

# Florida Overview: Local Government Revenue Sources

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Presented by:



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## Revenues by Category as a % of Total Revenues from All Accounts

### Local Fiscal Year Ended September 30, 2019

| Revenue Category (millions)                 | County Governments |               | Municipal Governments |               |
|---|--------------------|---------------|-----------------------|---------------|
|   | Revenues           | % of Total    | Revenues              | % of Total    |
| Charges for Services                        | \$ 14,323.1        | 29.4%         | \$ 13,604.6           | 34.8%         |
| Ad Valorem Taxes                            | \$ 11,697.0        | 24.0%         | \$ 5,732.3            | 14.7%         |
| Other Sources                               | \$ 8,857.3         | 18.2%         | \$ 5,582.2            | 14.3%         |
| Intergovernmental Revenues                  | \$ 5,233.5         | 10.7%         | \$ 3,339.6            | 8.6%          |
| Local Option Taxes (Fuel, Sales, & Tourist) | \$ 3,837.4         | 7.9%          | \$ 845.7              | 2.2%          |
| Permits, Impact Fees, & Special Assessments | \$ 2,083.9         | 4.3%          | \$ 1,689.7            | 4.3%          |
| Miscellaneous Revenues                      | \$ 1,712.8         | 3.5%          | \$ 5,343.0            | 13.7%         |
| Utility Service Taxes                       | \$ 323.6           | 0.7%          | \$ 1,050.4            | 2.7%          |
| Judgments, Fines, and Forfeits              | \$ 196.0           | 0.4%          | \$ 187.1              | 0.5%          |
| Communications Services Taxes               | \$ 190.7           | 0.4%          | \$ 349.0              | 0.9%          |
| Franchise Fees                              | \$ 188.3           | 0.4%          | \$ 785.3              | 2.0%          |
| Local Business Tax                          | \$ 29.7            | 0.1%          | \$ 161.7              | 0.4%          |
| Insurance Premium and Other General Taxes   | \$ 28.0            | 0.1%          | \$ 381.0              | 1.0%          |
| <b>Total - All Accounts</b>                 | <b>\$ 48,701.1</b> | <b>100.0%</b> | <b>\$ 39,051.7</b>    | <b>100.0%</b> |

Notes:

- 1) Revenue data for Dixie County are not yet available.
- 2) Revenue data for 18 municipalities are not yet available.

Counties and cities draw on a diverse array of revenue sources to support their budgets. For each type of local government (counties or cities), the highest percentage of their total revenue comes from charges for services. These services include water, wastewater, natural gas, electricity, mass transit, garbage collection, recreation, building inspections, public transportation, and more. The common element for this broad category comprised of many individual revenue sources is that the charge is based on a direct or measurable, voluntary consumption of a publicly provided good or service.

## Approximate Per Capita Revenues

### Local Fiscal Year Ended September 30, 2019

| Revenue Category                            | County Governments | Municipal Governments |
|---|--------------------|-----------------------|
| Charges for Services                        | \$ 1,368.12        | \$ 1,266.79           |
| Ad Valorem Taxes                            | \$ 1,117.28        | \$ 533.77             |
| Other Sources                               | \$ 846.03          | \$ 519.78             |
| Intergovernmental Revenues                  | \$ 499.89          | \$ 310.97             |
| Local Option Taxes (Fuel, Sales, & Tourist) | \$ 366.54          | \$ 78.75              |
| Permits, Impact Fees, & Special Assessments | \$ 199.05          | \$ 157.34             |
| Miscellaneous Revenues                      | \$ 163.60          | \$ 497.51             |
| Utility Service Taxes                       | \$ 30.91           | \$ 97.81              |
| Judgments, Fines, and Forfeits              | \$ 18.72           | \$ 17.42              |
| Communications Services Taxes               | \$ 18.22           | \$ 32.50              |
| Franchise Fees                              | \$ 17.98           | \$ 73.12              |
| Local Business Tax                          | \$ 2.84            | \$ 15.06              |
| Insurance Premium and Other General Taxes   | \$ 2.67            | \$ 35.48              |
| <b>Total - All Accounts</b>                 | <b>\$ 4,651.87</b> | <b>\$ 3,636.29</b>    |
| <b>Florida: April 1, 2019</b>               | <b>21,208,589</b>  |                       |
| Incorporated                                | 10,739,436         | 50.6%                 |
| Unincorporated                              | 10,469,153         | 49.4%                 |

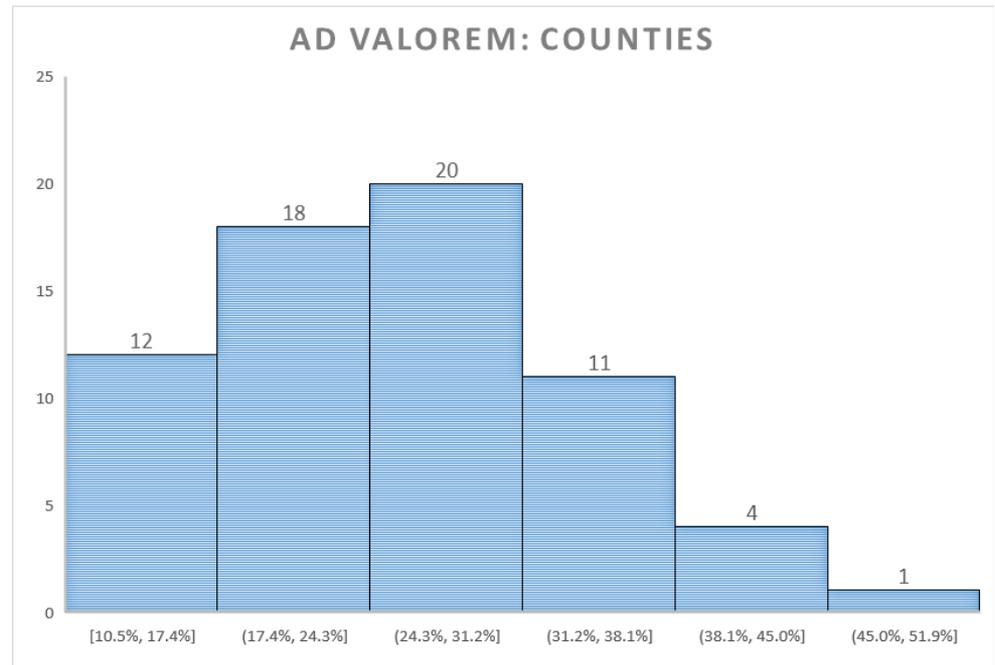
As of April 1, 2020, Florida's population was nearly evenly split between those who live in the state's unincorporated areas (49.5%) and those that live in municipalities (50.5%), with the larger share going to the unincorporated areas when all of Duval County is excluded. At the county level, the percent of the total population that lives in an unincorporated area ranges from a low of 0.8% in Broward County to a high of 97.5% in Wakulla County, with Lee County the most equally split at 49.1%.

# In General...

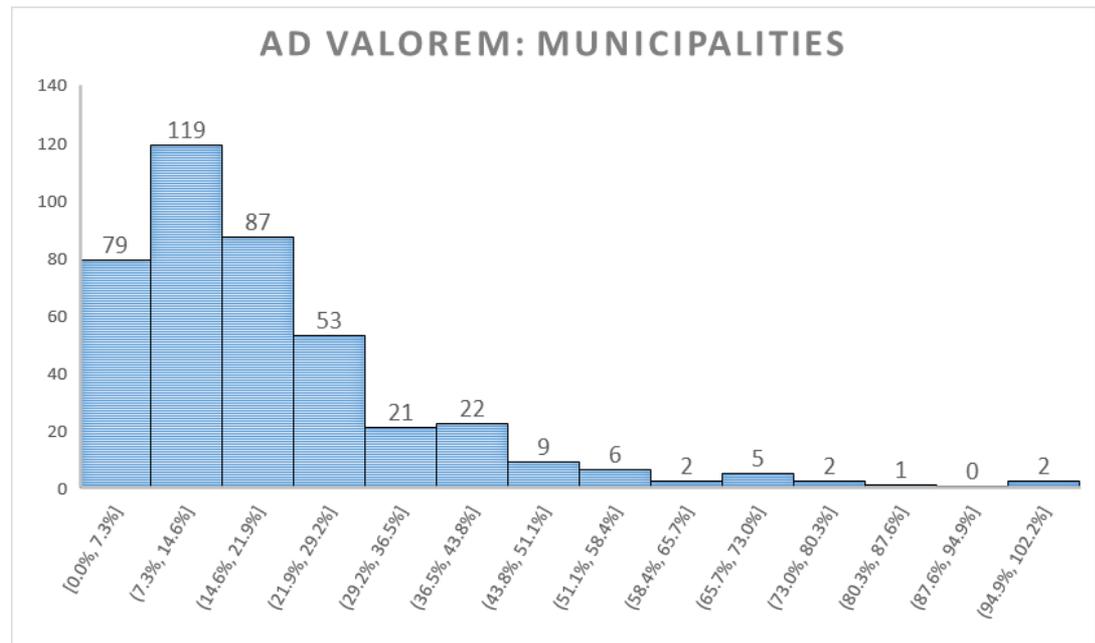
- The ability of local governments to raise revenue for their operations is limited by the state constitution.
  - No tax shall be levied except in pursuance of law. No state ad valorem taxes shall be levied upon real estate or tangible personal property. All other forms of taxation shall be preempted to the state except as provided by general law. *Article VII, s. 1(a), Fla. Const.*
  - Counties, school districts, and municipalities shall, and special districts may, be authorized by law to levy ad valorem taxes and may be authorized by general law to levy other taxes, for their respective purposes, except ad valorem taxes on intangible personal property and taxes prohibited by this constitution. *Article VII, s. 9(a), Fla. Const.*
- The constitutional provisions expressly authorize counties, municipalities, and school districts to levy ad valorem taxes, and—statewide—it is the single largest revenue source for local governments.
- Ad valorem taxes are essentially considered general revenue for general-purpose local governments (i.e., county, municipality, or consolidated city-county government) as well as for school districts.

# Ad Valorem Reliance...

- For counties in LFY 2018-19, ad valorem or property taxes ranged from a low of 10.5 percent of all revenues in Wakulla to a high of 47.3 percent in Flagler. The average was 24.0 percent of all revenues, with 20 counties clustered around the average.



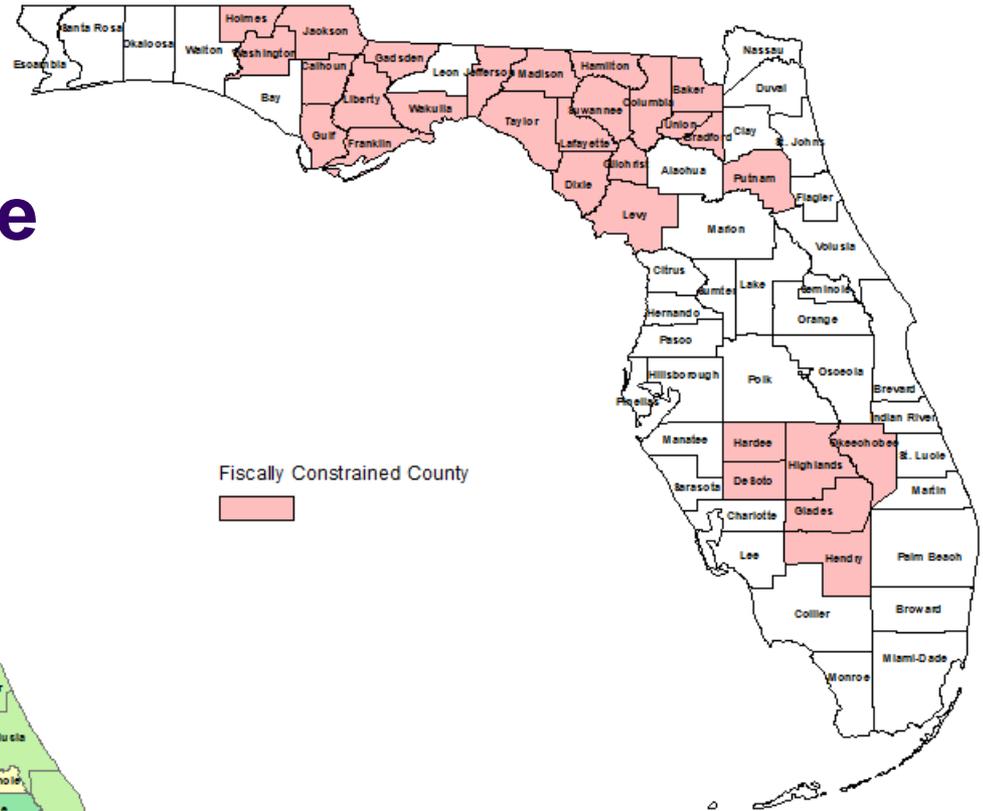
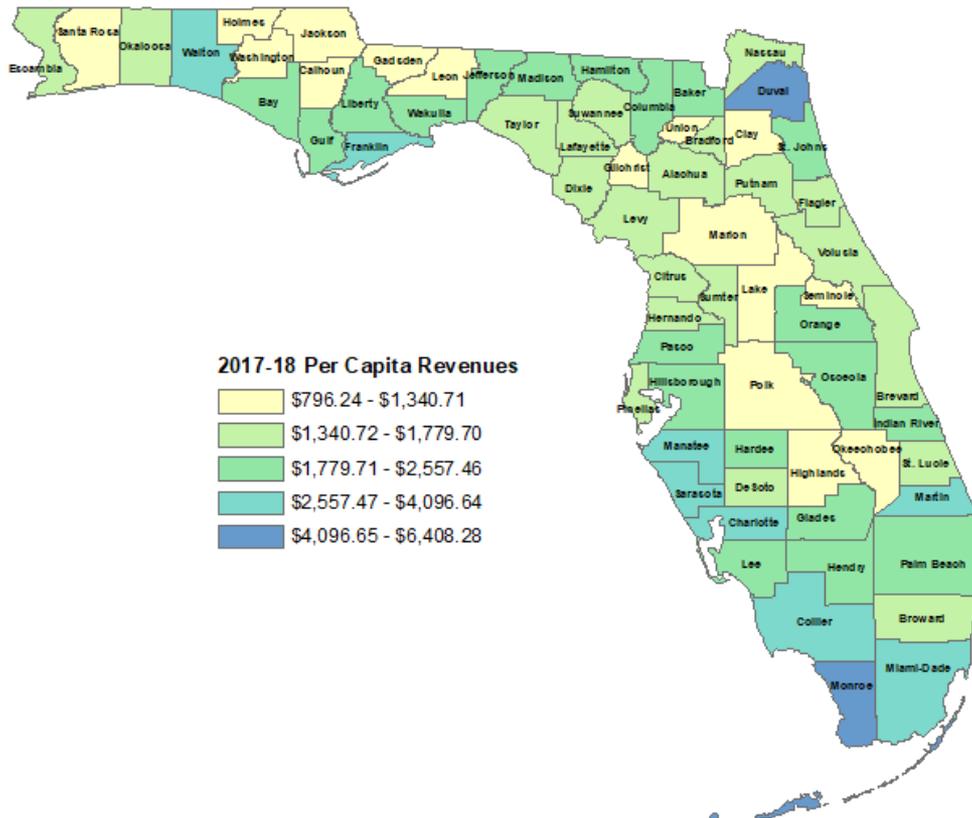
- For municipalities in LFY 2017-18, the variance was even greater: 22 cities did not levy property taxes at all, while two cities in Orange County—Bay Lake and Lake Buena Vista—generated 99.2 percent and 98.2 percent, respectively, of all their revenues. The average was about 14.7 percent of total revenues, with 119 municipalities clustered near the average.



# Ad Valorem Limitations...

- For the 2018-19 budget year, 14 out of the 67 counties and 12 out of the 390 municipalities levying ad valorem taxes were either at or very near the maximum millage limitation set by the constitution.
  - Ten mills for county purposes.
  - Ten mills for municipal purposes.
  - A millage fixed by law for a county furnishing municipal services.
  - A millage authorized by law and approved by voters for special districts.
  - No property may be subject to more than twenty mills of ad valorem tax for municipal and county purposes without elector approval.
- As the millage limitation is approached, other revenue sources become increasingly important.
- However, the challenge to find sources other than ad valorem involves more than the 14 counties referred to above. Additional counties meet the criteria for being designated as “fiscally constrained”: a fiscally constrained county is one that is entirely within a rural area of opportunity as designated by the Governor pursuant to s. 288.0656, F.S., or for which the value of one mill of property tax levy will raise no more than \$5 million in revenue based on the taxable value certified pursuant to s. 1011.62(4)(a)1.a., F.S.

# Fiscally Constrained and Per Capita Revenue



- There are 29 Fiscally Constrained counties.
- Many of the Fiscally Constrained counties exhibit lower per capita revenues.

# Revenue Sources Authorized by the Legislature...

- Revenue sources authorized by the Legislature are grouped into two categories. The first is state-imposed fees or taxes that are shared with local governments or school districts. Key examples include:
  1. Alcoholic Beverage License Tax
  2. Cardroom Revenues
  3. Constitutional Fuel Tax
  4. County Fuel Tax
  5. County Revenue Sharing Program (derives funding from transfers of 2.9 percent of Net Cigarette Tax collections and 2.0810 percent of Sales and Use Tax collections)
  6. Distribution of Sales and Use Taxes to Counties
  7. Emergency Management Assistance
  8. Enhanced 911 Fee
  9. Fuel Tax Refunds and Credits
  10. Insurance License Tax
  11. Intergovernmental Radio Communication Program
  12. Local Government Half-cent Sales Tax Program (derives funding from separate transfers of net sales tax proceeds)
  13. Miami-Dade County Lake Belt Mitigation Fee
  14. Mobile Home License Tax
  15. Municipal Revenue Sharing Program (derives funding from transfers of 1.3653 percent of Sales and Use Tax collections and Net Collections from the Municipal Fuel Tax)
  16. Oil, Gas, and Sulfur Production Tax
  17. Payments from State Forest Timber Sales to Eligible Fiscally Constrained County Governments
  18. Phosphate Rock Severance Tax
  19. State Housing Initiatives Partnership Program
  20. Vessel Registration Fee

# Authorized Revenue Sources Continued...

- Second, the Legislature has authorized a number of other local revenue sources for local imposition. In many instances, the local government must enact an ordinance providing for the levy and collection of the fee, tax, or surcharge; however, in some cases, referendum approval is required. Key examples include:
  1. Communications Services Tax
  2. Convention Development Taxes
  3. Discretionary Surtax on Documents
  4. Green Utility Fee
  5. Gross Receipts Tax on Commercial Hazardous Waste Facilities
  6. Highway Safety Fees - Red Light Cameras
  7. Insurance Premium Tax
  8. Local Business Tax
  9. Local Discretionary Sales Surtaxes
  10. Local Option Food and Beverage Taxes
  11. Motor Fuel and Diesel Fuel Taxes (Ninth-Cent, 1-6 Cents, and 1-5 Cents Local Option Fuel Taxes)
  12. Municipal Pari-mutuel Tax
  13. Municipal Parking Facility Space Surcharges
  14. Municipal Resort Tax
  15. Public Service Tax
  16. Tourist Development Taxes
  17. Tourist Impact Tax

# Revenue Sources Based on Home Rule Authority...

- Not all local government revenue sources are taxes requiring general law authorization. Under Florida's Constitution, local governments possess expansive home rule powers. Given these powers, local governments may impose proprietary fees, regulatory fees, and special assessments to pay the cost of providing a facility or service or regulating an activity.
  - **Proprietary Fees**...are based on the assertion that local governments have the exclusive legal right to impose such fees. Examples of proprietary fees include admissions fees, franchise fees, user fees, and utility fees. The guiding legal principle is that the imposed proprietary fee is reasonable in relation to the government-provided privilege or service or that the fee payer receives a special benefit.
  - **Regulatory Fees**...may be imposed pursuant to a local government's police powers in the exercise of a sovereign function. Examples of regulatory fees include building permit fees, impact fees, inspection fees, and stormwater fees. A regulatory fee should not exceed the regulated activity's cost and is generally required to be applied solely to that purpose.
  - **Special Assessments**...are used to construct and maintain capital facilities and to fund certain services. Examples of such improvements and services include beach renourishment and restoration, downtown redevelopment, garbage disposal, fire and rescue services, fire protection, parking facilities, sewer improvements, stormwater management services, street improvements, and water and sewer line extensions. Generally, the courts have deemed special assessments to be valid if the assessed property has derived a special benefit from the improvement or service and the assessment has been fairly and reasonably apportioned among the properties receiving the special benefit.