



2017 Legislative Issue Briefs



Local Government Fiscal Responsibility

Talking Points:

- HB 7063 amends multiple provisions of current law relating to local government financial management.
- The Florida League of Cities OPPOSES the bill as it would drastically interfere with a municipalities ability to address to local issues, respond to emergencies and adopt fiscal policies that reflect a municipality's particular financial situation.
- The bill mandates a one size fits all approach to local government financial management that restricts the flexibility to accrue and maintain healthy reserves and the ability for local governments to responsibly fund infrastructure projects.
- The Government Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.
- It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks, such as, revenue shortfalls and unanticipated expenditures, ensuring stability for tax payers, strengthening a government's bond rating and saving taxpayer dollars by reducing borrowing costs.
- Restricting the ability of a local government's ability to extend or increase certain local option taxes negatively impacts other governments, such as cities, that receive a portion of those taxes.
- Restricting a municipalities ability to issue debt will reduce their ability to maintain and improve critical infrastructure. This, and will lead to fewer infrastructure projects being completed which in turn leads to further deterioration of existing infrastructure.

Contact: Amber Hughes, Senior Legislative Advocate – 850.222.9684 – ahughes@flcities.com

Background:

HB 7063 (House Ways and Means Committee) creates the Local Government Fiscal Responsibility Act, which amends multiple provisions related to local government financial management. Of primary concern to municipalities are the following provisions:

New Maximum Millage:

- Creation of a new statutory maximum millage rate for local governments which prohibits a municipality or other local government from levying a millage rate above its rolled-back rate. There is an exemption to this prohibition in instances when the government does not have any “excess unencumbered fund balances” as of the beginning of the fiscal year or makes appropriations to reduce any such balances.
- Prohibits property tax increases, as defined in current law, unless certain excess fund balances are spent down.
- Defines “excess unencumbered fund balances” as any non-fee revenues, which are not encumbered by appropriations or contractual obligations, in any special revenue fund that are in excess of 10 percent of the total annual revenues to the fund. The term does not include monies subject to restrictions imposed by the federal government or revenues that were approved by referendum of the electors in the affected jurisdiction.
- Authorizes local governments to use excess unencumbered fund balances for any public purpose, except for funds subject to restrictions imposed by the federal government or revenues that were approved by referendum of the electors in the affected jurisdiction. This permission to expend funds applies irrespective of any other limitation on the use of such funds elsewhere in Florida law.

Restrictions on Local Option Taxes:

- Prohibits a municipality, county from enacting, extending or increasing certain local option taxes, if the local government had adopted a millage rate in excess of its rolled-back rate with certain specified exceptions in any of the three previous years. (The local option taxes included in this provision are the local communications services tax, tourist development tax, tourist impact tax, discretionary surtax on documents, public service tax, local business tax, motor fuel and diesel taxes, convention development tax, local option food and beverage tax, and local option sales taxes.)
- The restriction against levying millages in excess of the rolled-back rate do not apply to nonvoted required school operating millages and certain voter approved millages.

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- The bill would require any local option or property tax levy that under current law requires voter approval to be considered only at a general election. Further, the bill would increase the threshold for approval of any local option tax or property tax levy voted on at the general election from a simple majority to sixty percent.

Restrictions on New Debt Issuances:

- The bill would require voter approval for any new tax-supported debt that pledges revenues beyond five years would be subject to the same election restrictions described above for local option and property taxes. This requirement does not apply to refunding or refinancing existing debt as long as the principal amount is not increased or the term extended.
- The bill broadly defines “tax-supported debt” to mean most debt instruments that are secured in whole or in part by state or local tax levies, whether such security is direct or indirect, explicit or implicit, including but not limited to debt for which annual appropriations pledged for payment are from government fund types receiving tax revenues or shared revenues from state tax sources.
 - The term “tax-supported debt” does not include bonds that are paid solely from revenues from the project.
 - There is an exception from the general election requirement in the case of certain emergency situations by allowing a local government to hold a special election to approve the debt issuance but the 60 percent threshold for passage still applies and the purpose of the proceeds is directly related to that emergency.

Status:

HB 7063 was introduced in the House Ways and Means Committee (9-7) and is awaiting action by the House Government Accountability Committee.

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