

Amendment 5 Would Shift Costs for Services to Cash-Strapped Local Governments

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Local governments rely on state support to provide programs and services that meet the needs of their residents. From public safety and transportation, to culture and recreation, state dollars are crucial for counties, municipalities and school districts, especially those in rural areas. This funding allows local governments to provide a range of programs and services, and to perform general government functions. Without this support, local governments would be forced to either cut programs or raise taxes locally to fill funding gaps.

On November 6, Florida voters will decide on Amendment 5, which would make it much harder for the state to provide adequate support to municipal and county governments. The measure would require a two-thirds (supermajority) vote of the state Legislature to approve any new state revenues, taxes and fees, or to eliminate tax incentives, loopholes and other such expenditures.

Florida currently has the wrong priorities, giving special tax breaks to big corporations while cutting funding for local governments to provide essential programs and services. Amendment 5 locks in these failed priorities before the state has a chance to recover from deep cuts following the Great Recession and a supermajority requirement would likely require huge funding cuts in the wake of another fiscal crisis. Amendment 5 would unnecessarily restrict investments in Florida's future.

Amendment 5 Puts Local Government Support at Risk

State support is critical for large-scale projects like infrastructure, transportation and affordable housing. These are significant investments that require a partnership between state and local governments to adequately plan and fund. In 2016, the state provided a total of \$2.8 billion across counties, which accounted for 7 percent of all county budgets (see the Appendix for county-by-county details).¹ State support for municipalities totaled \$1.5 billion, accounting for 4.2 percent of all municipal budgets.²

FIGURE 1. STATE SUPPORT FOR COUNTIES

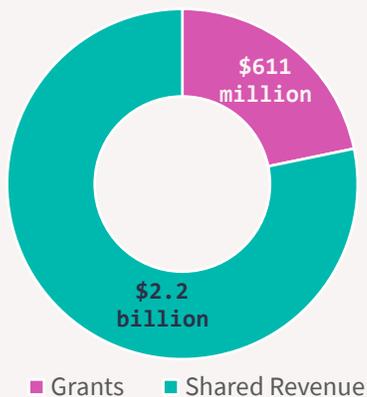
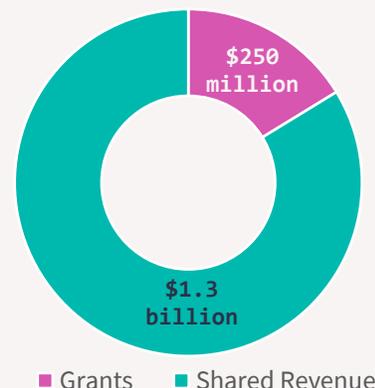


FIGURE 2. STATE SUPPORT FOR MUNICIPALITIES



As many of these projects have impacts beyond the local level, the state plays an important role in regional coordination, ensuring that our roads, mass transit, utilities and other components of our infrastructure are funded and implemented in a concerted way.

State support is also a critical component of school district funding. On average, school districts receive 60 percent of their funding through state revenue, which amounts to \$4,615 per student. State revenue also supports general government functions, public safety, human services and a range of other purposes (see Table 1). These funds help local governments engage in efforts such as combatting the opioid crisis, providing community-based substance abuse and mental health services, preserving and restoring natural areas, fostering community and economic development and providing disaster relief funding.

While Amendment 5 does not restrict a local government’s ability to raise their own revenue, it would have an impact on the state’s ability to support local budgets. As illustrated, state funding is crucial to local governments and school districts to pay for programs and services. If a supermajority requirement were in place, local governments could experience shortfalls that would result in either increasing local revenue or cutting back on employment, programs and services.

TABLE 1. STATE SUPPORT FOR COUNTY AND MUNICIPAL GOVERNMENTS, 2016

Purpose	Support for Counties	Purpose	Support for Municipalities
General Government	\$1,807,980,868	General Government	\$1,193,712,826
Transportation	\$576,269,295	Transportation	\$108,200,921
Public Safety	\$112,901,945	Other	\$89,198,906
Physical Environment	\$92,398,695	Physical Environment	\$67,983,725
Human Services	\$49,007,025	Public Safety	\$25,445,485
Courts	\$39,195,738	Culture / Recreation	\$22,702,136
Culture/Recreation	\$38,292,718	Economic Environment	\$22,321,612
Disaster Relief	\$31,449,675	Human Services	\$7,430,902
Economic Environment	\$30,441,950	Payments in Lieu of Taxes	\$324,239
Other	\$28,334,910	Courts	\$160,000
Payments in Lieu of Taxes	\$776,883		
Total	\$2,807,049,702	Total	\$1,537,480,752

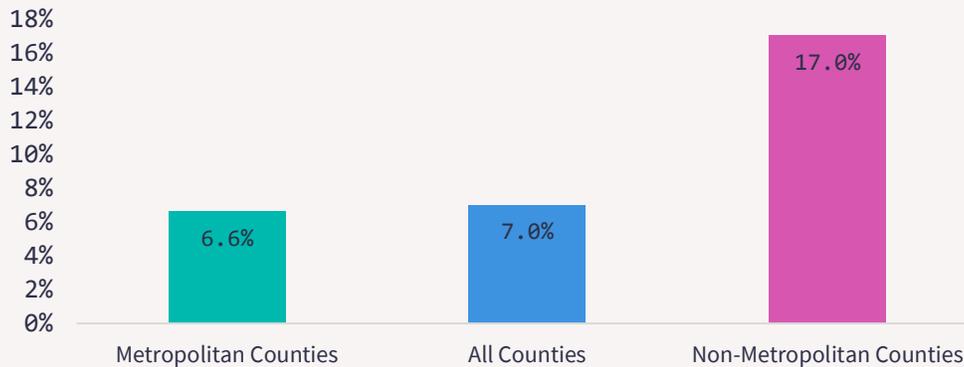
Rural Areas Would Be at Risk of Losing Significant State Support

Rural areas, because they are more reliant on state funding, could be especially harmed under a supermajority requirement. State funding in 2016 accounted for an average of 17 percent of non-metropolitan county budgets, compared to just 6.6 percent of metropolitan county budgets (see Figure 3). Rural school districts are also more reliant on state support: on average, they receive 78 percent of their funding from the state, whereas districts in metropolitan areas receive just over half.³ Almost half of non-metropolitan school districts rely on the state for most of their funding compared to only one in 10 metropolitan districts.

Reducing state support would mean that localities would have to find a way to fill the funding gap. This cost shifting could mean either revenue increases on the local level to make up the difference, or cuts to vital programs and services.

FIGURE 3. NON-METROPOLITAN COUNTIES RELY MORE HEAVILY ON STATE SUPPORT THAN METROPOLITAN COUNTIES

Average percent state funded, 2016



Source: Department of Financial Services, Division of Accounting and Auditing, Bureau of Local Government. Total County Government Revenues Reported by Account Code. Fiscal Year 2016.

Florida’s rural communities already face a host of challenges, including high rates of poverty and the loss of both jobs and population, which make it hard to raise enough revenue to support local services.⁴ The poverty rate in non-metropolitan counties, for example, is much higher than in metropolitan counties, 22 percent compared to 16 percent. All but one of the state’s 23 rural counties have median household incomes that are below the state median income of \$48,900. These challenges would only increase under a supermajority requirement, since rural counties and school districts would likely lose a larger portion of their budgets if state support declined.

Amendments 1 and 2 Compound the Risk to Local Governments

Although Amendment 5 would not restrict the ability of local governments to raise revenue to support programs and services, two other amendments on November’s ballot would. These three amendments, if adopted, would lead to a considerable loss of revenue across county and municipal governments.

Amendment 1 would increase the homestead property tax exemption by raising the portion of a home’s value that can be exempted from property taxes. The portion of home values between \$100,000 and \$125,000 would be exempted, and the maximum exemption would increase from \$50,000 to \$75,000. This proposal would cost local governments an estimated \$645 million in the first year of being implemented.⁵

Amendment 2 would make the 10 percent cap on annual non-homestead property assessments permanent. “Non-homestead” properties include second homes, vacation homes, commercial properties and vacant

land. This cap has been in place for the past 10 years and is set to expire in January 2019. If passed, it would continue costing local governments \$700 million annually.⁶

Property taxes make up a significant portion of the revenues that local governments raise. Ad valorem, or property taxes account for 73.3 percent of all taxes raised by county governments and 64.8 percent of taxes raised by municipal governments. Property taxes make up 23.3 percent of county budgets and 12.5 percent of municipal budgets. A supermajority requirement, like the one in Amendment 5, combined with the property tax proposals in Amendments 1 and 2, would be potentially devastating for local governments and the communities that they support.

Conclusion

Amendment 5 would have negative consequences for communities across Florida, particularly those in rural areas. State support makes up a significant portion of county and municipal budgets, as well as school district funding. The state already lags when it comes to making the types of investments that would result in long-term economic growth. At the local level, the supermajority requirement could lead to further cuts in important services, reductions in employment and deeper economic distress for communities that have already been left behind. Combined with the threat of two other local property tax proposals — Amendments 1 and 2 — local governments could lose significant resources this November.

¹All data related to county revenues are obtained from: Department of Financial Services, Division of Accounting and Auditing, Bureau of Local Government. Total County Government Revenues Reported by Account Code. Fiscal Year 2016.

² All data related to municipal revenues are obtained from: Department of Financial Services, Division of Accounting and Auditing, Bureau of Local Government. Preliminary Total Municipal Government Revenues Reported by Account Code. Fiscal Year 2016.

³ Florida Department of Education. “Funding for Florida School Districts 2017-2018.” Accessed via:

<http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf>

⁴ Bustamante, Katherine. “The Future of Florida’s Rural Communities.” Florida Chamber of Commerce, November 13, 2017. Accessed via: <http://www.flchamber.com/the-future-of-floridas-rural-communities-2/>

⁵ Florida House of Representatives. Final Bill Analysis, HRJ 7105. Accessed via:

<https://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h7105z.WMC.DOCX&DocumentType=Analysis&BillNumber=7105&Session=2017>

⁶ Florida TaxWatch. “Repeal of the Non-Homestead Exemption Cap Could Create a Huge Tax Increase and the Tax Shift Would Grow Rapidly.” May 2018. Accessed via:

<http://www.floridataxwatch.org/Portals/3/pdfs/2018Amendment2FINAL.pdf>