Treasury includes the Bureau of Deferred Compensation, which is responsible for administering the Government Employees Deferred Compensation Plan established under s. 112.215, F.S., for state employees.

<sup>5</sup> S. 20.121(3), F.S.

<sup>6</sup> S. 20.121(3)(a), F.S.

<sup>7</sup> S. 20.121(3)(d), F.S.

<sup>8</sup> S. 218.32(1)(d), F.S. A "local government entity" includes any county, municipality, or special district. S. 218.31(1), F.S.

after the end of the fiscal year.<sup>9</sup> The annual financial report must be signed by the chair of the local governing body and the chief financial officer for the entity.<sup>10</sup> The local government's website must contain a link to the DFS website where an interested person may view the entity's annual financial report.<sup>11</sup>

### *Budget and Economic Reports*

Each county and municipal budget officer is required, by October 15 of each year, to submit to the Office of Economic and Demographic Research (EDR),<sup>12</sup> in a format and on forms prescribed by EDR, specified information regarding the final budget and the economic status of the local government.<sup>13</sup> Specifically, each county and each municipality must submit:

- Government spending per resident, including the rate for the five preceding fiscal years;
- Government debt per resident, including the rate for the five preceding fiscal years;
- Median income within the county or municipality;
- Average county or municipal employee salary;
- Percent of the entity's budget spent on salaries and benefits for the entity's employees; and
- Number of special taxing districts located wholly or partially within the county or municipality.

### **Effect of Proposed Changes**

Beginning January 15, 2021, and each January 15 thereafter, the bill requires DFS to generate and distribute a local government report card that enables residents to compare community conditions and government performance metrics of counties and municipalities. Each report card must provide a grade and comparative ranking with all other counties and municipalities. The report card must depict the value of the metrics used to calculate the grade. The bill provides that the grading system and ranking may be separately applied to groups of counties and municipalities based on population size.

The local government report card must be mailed to each household containing a registered voter and must be specific to the household's county (and municipality, if applicable). Such report card must assist the household in making direct comparisons of community conditions and government performance metrics, fit on a single page and use colorful graphics, and provide the required information in an easy-to-understand format. The local government report must include:

- The government spending grade, based on the combined score of the annual average spending per resident for the five preceding fiscal years and the total dollar increase in spending over that same period, for the county or municipality;
- The government debt grade, based on the combined score of the annual average per resident debt for the five preceding fiscal years and the total dollar increase in debt over that same period, for the county or municipality;
- The cost of government grade, based on the combined score of the number of government employee full time equivalent positions per 100,000 residents, the average public employee salary, and the percent of government spending on salaries and benefits for each county or municipality;
- The education grade, based on the combined score of the average school grade and graduation rate for schools within the county or municipality; and
- The public safety grade, based on the combined score of the violent crime rate, the property crime rate, and the total crime clearance rate for each county or municipality.

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<sup>9</sup> S. 218.32(1)(e), F.S.

<sup>10</sup> S. 218.32(1)(a), F.S.

<sup>11</sup> S. 218.32(1)(g), F.S.

<sup>12</sup> The Office of Economic and Demographic Research is an entity established by Joint Rule 3.1 of the Legislature to provide research support services, principally regarding forecasting economic and social trends that affect policymaking, revenues, and appropriations. EDR maintains a compilation of annual reports and data regarding local governments, which can be found at <http://edr.state.fl.us/Content/local-government/index.cfm#reporting> (last visited Jan. 22, 2020).

<sup>13</sup> Ss. 129.03(3)(d) and 166.241(4), F.S.

By January 15, 2021, the bill requires DFS to establish an interactive website that allows residents to compare the information about each county and municipality. In addition to the information contained in the local government report card, the website must provide the:

- Population of each county or municipality;
- Unemployment rate for each county or municipality;
- Percent of the population by educational attainment within each county or municipality;
- Number of special taxing districts located wholly or partially within each county or municipality; and
- Government revenue per resident for each county or municipality.

The bill authorizes DFS to choose one or more contractors to design and distribute the local government report to residents and to create the interactive website; however, DFS must select contractors through an open request for proposal process pursuant to ch. 287, F.S.

The bill repeals the requirement that county and municipal budget officers report specified information regarding its final budget and the economic status of the local government to EDR. Instead, the bill requires counties and municipalities to submit to DFS, in a manner and format established by department rule, information necessary for the preparation of the local government report and interactive website. This information must be reported by October 15, 2020, and each October 15 thereafter. The bill requires a grade of F to be awarded to any county or municipality that fails to comply.

#### B. SECTION DIRECTORY:

Section 1: Amends s. 129.03, F.S., relating to the preparation and adoption of county budgets.

Section 2: Amends s. 166.241, F.S., relating to municipal fiscal years, budgets, and budget amendments.

Section 3: Creates s. 218.323, F.S., relating to county and municipal fiscal and economic information and reporting requirements.

Section 4: Provides an appropriation to DFS to implement the requirements of the bill.

Section 5: Provides the bill takes effect upon becoming a law.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

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

##### 1. Revenues:

None.

##### 2. Expenditures:

The bill has a significant fiscal impact on DFS expenditures and staff time. The bill requires DFS, by January 15, 2021, to establish an interactive website that allows residents to compare information about counties and municipalities. The bill also requires DFS, starting January 15, 2021, and each January 15 thereafter, to generate and mail a local government report card to all households in the state containing a registered voter.

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

##### 1. Revenues:

None.

##### 2. Expenditures:

The bill requires each county and municipality to submit electronically certain information regarding community conditions and government performance metrics to DFS and repeals a requirement that each county and municipality electronically submit certain information regarding its final budget and economic status to EDR. The submission of this information may have an indeterminate, likely insignificant fiscal impact on the expenditures and staff time of local governments; however, the information submitted to DFS is largely the same information as is currently submitted to EDR. As such, the fiscal impact of this bill should be minimal.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill appropriates \$3 million from the General Revenue Fund annually to DFS to generate and distribute the local government report card and to implement the interactive website.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill requires DFS to establish by rule the method and format for counties and municipalities to submit electronically certain information regarding their fiscal and economic status as required by the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 25, 2020, the Appropriations Committee adopted one amendment and reported the bill favorably as a committee substitute. The amendment:

- Changes the contents of the local government report card and adds a system of grades from A to D;
- Changes the minimum required content of the interactive website;
- Requires a grade of F to be awarded to any county or municipality that fails to comply with submitting the data needed for the report card and the interactive website; and
- Provides an appropriation to DFS to implement the requirements of the bill.

The analysis is drafted to the committee substitute as approved by the Appropriations Committee.