

ANALYSIS OF COUNTY SPENDING PATTERNS 1999-2006

WHERE DID THE MONEY GO?

**Prepared for
The Florida Association of Counties
100 South Monroe Street
Tallahassee, Florida 32301**



**FLORIDA
ASSOCIATION OF
COUNTIES**

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EXECUTIVE SUMMARY

- (1) Since 1999, rapidly escalating property values caused Florida’s property taxes to increase by \$11.4 Billion. Property taxes are collected by Cities and Counties, and property taxes are required by the State of Florida (“Required Local Effort”) for school boards to receive State funding. Table E1 shows the growth in property tax collections since 1999 by government.

**Table E1. Growth in Property Tax Collections by Government
1999-2005 in \$Billions**

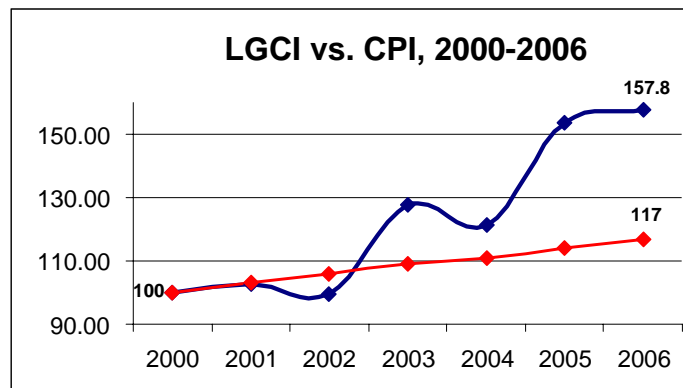
Government	Growth in Ad Valorem Revenues in Billions
Required Local Effort (State)	\$2.70
Discretionary Schools	\$1.50
	=====
Subtotal Schools	\$4.20
Cities	\$1.70
Counties	\$3.90
All Others	\$1.60
	=====
Total	\$11.40

Source: Florida Department of Revenue, Florida Property Valuations & Tax Data and Florida Department of Education, Profiles of School Districts

- (2) The sharp rise in property tax payments has generated calls for reforms, including proposals from the Governor and the House of Representatives.
- (3) Furthermore, there are questions about what governments have spent this additional \$11.4 Billion in property tax revenues on?
- (4) The answer to this question is surprisingly straightforward. From FY1999 to FY2005, County property tax revenues increased 78%. However, Florida’s population increased by 17% and Florida’s Counties experienced cost increases of approximately 58%, more than three times the increase in the consumer price index. This combination of population growth and price inflation caused total expenses to increase by about the same amount as property taxes increased.

- (5) County costs increased much more than the consumer price index, because county purchases are more concentrated on expensive things such as fuel, insurance, pensions, and personnel costs compared to the average household that purchases more food, clothing and shelter where costs have increased at a slower rate since 1999.
- (6) As part of this study we developed a Florida-specific cost index for Florida counties. This Local Government Cost Index (“LGCI”) is based on a survey of six representative county governments, of all sizes, from all over the State. Figure E2 displays the yearly changes in the LGCI compared to the consumer price index (“CPI”). As Figure E2 shows, the CPI increased by 17% since 2000 compared to the 58% jump in the LGCI.

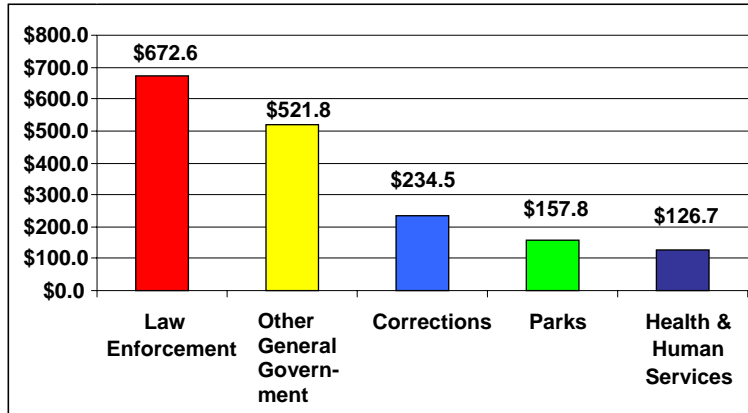
Figure E2. Local Government Cost Index for Florida Compared to the Consumer Price Index 2000-2006



Source: Fishkind and Associates, Inc. and U.S. Department of Commerce

- (7) The LGCI focuses on operating costs. Florida’s counties also have invested in infrastructure to serve growing populations, especially in roads. The cost for roadways has escalated even more rapidly than operating costs. The Florida Department of Transportation has experienced cost increases in excess of 60% since 2003.
- (8) For further perspective it is useful to examine where Florida counties increased their expenditure the most since 1999. As Figure E3 shows, law enforcement and corrections had a combined increase of almost \$1Billion (based on the Uniform Chart of Accounts) accounting for nearly one-third of the total increase in property tax revenues.
- (9) General government costs increased by \$522 million, the second highest increase for any individual account tracked in the Universal Chart of Accounts (see Figure E3). Almost all of this increase is from higher pass-through funding for community redevelopment areas (“CRA”), technology expenses, and costlier pension payments.

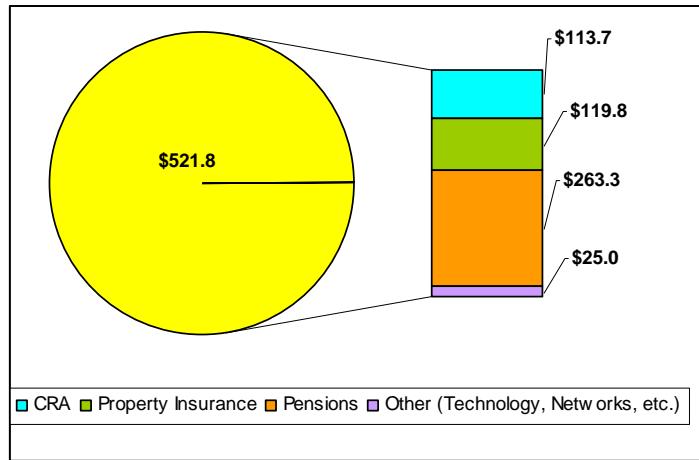
Figure E3. Expenditure Categories Increasing the Most FY1999-FY2005 in \$Millions – Uniform Chart of Accounts



Source: Florida Department of Financial Services Uniform Chart of Accounts Data

- (10) All local governments must submit their annual financial reports to the Florida Department of Financial Services using the Uniform Chart of Accounts (“UCA”). Other General Government expenses are accounted for in Account #519. Unfortunately, the UCA does not identify the components of the Other General Government Account #519.
- (11) To determine the components of Other General Government Account #519, and to provide additional data on expenditures, a survey of Florida counties was conducted. Fifty-one counties participated in the survey, accounting for over 92% of Florida’s population.
- (12) The survey data reveal that the \$521 million increase in Other General Government is accounted for by CRA pass-through payments, technology costs, and rising pensions. Figure E4 shows the results.
- (13) Table E5 summarizes the findings from the survey of Florida counties. The survey data are consistent with the data drawn from the UCA. As Table E5 shows, county spending for the sheriffs had the largest increase. CRA payments are increases in the tax base in CRAs that are required to be spent in the CRA. Essentially, counties have no control over these expenditures which are merely pass-throughs. Costs for health insurance and for pensions also escalated sharply, and these cost increases are largely beyond the control of any county. Finally, there were large increases in capital spending on roads, parks, and purchases of environmentally sensitive land.

Figure E4. 519 Account – Other General Government Break Out



Source: Florida Division of Banking Uniform Chart of Accounts Data and Fishkind and Associates Survey

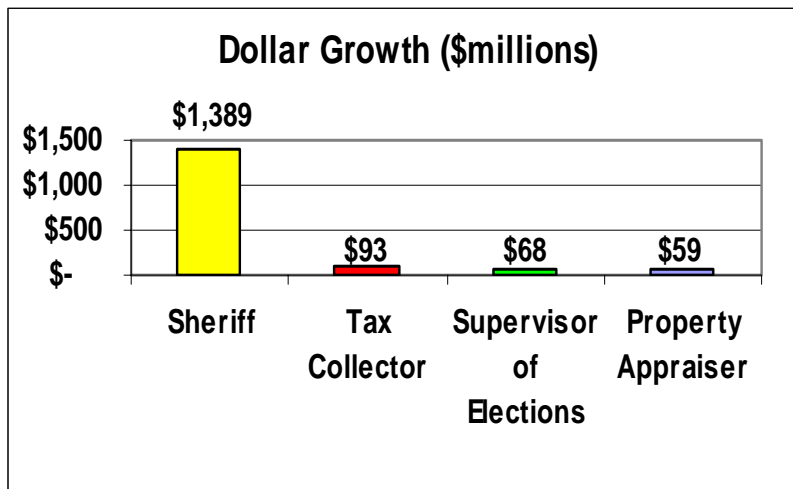
Table E5. County Survey Spending Analysis, FY2000-FY2006

	Dollar Growth	% Growth
CRA Payments	\$121.9 million	284%
Park & Environmentally sensitive lands	\$350.9 million	205%
Property Insurance	\$126.0 million	200%
Fuel & Utilities	\$200.6 million	151%
Road Construction	\$486.8 million	112%
Health Insurance	\$416.1 million	100%
Mass Transit	\$154.1 million	67%
Pensions	\$273.5 million	63%
Sheriff	\$1,388 million	59%

Source: Fishkind & Associates County Survey Data

- (14) Figure E6 shows payments made to Constitutional Officers in more detail. In addition to the over \$1.0 Billion growth in costs for the Sheriff, the Tax Collector, Supervisor of Elections, and Property Appraiser also experienced significant levels of growth. Counties have only limited control over these Constitutional Officers.

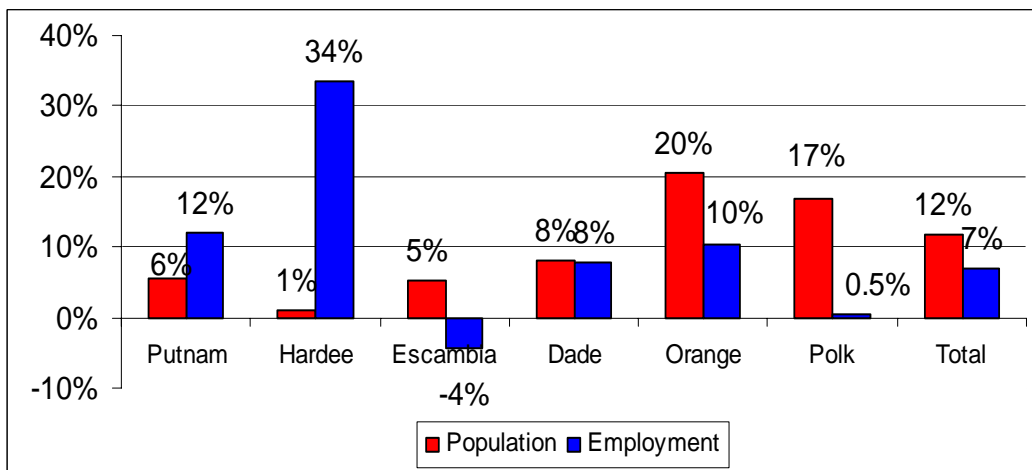
Figure E6. Constitutional Officer Payments, FY2000-FY2006



Source: Florida Department of Financial Services Uniform Chart of Accounts Data

- (15) There is no evidence that Florida counties proliferated staff since 2000 based on our survey of six representative counties used in the LGCI. Figure E7 shows their increases in population growth compared to increases in full-time equivalent (“FTE”) staff. Taken as a whole, these counties had a population increase of 12% compared to a 7% gain in FTE staff. The smaller rural counties had relatively higher increases in staff compared to the more urban counties. As communities become more urbanized, there are higher demands for government services. The more urbanized areas have already made the transition allowing them to capture economies of scale unavailable to the more rural counties.

Figure E7. Population Growth and FTE County Employment Survey of Selected Florida Counties Used in the LGCI



Source: Fishkind and Associates survey of Florida counties in the LGCI

- (16) The data demonstrate that County expenditures were driven higher since 1999 primarily by population growth and cost inflation. There is no evidence that counties proliferated staff or were extravagantly spending.

1.0 Introduction

1.1 Assignment

The Florida Association of Counties (“FAC”) retained Fishkind & Associates, Inc. (“Consultant”) to analyze the spending patterns of Florida’s Counties from 1999-to-2006. In particular, the focus of the study is on what counties did with the increases in property tax revenues they received. The study has three components: (1) expenditure analysis, (2) local survey, and (3) cost analysis. The expenditure analysis is contained in Section 2. Using the Uniform Chart of Accounts (“UCA”) the Consultant analyzed the expenditures by Florida’s counties from 1999-2005 in great detail. To supplement the expenditure analysis in Section 2, a detailed survey of county expenditures was undertaken. Spending for the years 2000-2006 was examined. Fifty-one Florida counties participated in the survey which is found in Section 3. Section 4 presents the cost analysis. The Consultant developed a Florida specific cost index, which is a Florida-based version of the consumer price index for Florida counties. With these analyses as a foundation Section 5 provides our conclusions.

1.2 Overview of the Issues

Since 2001, property values escalated sharply in Florida. Property tax payments soared, despite lower millage rates, because values rose more rapidly than millage rates fell. The sharp rise in property tax payments has generated calls for reforms, including proposals from the Governor and the House of Representatives. Furthermore, there are questions about what governments have spent this additional \$8.2 Billion in property tax revenues on?

Members of the Florida House of Representatives have articulated these concerns when they released their proposals for property tax relief.

“Government should not grow faster than its citizens’ ability to afford it, but that is exactly what has happened throughout Florida these past few years,” added Representative Ray Sansom (R-Destin). “We want to make sure that taxpayers are getting value from government. Our plan recognizes that it doesn’t matter how much money government spends, but how wisely it spends the money it collects that really counts. Our plan will ensure all governments in Florida spend smarter and are more accountable to the taxpayers.”¹

¹ Press Release of February 21, 2007 “Speaker Rubio, House Leaders Propose RESPONSIBLE, Immediate Property Tax Relief”

There is a focus on whether Florida's governments have spent the increases in revenues wisely. What did Florida governments spend their increased revenues on? Are there special factors such as the fallout from 9/11, hurricanes and insurance costs that drove spending higher? Or did governments proliferate staffing and add new programs, because they had the money to do so?

Before turning to these questions in detail, it is useful to briefly review the data on the increases in property tax collections received by Florida governments. Section 1.3 below presents the summary.

1.3 Property Tax Collections

Property taxes in Florida are collected exclusively by local governments, school boards, special districts and water management district. The State of Florida is precluded from collecting ad valorem taxes. Article VII Section 1(a) of the Florida Constitution makes this clear. "(a) 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 [emphasis added]."²

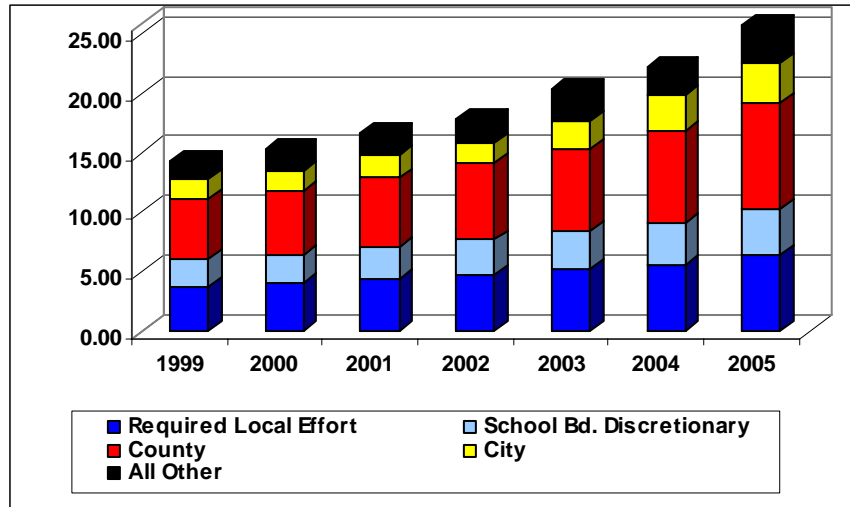
However, the State of Florida does in fact force the collection of property taxes by local school districts, if those districts wish to participate in the Florida Education Funding Program ("FEFP"). In fact, all 67 of Florida's school districts participate, in part because they also receive very substantial state funds (primarily from the sales tax) by participating. Chapter 1011.71(1), FS sets out the requirements for districts to impose property taxes to meet the requirement of the "required local effort".

"If the district school tax is not provided in the General Appropriations Act or the substantive bill implementing the General Appropriations Act, each district school board desiring to participate in the state allocation of funds for current operation as prescribed by ¹s. 1011.62(10) shall levy on the taxable value for school purposes of the district, exclusive of millage voted under the provisions of s. 9(b) or s. 12, Art. VII of the State Constitution, a millage rate not to exceed the amount certified by the commissioner as the minimum millage rate necessary to provide the district **required local effort** for the current year, pursuant to s. 1011.62(4)(a)1. In addition to the required local effort millage levy, each district school board may levy a nonvoted current operating discretionary millage. [emphasis added]"

² Article VII Section 1. Florida Constitution Taxation; appropriations; state expenses; state revenue limitation.--

With this background it is useful to analyze property tax payments since 2001 which are shown in Figure 1. As Figure 1 illustrates, property tax payments increased significantly to all levels of government. By 2005 school boards collected \$10.3 Billion, counties received \$8.9 Billion, cities collected \$3.4 Billion, and all other governments took in \$3.1 Billion in property taxes.

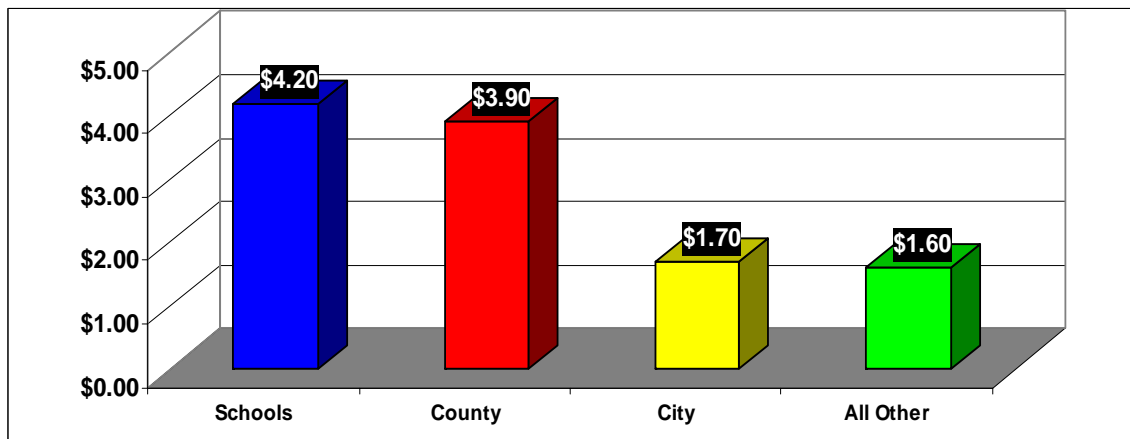
Figure 1. Property Tax Payments to Florida's Governments



Source: Florida Department of Revenue, Florida Property Valuations & Tax Data and Florida Department of Education, Profiles of School Districts

Property tax collections are large and they have grown substantially since 1999. The growth in property tax collections by governments in Florida is highlighted in Figure 2.

Figure 2. Growth in Property Tax Collections 1999-2005 in \$Billions



Source: Florida Department of Revenue, Florida Property Valuations & Tax Data and Florida Department of Education, Profiles of School Districts

Property tax collections by schools grew \$4.2 Billion since 1999, the most for any category of government. This increase was composed of a \$2.7 Billion escalation in the required local effort (the State school tax) and \$1.5 Billion in discretionary school board increases. County property tax collections grew by \$3.9 Billion. The cities increased property tax collections by \$1.7 Billion, and all other units of government increased their collections by \$1.6 Billion. Thus, property taxes increased a total of \$11.4 Billion since 1999, and the county's accounted for about 34% of the increase.

2.0 Expenditure Analysis Using the Uniform Chart of Accounting System

2.1 Overview

This study used two independent datasets to analyze expenditures by Florida Counties: (1) the Uniform Chart of Accounts (“UCA”), 1999-2005 and (2) a survey of Florida counties (“Survey”), 2000-2006. All accounting systems have their limitations, but by using two independent sources of expenditure data the weaknesses or limitations of any one system can be supplemented with data from the other. The UCA was only analyzed through 2005 because that is the latest year UCA data is available. The Survey collected data through 2006 in order to supplement the UCA information. Both sources contain seven years worth of spending data.

All of Florida’s local government entities (i.e., counties, municipalities, and certain statutorily-defined independent special districts) must submit annually a copy of their annual financial report (“AFR”) for the previous fiscal year to the Florida Department of Financial Services. The AFR must be submitted in a format prescribed by the Department, which is known as the UCA. Each local government entity must submit a copy of its AFR no later than 12 months after its September 30th year end as required by Chapter 218.32, F.S. The Department receives these reports, and then it compiles the reported fiscal data.

The UCA imposes consistency across all of the local governments, and it makes the financial data consistent over time as well since the definitions in the system do not change. These characteristics are crucial from an analytical perspective. However, as noted below, there are some accounts contained within the system that are overly broad, and this can give rise to misleading inferences.

Most prominent among these is Account 519, “Other General Government.” This category is a catchall for a wide variety of expenses ranging from flow-through funds of community redevelopment areas to spending on technology, or other items not elsewhere categorized. The problem is that the unschooled reader can infer that “Other General Government” represents government waste and abuse. These issues are discussed in more detail below.

A Survey of the expenditures by Florida counties using a different set of definitions was conducted to shed additional light on county spending patterns. The Survey is designed to avoid some of the problems associated with the definitions in the UCA, especially in the Other General Government account #519.

Additionally, the uniform chart of accounts is based upon expenditure categories that do not reveal the functional entity responsible for the expenditure. For example, the Board of County commissioners is required by law to levy taxes to fund certain other governmental offices and functions. Most prominent are the five county constitutional offices - the Sheriff, Tax Collector, Property Appraiser, Clerk, and Supervisor of Elections. Other examples include the Medical Examiner and Community Redevelopment Agencies. The UCA does not provide any information on the expenditures of these offices or governmental entities. The survey was designed to capture this type of information.

2.2 Methodology

The budgets of all 67 Counties in Florida were obtained from the Florida Department of Financial Services. These budgets are displayed by fund type (General Fund, Special Revenue Fund, Capital Projects Fund, etc.) in which expenditure types in each fund are classified with an account number in accordance with the State of Florida Uniform Accounting System. For example, the 511 account numbers are for legislative expenses associated with running the government. Some account numbers may have entries in multiple fund types, as well. Please refer to Appendix 1 for the complete budgets.

The overall goal of analyzing the Counties' expenditures from 1999-2005 was to determine where the Counties spent their money on both an absolute and relative basis. In addition, there was a focus on where the Counties' property taxes were being spent. To accomplish this, the Consultant analyzed expenditures by account code type for the General Fund in order to see which accounts increased the most on an absolute and relative basis.

The first step in processing such a large database was to identify those expenditures that increased at a statistically significant level relative to the overall increases in spending. This was accomplished through finding the mean and standard deviation of each County's General Fund expenditure increases from 1999-2005. Next, those account codes with cost increases two standard deviations above the mean cost increase for all categories were identified as those that experienced statistically significant increases in spending since 1999. Account code 581 – Interfund Transfers and any account codes that were not listed in both 1999 and 2005 were removed.

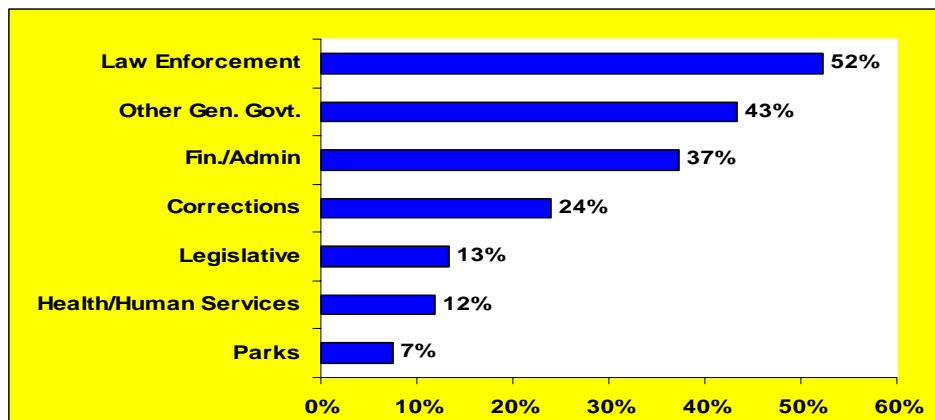
Thereafter, charts were created that displayed which account codes for each county experienced statistically significant growth in costs. The cumulative effect for all Counties was then displayed in order to show the frequency in which account code categories for all Counties displayed statistical significance in their levels of growth. As with the entire State, charts were created to show how each region was affected by spending level increases from 1999 to 2005.

In addition, the absolute dollar growth levels for expenditures in all fund types were identified to calculate the overall growth levels. The absolute growth level of certain statistically significant accounts was calculated to show the percent increase from the base year. Also, total ad Valorem revenue generation over the time period was calculated to determine how the rise in revenues compared with the increases in costs.

2.3 Which Cost Increases were Statistically Significant from 1999 to 2005?

Figure 3 displays the expense categories that were found to be statistically significant at two standard deviations above the mean, and the percent of Counties experiencing this cost at those levels. For example, 52% of all Florida Counties experienced a statistically significant increase in the level of spending for law enforcement from 1999 to 2005. The top categories in which 20% or more of the Counties experienced statistically significant growth were law enforcement, other general government, finance and administration, and corrections. Categories in which less than 7% of Counties reported statistically significant increases were omitted from this chart.

Figure 3. Statewide Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category

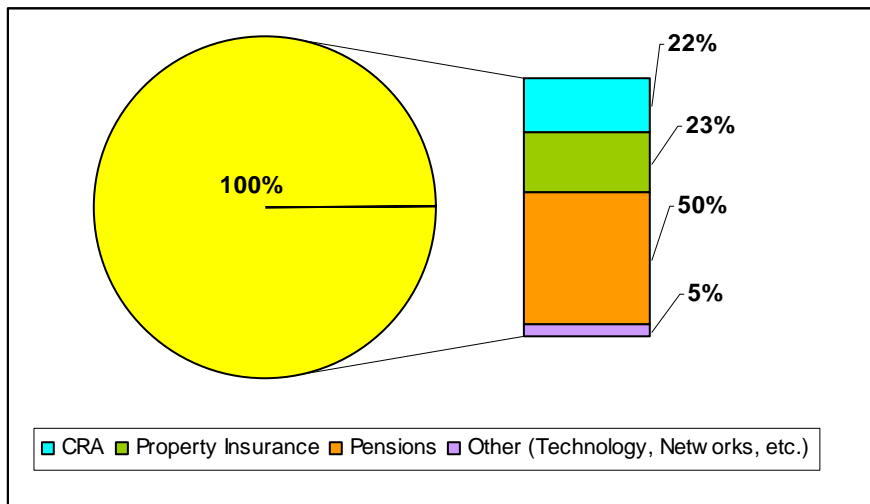


Source: Fishkind & Associates based on UCA

In light of increased spending for law enforcement and corrections over the past several years, it is not surprising to see both of those categories near the top of the statistically significant expenditure list. Police protection for a County's residents is one of government's most important functions.

Other General Government, UCA Account #519 is a catch-all category that can contain a wide variety of items such as CRA payments, capital expenses, property insurance expenses, pension costs, supervisor of elections expenses, and technology costs. Figure 4 shows the approximate percentage breakdown for each subcategory of the Other General Government – 519 Account based on our survey of 51 Florida counties described below.

Figure 4. Other General Government Breakout

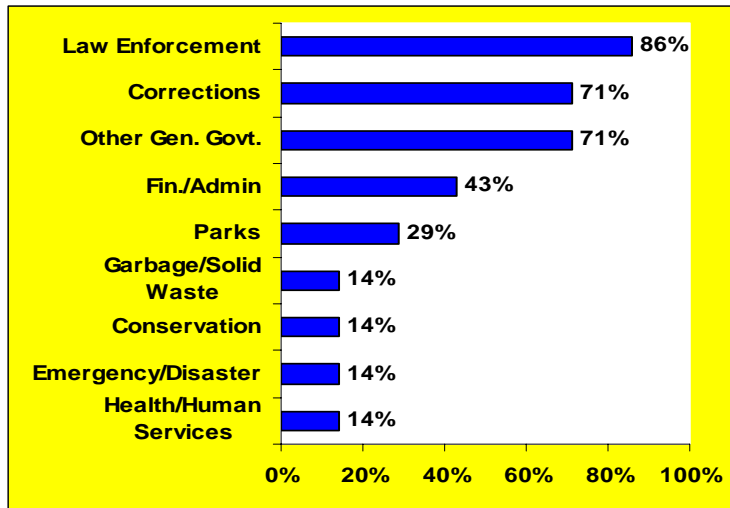


Source: Fishkind and Associates survey of 51 Florida counties

The Finance and Administration account can contain items related to medical benefits expenditures and certain constitutional officers including the Property Appraiser, Tax Collector, and Supervisor of Elections. Orange County experienced a 98% increase in their 513 – Finance and Administration account from 1999 to 2006. Of this increase, 77% of the expense was related to medical benefits. Constitutional officer payments made up 18% of the increase in the 513 account. Of this 18%, nearly all was related to the rise in medical benefit costs. So, 95% of the total increase was attributable to health care costs.

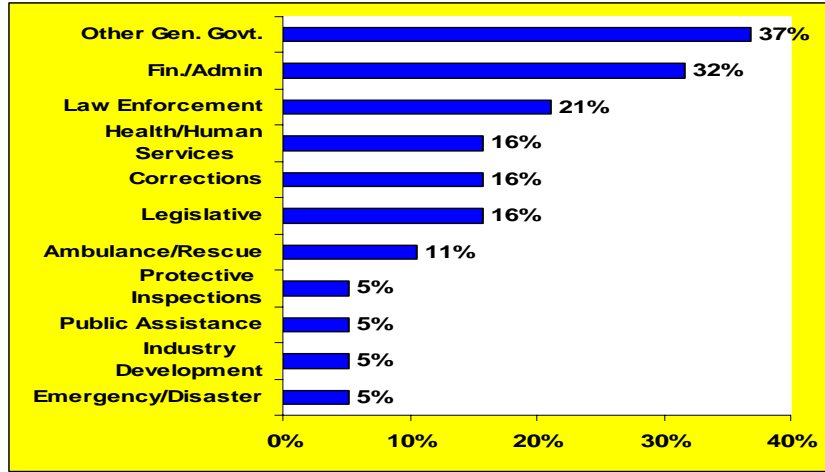
The following figures detail the statistically significant expense increases on a region basis around Florida. The Panhandle of Florida is certainly different by nature than South Florida, so it is important to note how each region's expenditures may have differed over the past several years. The following charts demonstrate that law enforcement always is among the categories with the highest increase for every region of the state. The General Government category also increased significantly in all regions. As noted above, this is because of the items included in this account code. Certain expenses were significant only in certain regions. For example, increases in Mass Transit are unique in the Southeast Florida Region.

Figure 5. Central Florida Region's Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category



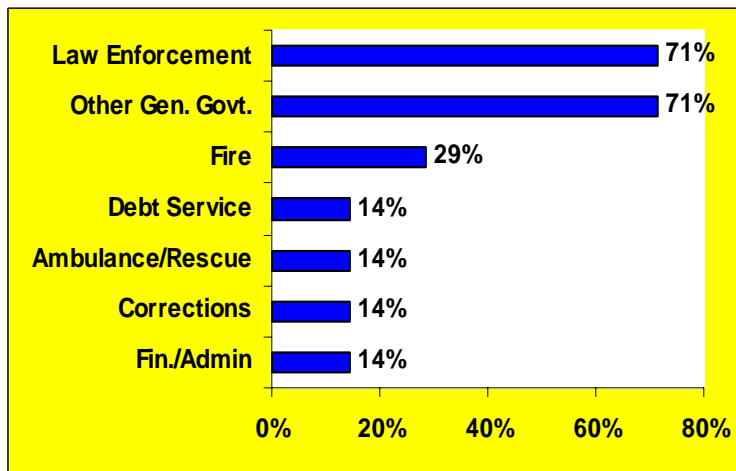
Source: Brevard, Indian River, Lake, Orange, Osceola, Seminole, and Volusia

Figure 6. North Central Florida Region's Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category



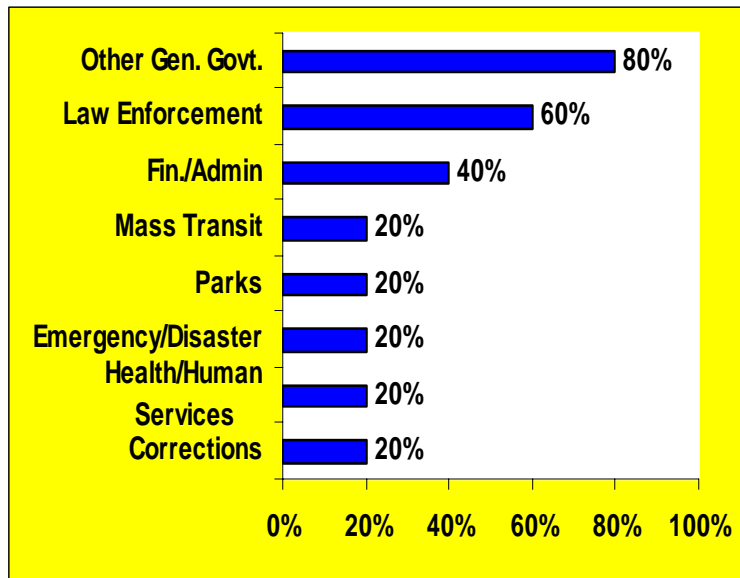
Source: Alachua, Bradford, Citrus, Columbia, Dixie, Gadsen, Gilchrist, Hamilton, Jefferson, Lafayette, Leon, Levy, Madison, Marion, Sumter, Suwanee, Taylor, Union, and Wakulla

Figure 7. Northeast Florida Region's Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category



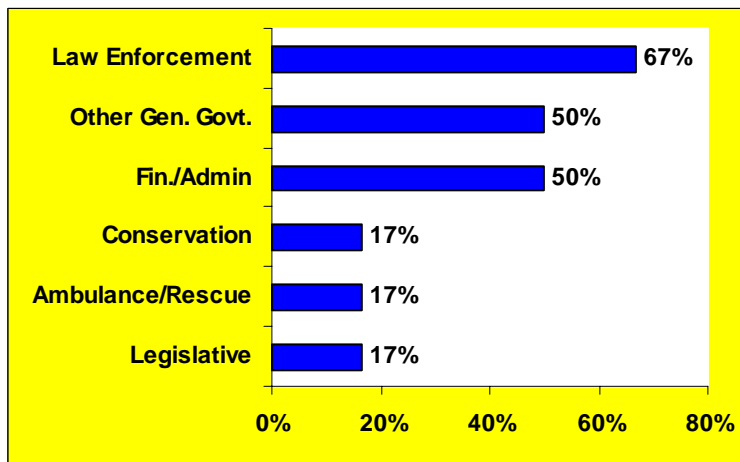
Source: Baker, Clay, Duval, Flagler, Nassau, Putnam, and St. Johns

Figure 8. Southeast Florida Region's Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category



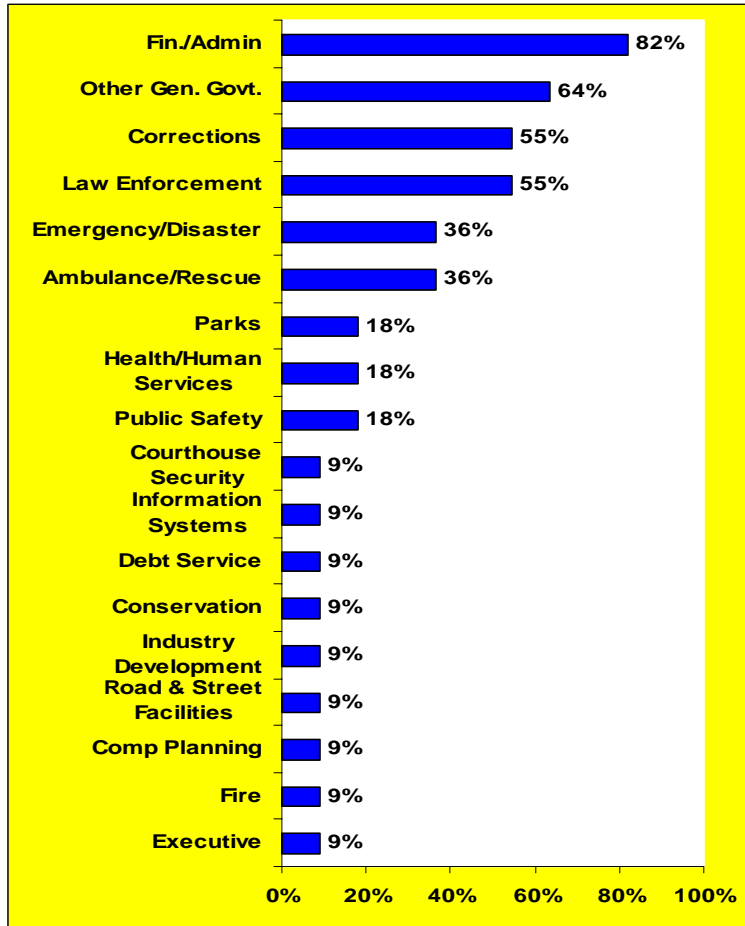
Source: Broward, Dade, Martin, Palm Beach, and St. Lucie

Figure 9. Southwest Florida Region's Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category



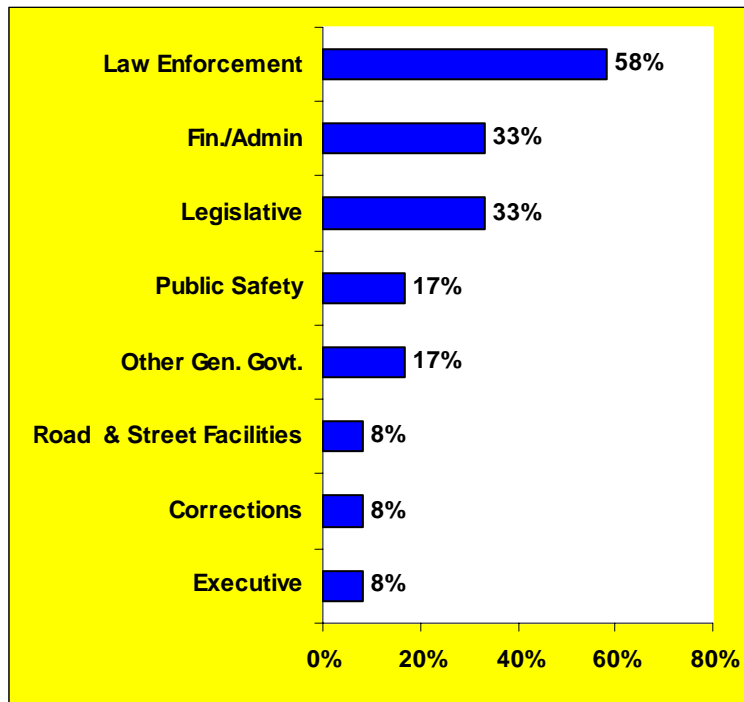
Source: Charlotte, Collier, Glades, Hendry, Lee, and Monroe

Figure 10. West Central Florida Region's Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category



Source: Desoto, Hardee, Hernando, Highlands, Hillsborough, Manatee, Okeechobee, Pasco, Pinellas, Polk, and Sarasota

Figure 11. West Florida Region’s Percentage of Counties Experiencing Statistically Significant Increases in the Stated Expense Category



Source: Bay, Calhoun, Escambia, Franklin, Gulf, Holmes, Jackson, Liberty, Okaloosa, Santa Rosa, Walton, and Washington

2.4 Overall Increases in Costs by Fund Type

In addition examining the General Fund accounts, it is also useful to review the overall growth by Fund type for all Florida Counties fund types. Table 12 lists the percentage and total growth by fund type. The Capital Projects Fund experienced the largest percentage increase in costs from 1999 to 2005 with a 121% increase in spending. The largest absolute dollar amount of growth in costs was experienced in the Special Revenue fund with \$4.8 billion in cost increases. The General Fund experienced a \$3.9 billion increase in costs from 1999 to 2005.

Table 12. Overall Growth in Costs by Fund Type, 1999-2005

	Percent Increase	Total Increase
General Fund	57%	\$ 3,899,501,220
Special Revenue Fund	80%	\$ 4,844,063,078
Debt Service Fund	16%	\$ 177,270,663
Capital Projects Fund	121%	\$ 1,313,628,962

Source: Florida Division of Banking Uniform Chart of Accounts Data

Of the total \$10.2 billion in fund increases depicted in Table 11, \$6.1 million of the increase was contained in the Special Revenue and Capital Projects funds. These funds provide the funding for most capital infrastructure projects. So, 60% of the expense increase across all fund types can be attributed to County spending on Capital Projects. Many of these projects funded acquisition of environmental lands, recreational facilities, and roadways.

Tables 13 and 14 show the actual growth by County for each fund. Tables 15 and 16 present the percentage increase in costs for each county by Fund type. As to be expected, the larger Counties in the State experienced the most absolute growth over the time period. Broward and Dade Counties each experienced nearly \$500 million in General Fund cost increases. On the other hand, Hendry and Holmes Counties experienced approximately \$3.0 million in General Fund cost increases.

In fact, seven Counties (Palm Beach, Orange, Lee, Hillsborough, Dade, Duval, and Broward) make up 54% of the total General Fund Operating Expense increases. These Counties account for 64% of the total increases in the Capital Projects Fund.

Some of the largest percentage changes; however, especially in the Capital Projects Fund, came from the small to mid-sized Counties such as St. Johns, Flagler, Desoto, Sumter, etc. These places experienced rapid growth from 1999 to 2005 and lots of infrastructure needed to be put in place to serve the expanded populations.

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Table 13. Absolute Growth in Expenses by Fund Type for Florida Counties, FY1999 - FY2005.

	General Fund	Special Revenue	Debt Service	Capital Projects
Alachua	\$ 25,759,261	\$ 58,004,587	\$ (2,198,320)	\$ 124,108
Baker	\$ 2,482,427	\$ 3,270,017	\$ -	\$ -
Bay	\$ 30,146,809	\$ (26,481,005)	\$ (2,309,588)	\$ -
Bradford	\$ 1,071,914	\$ 7,987,765	\$ (1,595,964)	\$ 773,721
Brevard	\$ 93,163,558	\$ 105,830,315	\$ 19,568,716	\$ 20,726,657
Broward	\$ 479,070,000	\$ 404,855,000	\$ 11,241,000	\$ 109,743,000
Calhoun	\$ 1,839,380	\$ 3,045,882	\$ (220,914)	\$ -
Charlotte	\$ 87,463,604	\$ 114,987,307	\$ (607,995)	\$ 56,397,139
Citrus	\$ 25,684,346	\$ 37,812,848	\$ (110,980)	\$ 8,507,751
Clay	\$ 40,205,293	\$ 35,588,574	\$ 748,675	\$ (6,173,016)
Collier	\$ 147,847,178	\$ 90,988,885	\$ 78,191,744	\$ 132,711,043
Columbia	\$ 6,346,525	\$ 6,245,609	\$ (5,860,371)	\$ 11,773,170
Dade	\$ 474,497,887	\$ 786,866,088	\$ (86,330,935)	\$ 287,429,778
DeSoto	\$ 2,388,216	\$ 32,171,025	\$ 2,266,400	\$ 1,949,485
Dixie	\$ 1,298,128	\$ 4,729,489	\$ (2,005,385)	\$ -
Duval	\$ 188,128,695	\$ 161,322,781	\$ 116,610,893	\$ 193,512,375
Escambia	\$ 29,561,091	\$ 236,532,674	\$ 11,895,487	\$ 7,644,897
Flagler	\$ 10,816,437	\$ 12,136,197	\$ (3,596,717)	\$ 8,412,040
Franklin	\$ 3,529,806	\$ 4,732,827	\$ (1,050)	\$ -
Gadsden	\$ 2,890,872	\$ 9,702,483	\$ (55,000)	\$ 2,081,473
Gilchrist	\$ 2,222,178	\$ 2,507,471	\$ -	\$ (312,866)
Glades	\$ 10,461,450	\$ (1,462,054)	\$ 823,676	\$ 177,695
Gulf	\$ 4,654,135	\$ 1,359,488	\$ 160,078	\$ 645,760
Hamilton	\$ 5,320,336	\$ (1,291,209)	\$ (16,267)	\$ 69,359
Hardee	\$ 26,418,031	\$ (3,406,827)	\$ 585,242	\$ 719
Hendry	\$ 3,368,957	\$ 1,316,987	\$ (323,461)	\$ 1,069,140
Hernando	\$ 28,703,553	\$ 12,967,705	\$ 409,315	\$ 14,558,087
Highlands	\$ 11,651,750	\$ 10,820,464	\$ -	\$ 1,697,331
Hillsborough	\$ 311,299,556	\$ 711,897,211	\$ (37,063,965)	\$ (45,547,839)
Holmes	\$ 3,030,299	\$ (5,366,954)	\$ 161,722	\$ -
Indian River	\$ 27,575,877	\$ 16,291,619	\$ 1,210,884	\$ 12,331,640
Jackson	\$ 4,164,205	\$ 3,626,696	\$ (608,970)	\$ 5,141,187
Jefferson	\$ 2,687,196	\$ 2,570,907	\$ (3,382,549)	\$ 697,042

Source: Florida Division of Banking Uniform Chart of Accounts Data

Table 14. Absolute Growth in Expenses by Fund Type for Florida Counties, FY1999 to FY2005 Continued

	General Fund	Special Revenue	Debt Service	Capital Projects
Lafayette	\$ 640,178	\$ 1,520,305	\$ (102,378)	\$ 146,953
Lake	\$ 62,371,740	\$ 46,960,729	\$ (2,495,543)	\$ 3,731,070
Lee	\$ 187,427,612	\$ 129,610,761	\$ (148,385)	\$ 73,150,658
Leon	\$ 33,893,175	\$ 31,222,116	\$ 7,070,846	\$ 18,334,395
Levy	\$ 5,977,555	\$ 5,437,900	\$ (13,575)	\$ 2,617,382
Liberty	\$ 119,283	\$ 1,564,585	\$ (36,324)	\$ 426,571
Madison	\$ 4,664,296	\$ 4,475,419	\$ (494,382)	\$ 717,888
Manatee	\$ 64,977,733	\$ 63,108,156	\$ 4,670,659	\$ 23,898,393
Marion	\$ 1,346,386	\$ 106,060,884	\$ 1,183,321	\$ 9,557,272
Martin	\$ 77,637,266	\$ 36,568,464	\$ 5,804,861	\$ (6,562,935)
Monroe	\$ 12,125,056	\$ 32,311,448	\$ (3,133,166)	\$ 3,464,366
Nassau	\$ 38,239,160	\$ 3,176,374	\$ 2,183,855	\$ 397,408
Okaloosa	\$ 21,390,253	\$ 31,202,585	\$ (861,890)	\$ 968,733
Okeechobee	\$ 4,652,606	\$ 22,835,349	\$ 882,533	\$ 3,060,441
Orange	\$ 182,473,645	\$ 207,413,972	\$ (41,790,886)	\$ 11,367,251
Osceola	\$ 59,341,959	\$ 77,239,686	\$ (6,123,856)	\$ (24,664,356)
Palm Beach	\$ 265,943,269	\$ 309,463,460	\$ 101,039,546	\$ 214,302,260
Pasco	\$ 56,451,733	\$ 90,595,177	\$ 1,216,892	\$ 7,827,906
Pinellas	\$ 145,941,083	\$ 159,343,168	\$ 9,115,714	\$ 11,877,830
Polk	\$ 61,156,194	\$ 27,213,964	\$ 11,750,842	\$ 24,601,513
Putnam	\$ 10,438,873	\$ 11,698,251	\$ (678,628)	\$ 7,404,758
Saint Johns	\$ 59,850,039	\$ 4,454,249	\$ 4,242,041	\$ 29,098,456
Saint Lucie	\$ 52,770,355	\$ 99,381,684	\$ 14,484,359	\$ 21,208,254
Santa Rosa	\$ 67,446,837	\$ 43,754,394	\$ 364,922	\$ (7,452,208)
Sarasota	\$ 60,298,665	\$ 117,675,788	\$ (4,366,889)	\$ 42,420,460
Seminole	\$ 130,496,447	\$ 157,821,527	\$ (45,598,565)	\$ 4,355,319
Sumter	\$ 23,442,817	\$ 26,991,290	\$ (514,665)	\$ 1,780,914
Suwannee	\$ 3,510,330	\$ 9,844,649	\$ (5,086,242)	\$ 1,038,236
Taylor	\$ 911,861	\$ 11,131,003	\$ 17,306,034	\$ 528,187
Union	\$ 3,695,583	\$ (3,113,051)	\$ (62,124)	\$ (66,770)
Volusia	\$ 63,244,164	\$ 93,218,803	\$ 3,872,264	\$ (4,067,289)
Wakulla	\$ 17,104,763	\$ (5,431,112)	\$ (785,434)	\$ 1,779,621
Walton	\$ 21,290,727	\$ 43,650,565	\$ (33,494)	\$ 11,656,084
Washington	\$ 2,480,627	\$ 3,499,684	\$ 6,822,999	\$ (1,416,935)

Source: Florida Division of Banking Uniform Chart of Accounts Data

Table 15. Percentage Growth in Expenses by Fund Type for Florida Counties, FY1999 to FY2005

	General Fund % Change	Special Revenue Fund % Change	Debt Service % Change	Capital Projects % Change
Alachua	40%	55%	-15%	2%
Baker	64%	25%	n/a	n/a
Bay	63%	-40%	-100%	n/a
Bradford	19%	69%	-100%	n/a
Brevard	69%	98%	122%	190%
Broward	62%	92%	9%	118%
Calhoun	37%	72%	-100%	n/a
Charlotte	135%	179%	-83%	221%
Citrus	59%	111%	-5%	1,837%
Clay	71%	96%	38%	-37%
Collier	113%	162%	738%	434%
Columbia	42%	27%	-87%	892%
Dade	37%	84%	-44%	249%
DeSoto	16%	399%	n/a	36,514%
Dixie	28%	49%	-59%	n/a
Duval	29%	77%	166%	255%
Escambia	26%	464%	152%	14%
Flagler	34%	155%	-74%	917%
Franklin	44%	91%	-1%	n/a
Gadsden	34%	47%	-100%	n/a
Gilchrist	44%	28%	n/a	-31%
Glades	176%	-22%	n/a	51%
Gulf	52%	36%	24%	n/a
Hamilton	122%	-12%	-9%	n/a
Hardee	407%	-18%	n/a	n/a
Hendry	38%	8%	-42%	270%
Hernando	60%	25%	10%	628%
Highlands	32%	79%	n/a	9,417%
Hillsborough	63%	85%	-100%	-100%
Holmes	57%	-56%	111%	n/a
Indian River	48%	42%	53%	357%
Jackson	46%	18%	-50%	195%
Jefferson	52%	39%	-86%	382%

Source: Florida Division of Banking Uniform Chart of Accounts Data

Table 16. Percentage Growth in Expenses by Fund Type for Florida Counties, FY1999 to FY2005, continued

	General Fund % Change	Special Revenue Fund % Change	Debt Service % Change	Capital Projects % Change
Lafayette	25%	40%	-18%	n/a
Lake	102%	112%	-54%	171%
Lee	69%	129%	0%	138%
Leon	42%	36%	17%	185%
Levy	51%	30%	-2%	n/a
Liberty	5%	28%	-9%	86%
Madison	106%	55%	-32%	69%
Manatee	49%	106%	32%	98%
Marion	2%	109%	22%	473%
Martin	117%	100%	52%	-25%
Monroe	20%	32%	-56%	26%
Nassau	168%	13%	69%	4%
Okaloosa	45%	75%	-15%	15%
Okeechobee	85%	89%	166%	114%
Orange	46%	46%	-18%	74%
Osceola	79%	68%	-21%	-50%
Palm Beach	61%	48%	153%	196%
Pasco	52%	124%	7%	369%
Pinellas	43%	46%	41%	8%
Polk	36%	31%	129%	182%
Putnam	40%	43%	-45%	448%
Saint Johns	122%	7%	97%	4,010%
Saint Lucie	70%	147%	95%	164%
Santa Rosa	352%	75%	21%	-87%
Sarasota	41%	128%	-11%	74%
Seminole	77%	152%	-83%	-184%
Sumter	188%	120%	-9%	5,460%
Suwannee	69%	48%	-87%	324%
Taylor	10%	274%	1998%	n/a
Union	118%	-36%	-100%	-100%
Volusia	58%	80%	20%	-22%
Wakulla	206%	-40%	-100%	86%
Walton	132%	154%	-7%	n/a
Washington	38%	30%	253%	-83%

Source: Florida Division of Banking Uniform Chart of Accounts Data

2.5 Absolute Growth in Expenditure Account Types and Ad Valorem Revenue

The top seven accounts in the UCA that experienced significant levels of increases around the state are listed in Table 17. The absolute increase in costs and the percentage increase in costs are listed for each one. The General Government account experienced by far the highest percentage of growth from 1999 to 2005. The largest absolute dollar amount of growth went towards the Law Enforcement account with \$672.7 million. The overall combined General Funds of all Counties experienced a 57% growth from 1999 to 2005.

Table 17. Growth in Expenditures by General Fund Account Type, FY1999-FY2005

	Absolute Growth	Percentage Growth
Other General Government	\$ 521,755,590	142%
Parks	\$ 157,823,295	62%
Legislative	\$ 38,537,907	56%
Law Enforcement	\$ 672,633,260	55%
Corrections	\$ 234,517,642	50%
Health & Human Services	\$ 126,681,772	46%
Finance and Administration	\$ 164,559,234	26%

Source: Florida Division of Banking Uniform Chart of Accounts Data

An important part of examining the growth in expenditures is to analyze the growth in revenue. Table 18 lists the overall growth in costs for the General Fund and the overall growth in ad Valorem operating revenue, the majority of which flows into a County's General Fund for operational purposes. From 1999 to 2005, the total ad Valorem growth for Counties across Florida was \$3.4 billion. This is a 78% increase over levels in 1999. General Fund costs went up \$3.9 billion for a 57% increase over 1999 levels.

Table 18. Growth in Ad Valorem Revenues and General Fund Costs, FY1999-FY2005

	Absolute Growth	Percentage Growth
Ad Valorem Revenue	\$ 3,418,486,125	78%
General Fund Costs	\$ 3,899,501,220	57%

Source: Florida Division of Banking Uniform Chart of Accounts Data

Tables 19 and 20 list ad Valorem operating revenue growth by County from 1999 to 2005, data were obtained from the Florida Department of Financial Services. Again, as with expenditure growth, some of the highest percentage growth occurred in the small to mid-sized Counties that experienced greater than normal population and development growth from 1999 to 2005.

Table 19. Absolute Growth and Percentage Change in Ad Valorem Revenue, FY1999-FY2005

	1999-2005 Change in Ad Valorem Revenue	Total % Change
Alachua	\$ 40,038,282	82%
Baker	\$ 2,396,153	86%
Bay	\$ 38,171,836	121%
Bradford	\$ 1,763,190	38%
Brevard	\$ 48,219,331	76%
Broward	\$ 369,248,561	69%
Calhoun	\$ 516,938	23%
Charlotte	\$ 53,762,073	164%
Citrus	\$ 26,018,082	69%
Clay	\$ 30,734,151	87%
Collier	\$ 177,203,426	207%
Columbia	\$ 6,218,105	62%
Dade	\$ 456,653,977	74%
DeSoto	\$ 3,128,852	50%
Dixie	\$ 2,570,845	112%
Duval	\$ 117,364,235	42%
Escambia	\$ 36,424,452	57%
Flagler	\$ 25,075,423	176%
Franklin	\$ 8,426,630	165%
Gadsden	\$ 3,281,865	44%
Gilchrist	\$ 2,035,948	79%
Glades	\$ 1,785,992	47%
Gulf	\$ 8,168,269	153%
Hamilton	\$ 571,442	11%
Hardee	\$ 4,010,597	55%
Hendry	\$ 3,537,466	27%
Hernando	\$ 28,078,553	79%
Highlands	\$ 14,652,424	64%
Hillsborough	\$ 181,972,826	67%
Holmes	\$ 1,100,018	48%
Indian River	\$ 22,430,905	74%
Jackson	\$ 2,479,376	37%
Jefferson	\$ 1,517,961	53%

Source: Florida Division of Banking Uniform Chart of Accounts Data

Table 20. Absolute Growth and Percentage Change in Ad Valorem Revenue, FY1999-FY2005, continued

		1999-2005 Change in Ad Valorem Revenue	Total % Change
Lafayette	\$	432,416	34%
Lake	\$	49,059,416	147%
Lee	\$	178,308,980	129%
Leon	\$	41,461,547	63%
Levy	\$	6,482,657	83%
Liberty	\$	647,773	56%
Madison	\$	1,848,939	56%
Manatee	\$	99,806,536	110%
Marion	\$	22,411,834	54%
Martin	\$	32,690,639	55%
Monroe	\$	14,860,959	32%
Nassau	\$	20,620,121	117%
Okaloosa	\$	26,567,629	85%
Okeechobee	\$	5,263,511	63%
Orange	\$	145,067,556	59%
Osceola	\$	55,607,080	123%
Palm Beach	\$	280,921,137	84%
Pasco	\$	55,283,658	71%
Pinellas	\$	151,757,852	65%
Polk	\$	91,656,984	79%
Putnam	\$	10,170,334	54%
Saint Johns	\$	56,741,180	125%
Saint Lucie	\$	66,652,816	107%
Santa Rosa	\$	16,995,296	64%
Sarasota	\$	89,106,087	91%
Seminole	\$	51,446,246	70%
Sumter	\$	16,114,673	158%
Suwannee	\$	5,009,785	83%
Taylor	\$	3,146,725	54%
Union	\$	335,978	24%
Volusia	\$	62,200,299	65%
Wakulla	\$	5,310,173	126%
Walton	\$	33,037,546	147%
Washington	\$	1,903,579	45%

Source: Florida Division of Banking Uniform Chart of Accounts Data

2.6 Population and Inflation Growth

Expenses certainly went up, but a certain part of the increase can be attributed to simply more people moving into the County and the regular increases in the costs for goods and services. The Consumer Price Index (“CPI”) was up a cumulative 17% from 1999 to 2005.

Tables 21 and 22 display the growth in population for each County. Overall, the State of Florida grew 17% in population from 1999 to 2005.

Table 21. Overall Growth and Percentage Growth in Population by County, 1999-2005

County	Pop. Change	Pop. % Change
Alachua	24,515	11%
Baker	2,074	9%
Bay	11,602	8%
Bradford	2,618	10%
Brevard	57,167	12%
Broward	250,698	17%
Calhoun	-172	-1%
Charlotte	17,257	13%
Citrus	17,737	15%
Clay	29,992	21%
Collier	98,103	45%
Columbia	4,952	9%
De Soto	4,168	15%
Dixie	1,899	14%
Duval	98,304	13%
Escambia	2,010	1%
Flagler	32,799	72%
Franklin	-27	0%
Gadsden	-3,765	-7%
Gilchrist	2,815	21%
Glades	862	9%
Gulf	2,076	14%
Hamilton	-61	0%
Hardee	4,739	21%
Hendry	7,824	26%
Hernando	23,392	18%
Highlands	12,313	15%
Hillsborough	164,035	17%
Holmes	258	1%
Indian River	20,464	19%
Jackson	222	0%
Jefferson	-191	-1%

Source: University of Florida Bureau of Economic and Business Research

Table 22. Overall Growth and Percentage Growth in Population by County, 1999-2005, continued

County	Pop. Change	Pop. % Change
Lafayette	1,010	15%
Lake	59,154	29%
Lee	132,328	32%
Leon	33,474	14%
Levy	4,577	14%
Liberty	-467	-6%
Madison	64	0%
Manatee	51,157	20%
Marion	55,493	22%
Martin	19,545	16%
Miami-Dade	295,373	14%
Monroe	-4,617	-5%
Nassau	8,378	15%
Okaloosa	9,350	5%
Okeechobee	2,255	6%
Orange	197,109	23%
Osceola	77,780	49%
Palm Beach	223,704	21%
Pasco	80,404	25%
Pinellas	48,960	5%
Polk	67,136	14%
Putnam	881	1%
Saint Johns	43,337	38%
Saint Lucie	53,134	28%
Santa Rosa	23,812	21%
Sarasota	46,823	15%
Seminole	57,596	16%
Sumter	23,229	46%
Suwannee	3,788	11%
Taylor	1,474	7%
Union	1,213	9%
Volusia	67,834	16%
Wakulla	6,219	30%
Walton	13,059	32%
Washington	942	4%

Source: University of Florida Bureau of Economic and Business Research

2.7 Findings

From FY1999 to FY2005, County property tax revenues increased 78%. However, Florida's population increased by 17% and Florida's Counties experienced cost increases of approximately 57%, more than thrice the increase in the consumer price index (see discussion below). This combination of population growth and price inflation caused total expenses to increase by about the same amount as property taxes increased.

Regarding Law Enforcement costs, many events have occurred since 1999, including 9/11, which refocused the Nation on national and local security. Counties were not immune from rising expenditures for courthouse security, additional police for County events, technological upgrades for computer and software systems, etc. A major function of any level of government is to protect and serve its population, and Americans are willing to spend money on their security.

In addition, with additional revenues from property taxes, many Counties could address longstanding infrastructure backlogs, as well as expanding infrastructure into previously rural areas to meet their current demand coming from expanding population bases.

Due to statutory requirements for counties to contribute to CRA's, county expenditures increase substantially without any action by the Boards of the Commissions. Formerly blighted areas located within CRA's that were redeveloped have increased in property value and require County governments to make cash payments to the CRA's for ad Valorem derived from the increases in property value. The 519 – General Government account code contains many of these payments.

Also for the 519 – General Government account, technology developments have driven costs upwards as Counties attempt to install new networking infrastructures capable of extorting efficiency gains from faster internet connections and increased computing power. The rise of high powered networks and lightening quick internet connections has given way to a new form of 'technology infrastructure' that Counties did not have to concern themselves with in the past.

In addition, rising health care costs have taken its toll on County governments. The Orange County example detailed how the 513-Finance and Administration account experienced 98% of its cost increases in the form of medical benefit expenditures. Rising medical costs are an expense that is typically out of the County's control.

The UCA data did not provide detail on the types of expenditures that were driving the increases in the broad categories used in the chart of accounts. The survey, however, did provide substantial data on the specific expenditures that increased the overall cost of providing government services like CRA payments, health insurance, property insurance, and fuel costs. These will be discussed in detail in the next section of the report.

In conclusion, while expenditures certainly increased greatly in recent years, ad Valorem revenues rose at an even faster rate. Government service staples such as law enforcement and corrections experienced above average growth in costs and received a large chunk of the increased ad Valorem revenue. The real estate market is near the bottom of its cycle and in the near-future County governments will not see a similar rise in revenue as they have over the past several years. The natural economic cycle will cause County budgets to be tighter and spending will need to be clearly thought out in order to make proper use of revenues that will rise at a more historically average rate.

The complete database of County budgets and our analysis is contained in Appendix 1.

3.0 Survey of Florida Counties

3.1 Methodology

The purpose of surveying Florida's counties was to: (a) amplify the data available through the UCA and (b) articulate the details of the Other General Government Account #519. Counties were asked questions regarding their expenses during the years 2000-2006. Out of 67 Counties, 51 Counties responded which represent approximately 92% of the State's population. Actual statewide spending would be higher as all Counties did not report. Spending categories analyzed include road construction, health care, property insurance, fuel and utilities, CRA payments, Sheriff, Fire EMS, Parks, etc. Please see Appendix 2 for actual surveys from Counties that responded.

3.2 Overview

Table 23 displays the most significant spending categories contained in the survey analysis. The County surveys highlighted the rapid growth in the creation of Community Redevelopment Areas ("CRA's"). Payments of tax increment financing dollars to these agencies increased by over three-fold since the year 2000. Property and health insurance expenses experienced a combined \$542.1 million increase in spending. Road construction expenses grew by \$486.8 million at a rate of 112%. Mass Transit is a significant expense category for the South Florida region with \$154.1 million in new spending since the year 2000. As with our UCA analysis, spending for the Sheriff accounted for the largest growth in expenses. Nearly \$1.4 billion in spending growth occurred for the sheriff in the Counties responding to our survey.

Table 23. Top Spending Categories

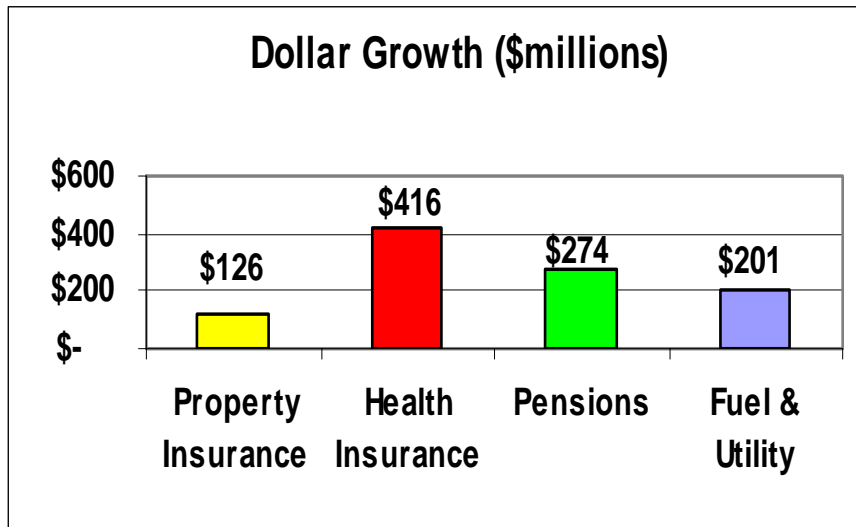
Category	Dollar Growth	% Growth
CRA Payments	\$121.9 million	284%
Park & Environmentally sensitive lands	\$350.9 million	205%
Property Insurance	\$126.0 million	200%
Fuel & Utilities	\$200.6 million	151%
Road Construction	\$486.8 million	112%
Health Insurance	\$416.1 million	100%
Mass Transit	\$154.1 million	67%
Pensions	\$273.5 million	63%
Sheriff	\$1,388 million	59%

Source: Fishkind & Associates, Inc. Survey of Florida Counties

3.3 Cost Driven Categories

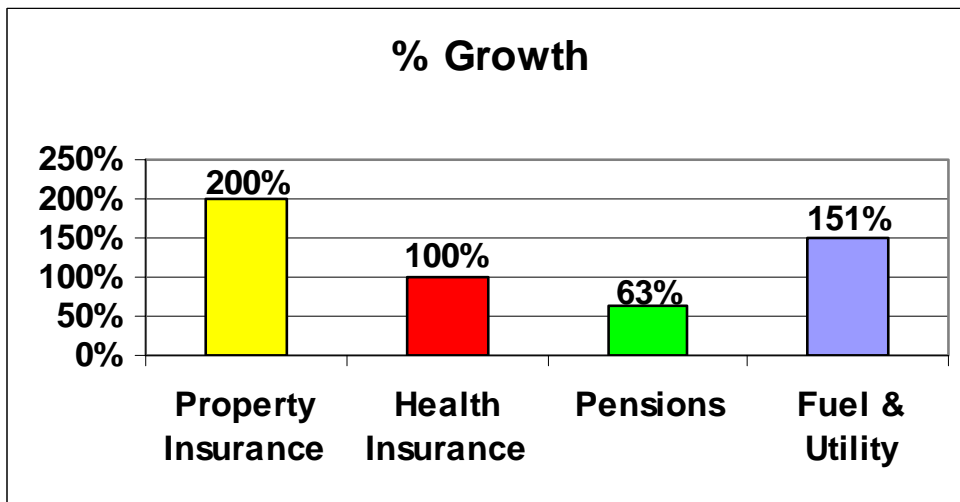
Spending categories such as fuel and utilities, health insurance, property insurance, and pensions contain costs that are largely out of the Counties' control. The costs to local governments for purchasing these items tend to escalate annually at a rate higher than CPI inflation. Figures 24 and 25 display the dollar growth and percentage growth for these categories from 2000 to 2006.

Figure 24. Dollar Growth (\$millions) for Cost Driven Categories



Source: Fishkind & Associates, Inc. Survey of Florida Counties

Figure 25. Percentage Growth for Cost Driven Categories



Source: Fishkind & Associates, Inc. Survey of Florida Counties

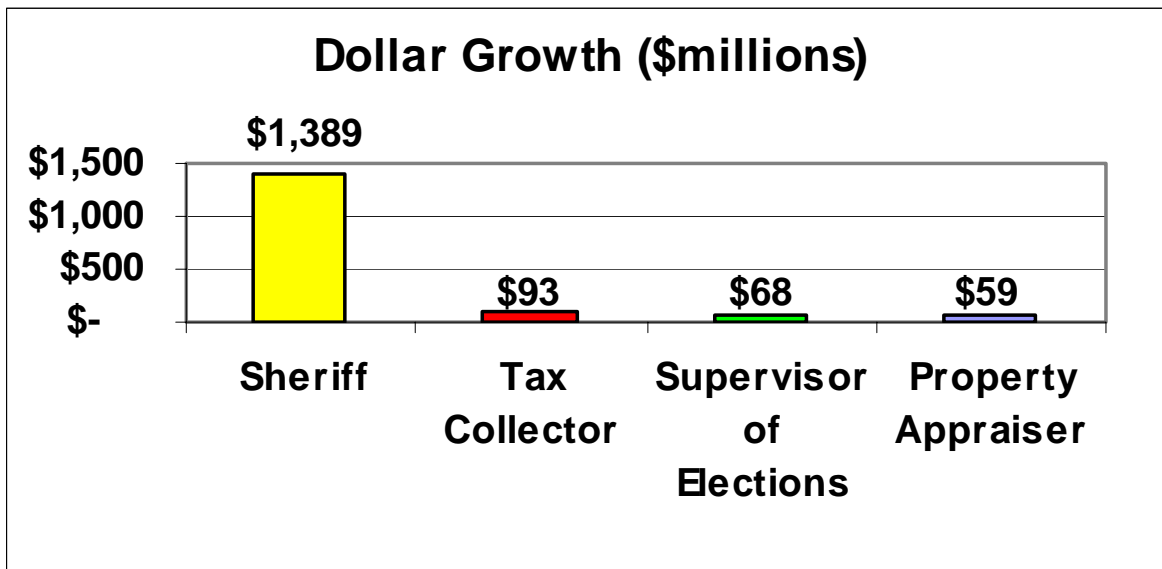
Property Insurance costs experienced the largest percentage change from 2000 to 2006 with a 200% increase. In contrast, property insurance absolute dollar growth in spending was the smallest for this category with a \$126.0 million increase. Health insurance constituted the bulk of spending in the cost driven category. Spending for health insurance went up \$416.0 million for a 100% increase over the study's time period. Percentage growth for all categories was well above the CPI inflation index increase.

On an individual County basis, the southern part of the State experienced some of the largest spending increases in this category. Fuel and Utility costs for Miami-Dade County went up \$21.0 million or 113%. Property insurance costs for Palm Beach County went up \$54.0 million or 216%. In Broward County, Health insurance spending increased \$26.0 million.

3.4 Constitutional Officers

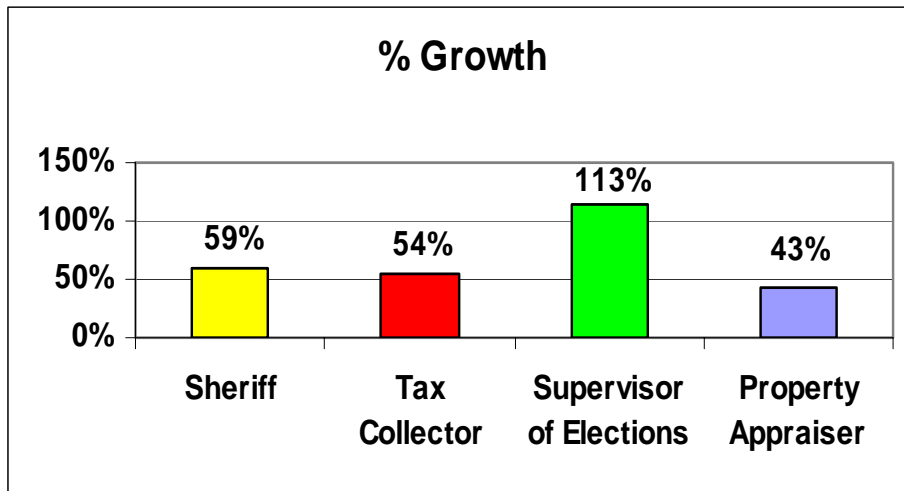
Constitutional Officer payments constitute a very significant portion of County spending with the Sheriff Department allocated the largest slice of the pie with \$1.4 billion of spending increases since the year 2000. Figures 26 and 27 show the spending growth for Constitutional Officers. Counties have only limited control over these officers.

Figure 26. Dollar Growth (\$millions) for Constitutional Officer Payments



Source: Fishkind & Associates, Inc. Survey of Florida Counties

Figure 27. Percentage Growth for Constitutional Officer Categories



Source: Fishkind & Associates, Inc. Survey of Florida Counties

The Sheriff Department experienced over \$1.4 billion in spending growth. This growth is a function of rising population and a substantial increase in public safety spending all across the nation after 9/11.

On an individual County basis, Sheriff Department expense increases proliferated through Counties both large and small. Sumter County experienced a 330% growth in Sheriff spending that totaled \$10.0 million since 2000. Broward County experienced a \$317.0 million or 102% growth in funding for the Sheriff. Lee County experienced a 117% growth in Sheriff expenses for a total increase of \$70.0 million.

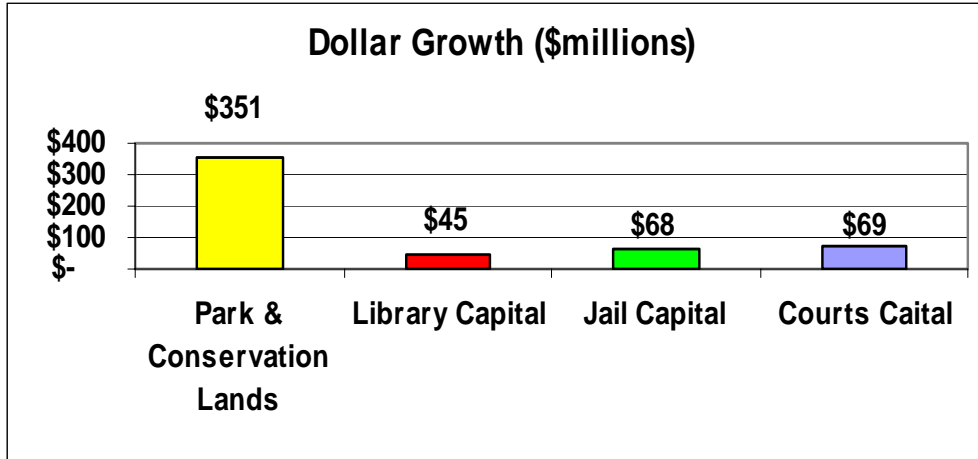
Other Constitutional Officer payments besides the Sheriff did not go up as much in dollar terms, but did experience significant growth on a percentage basis. Tax Collector allocations increased 54% for a \$93.0 million increase. Supervisor of Elections allocations increased 113% for a \$68.0 million increase. Finally, the payments to the Property Appraiser increased 43% for a \$59.0 million increase.

3.5 Capital Facilities Expenses

Parks and Environmentally sensitive lands, Jails, Libraries, and Court facilities capital expenses all experienced dramatic growth from 2000 to 2006. Spending on parks constituted the largest amount spending in the capital facilities category. Total growth in capital spending for Parks and Environmentally Sensitive Lands was \$351.0 million for a 205% increase.

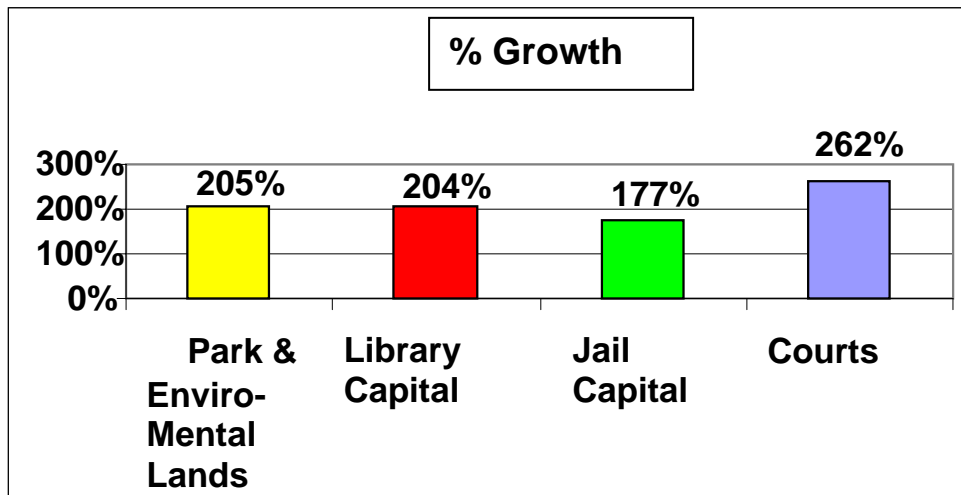
This correlates very well with the increased interest in conserving environmental lands for County constituents. In addition, concurrency requirements for parks and for open space land are also prominent concerns for Floridians. Figures 28 and 29 display the growth in the Capital Facilities category.

Figure 28. Dollar Growth (\$millions) for Capital Facilities Expenses



Source: Fishkind & Associates, Inc. Survey of Florida Counties

Figure 29. Percentage Growth for Capital Facilities Expenses



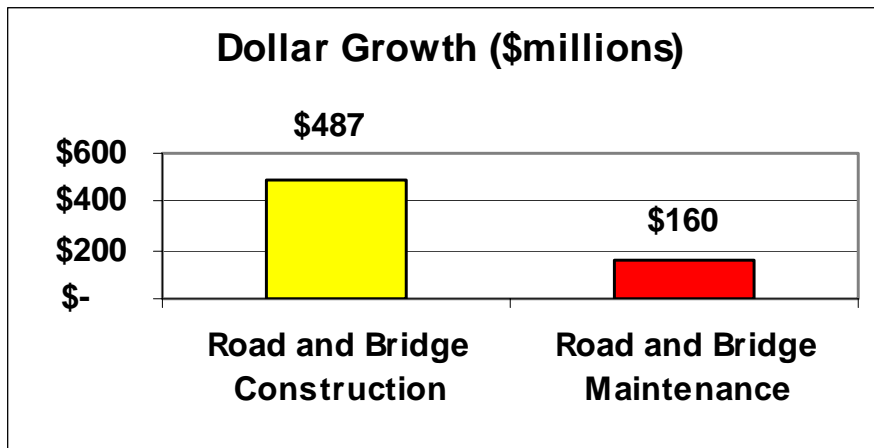
Source: Fishkind & Associates, Inc. Survey of Florida Counties

Capital expenses for libraries, jails and courts facilities also experienced large percentage growths from 2000 to 2006. However, expenses for Parks and Environmentally sensitive lands far exceeded their totals. From an individual County basis, many areas experienced very large increases in Park and conservation land capital spending. Collier County experienced a 1,478% growth rate in Parks and Environmentally sensitive lands spending from 2000 to 2006 with a total dollar increase of \$40.0 million. Brevard County experienced a 1,044% growth in Parks and Environmentally sensitive lands spending for a total dollar amount of \$31.0 million.

3.6 Road & Bridge Construction and Maintenance

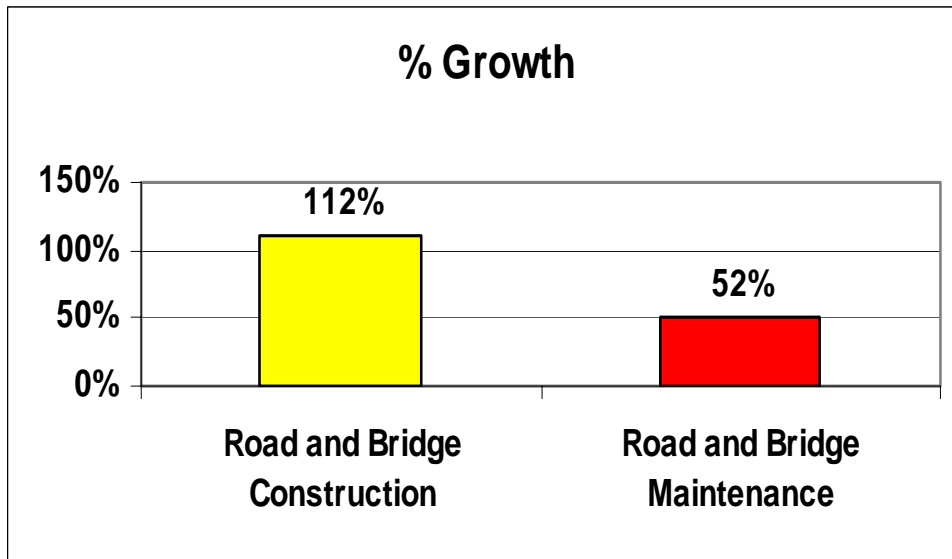
Road costs have skyrocketed over the last several years. County spending increases for roads and bridges clearly reflect this. Since 2000, Road and Bridge construction costs grew \$487.0 million. This was a 112% increase over spending levels in the year 2000. Maintenance expenses have also grown steadily with a \$160.0 million or 52% increase since the year 2000. Figures 30 and 31 display these findings. Section 4.2 discusses the growth road construction costs, further.

Figure 30. Dollar Growth (\$millions) for Road & Bridge Expenses



Source: Fishkind & Associates, Inc. Survey of Florida Counties

Figure 31. Percentage Growth for Road & Bridge Expenses



Source: Fishkind & Associates, Inc. Survey of Florida Counties

Road and bridge construction expense increase were found to be apparent all around the State. Duval County saw its road construction expenses grow 218% or \$90.0 million from 2000 to 2006. Collier County road construction expenses grew 321% or \$41.0 million. Lee County road construction spending rose 304% or \$72.0 million. Clearly, the population growth and increased per lane mile costs have driven Counties to spend large amounts of money on their highway infrastructure.

3.7 CRA Payments

Since the year 2000, CRA payments have increased dramatically. The creation of CRA's by local governments to spur economic development in specific areas has become a popular tool for redeveloping older areas of the community. Currently, UCA does not track CRA payments in a specific account code, and instead these are included in the Other General Government Account #519. Therefore, the County surveys provided very useful information on these payment amounts. Since 2000, CRA payments grew by \$121.9 million or 284%. These payments are simply pass-through expenses for a County as they receive the incremental ad Valorem from the Property Appraiser and then deposit those revenues into the CRA fund. So, spending on CRA's can artificially inflate the total amount of increase expenses for a County.

Individual County examples include a \$34.0 million increase in CRA payments for Miami-Dade County and a \$13.0 million increase for Palm Beach County.

3.8 Mass Transit

Mass Transit expenses are primarily a South Florida expense concentrated in Palm Beach, Broward, and Miami-Dade County. Statewide, spending increased 67% or \$154.1 million from the year 2000 to 2006. Expenses for mass transit grew \$44.0 million or 70% in Broward County and \$39.0 million or 102% in Palm Beach County.

3.9 Budget Reserves

Due to the rapid rise in ad Valorem revenues since 2000, many Counties across the State have been able to boost their budget reserves. Sarasota County experienced a 944% growth in budget reserves; this was one of the largest growth rates in the State. Their budget reserves went from \$4.9 million in the year 2000 to \$51.4 million in 2006. St. Johns County, which has experienced strong growth lately, saw their budget reserves grow \$38.0 million or 306% during the year 2000-2006. It is important for Counties to secure funds in high growth years in order for them to have sufficient funds on hand should the economy enter a down cycle or if they experience substantial impact from hurricanes or other natural disasters.

3.10 Medicaid Payments

Statewide, Medicaid payments increased 75% or \$67.9 million. Miami-Dade County experienced one of the most dramatic increases in Medicaid spending with 100% or \$25.0 million in cost increases since the year 2000.

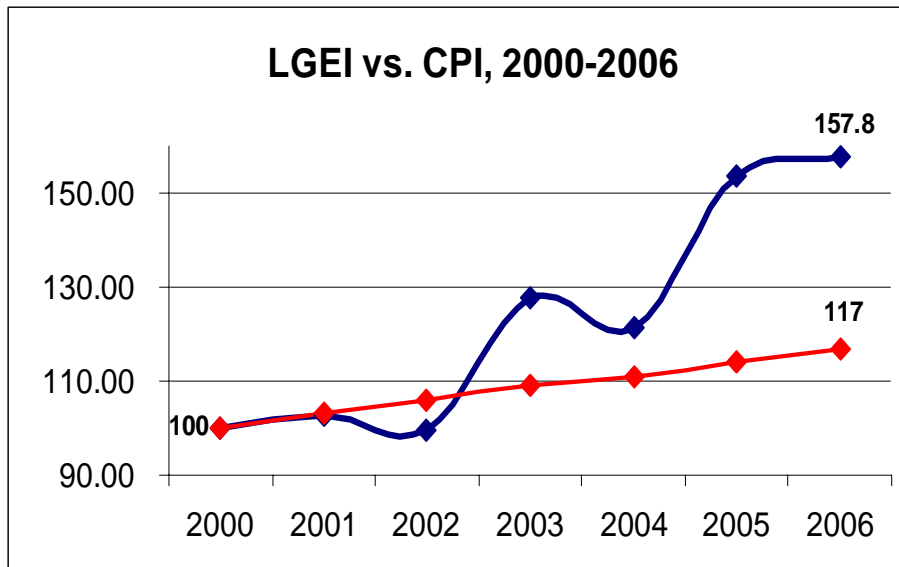
4.0 Florida Local Government Cost Index (“LGCI”) and Capital Cost Index

4.1 LGCI Overview

In order to track the growth in government costs and expenses, a Local Government Cost Index (“LGCI”) was developed. The LGCI is similar to the Consumer Price Index (“CPI”) used to track the general level of inflation. However, the LGCI captures the growth in costs and expenses in categories relative to local governments in Florida.

The cost index for County governments was formulated from a sampling of six Counties across the State. The Counties sampled were Miami-Dade, Escambia, Orange, Hardee, Putnam, and Polk. Counties in the sample group were asked to categorize their expenses annually from 2000-2006 by the following categories: Salaries and Wages, Health Care and Fringe Benefits, Pensions, Fire and EMS, Sheriff Allocation, All Other Constitutional Officers, and All Other Expenses Not Elsewhere Classified. For each County, the annual expenses were transformed into per capita spending levels using a per employee basis. Per employee totals for each category were then weighted according to their percentage of the total in the first year, and the index was benchmarked at 100 for the year 2000 in order to create the LGCI. Figure 32 displays the results.

Figure 32. Statewide Local Government Cost Index vs. CPI



Source: FL County Sample Survey Data

4.2 LGCI Discussion

In Figure 32 the LGCI is plotted against the growth in CPI from 2000-2006. The CPI grew only 17% since 2000 while the LGCI grew three times faster at 58%. Due to the small sample size, the LGCI is likely to be accurate within +/- 20%. Even with this margin for error, the LGCI shows significant spending levels at twice the rate of inflation. County governments tend to spend money on items that fluctuate in price more rapidly than many consumer household items. Government expense such as property insurance, health insurance, fuel and utilities, road maintenance items, etc. tend to outpace the growth in the general rate of inflation.

Table 33 displays the individual component indices that form the overall LGCI. Sheriff Department allocations, County salaries and wages, and all other expenses not already classified made up the bulk of expenses on a per employee basis and thus were weighted the most in the year 2000 to create the baseline index of 100.

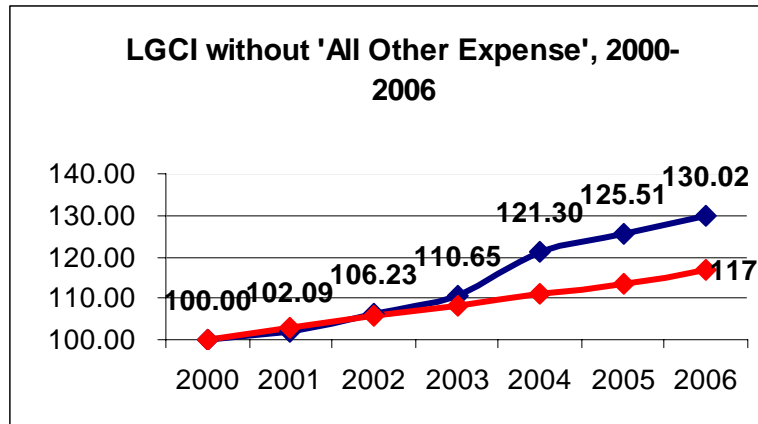
Table 33. Statewide LGCI Component Indices

	2000	2001	2002	2003	2004	2005	2006
County Salaries & Wages	14.7	15.4	15.8	16.6	17.9	18.6	19.2
County Fringe Benefits (Health Care, etc.)	3.2	3.4	3.7	4.1	4.5	4.8	5.1
County Pensions	1.6	1.5	1.3	1.3	1.7	1.8	2.0
County Fire & EMS	5.4	5.1	5.7	5.8	7.3	8.0	7.7
Total Sheriff Department Allocation	15.2	15.3	15.9	16.4	17.4	18.1	18.7
All Other Constitutional Officer Payments	4.5	4.6	4.9	5.1	5.1	4.6	5.1
All Other Expenses Not Already Classified	55.5	57.4	52.1	78.3	67.5	97.8	99.9
Total Index	100.00	102.84	99.39	127.55	121.48	153.69	157.82

Source: Fishkind & Associates

Figure 34 displays the LGCI with the 'all other expenses' category removed. This is a form of sensitivity analysis, since the all other category is so large. However, even without this category, the LGCI still goes up considerably more than the CPI. Thus, any infirmities in the LGCI not withstanding, the LGCI will increase much faster than the overall rate of inflation.

Figure 34. LGCI without 'All Other Expenses' Category

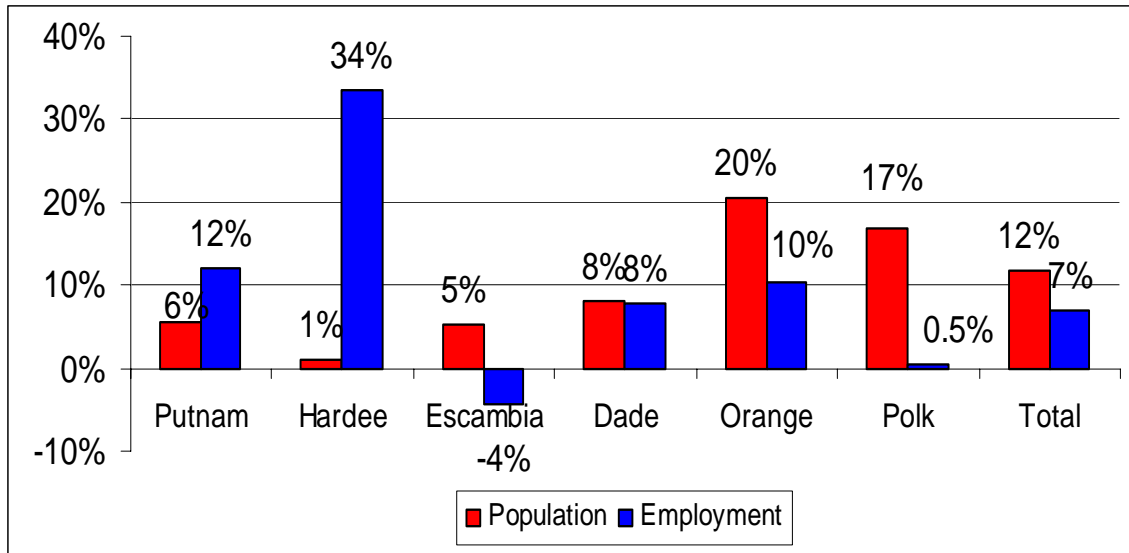


Source: FL County Sample Survey Data and US Department of Commerce

Since the LGCI measures expenses on a per employee basis, it is useful to examine the growth in employees relative to population growth for our sample Counties. Figure 35 shows how the relationship between population growth and employee growth for the sample Counties between the years 2000 and 2006. Generally speaking, employment growth occurred at levels lower than the population growth rate. This indicates that Counties are not using their surplus ad Valorem revenues simply to hire more staff, but instead most likely paid higher wages to hire more efficient staff. In fact, for the total of our sample population growth increased 12% compared to a 7% increase in FTE staff.

For the smaller Counties, Putnam and Hardee, employment growth occurred at a faster rate than population growth. Factors such as the transformation of previously rural areas into more urban environments have led many smaller Counties to start adding services such as full-time Fire Department Employees and other services that were not needed previously. Larger Counties tend to enjoy economies of scale due to their overall size that allows them to experience growth without necessarily adding new employees at the same rate as witnessed by Orange, Polk, Dade, and Escambia.

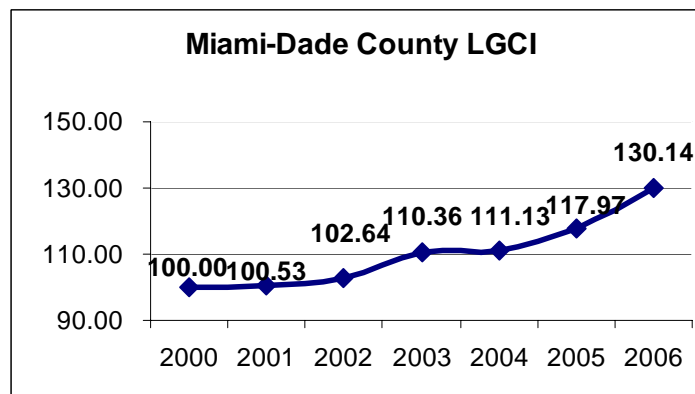
Figure 35. Employee vs. Population Growth for Sample Counties, 2000 to 2006



Source: FL County Sample Survey Data

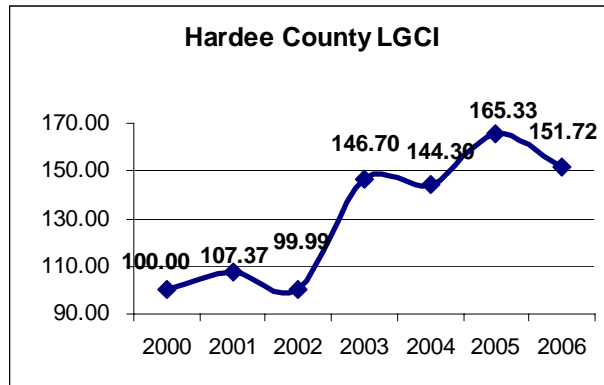
To further examine the LGCI, indices were created for each County to explore local spending patterns. Figures 36 to 41 display the individual County indices.

Figure 36. Miami-Dade County LGCI



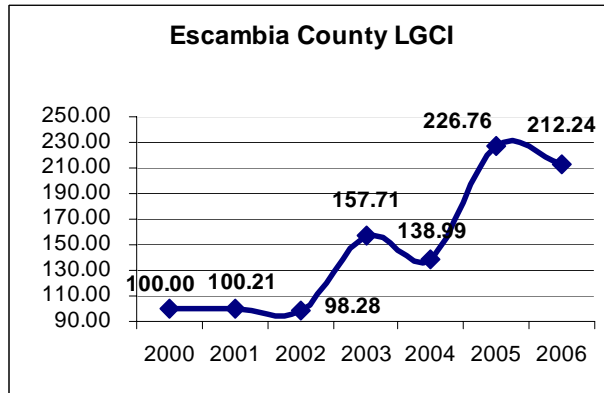
Source: FL County Sample Survey Data

Figure 37. Hardee County LGCI



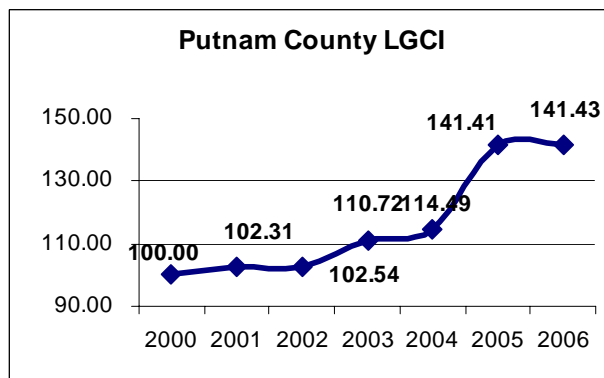
Source: FL County Sample Survey Data

Figure 38. Escambia County LGCI



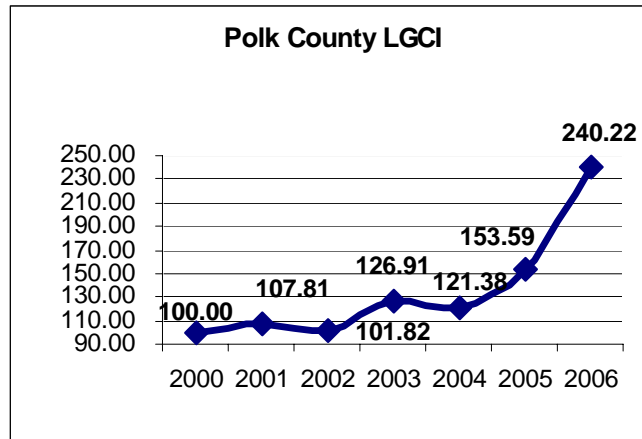
Source: FL County Sample Survey Data

Figure 39. Putnam County LGCI



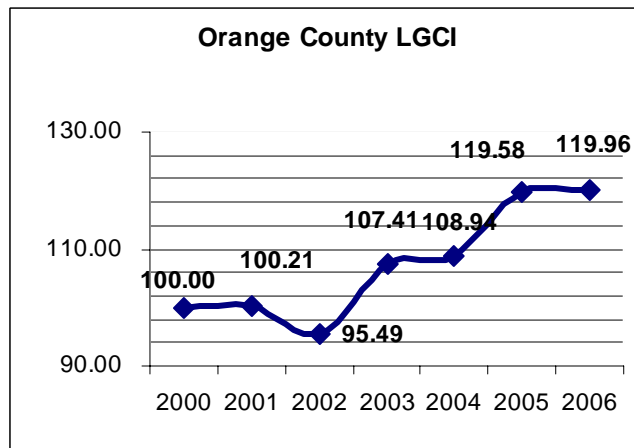
Source: FL County Sample Survey Data

Figure 40. Polk County LGCI



Source: FL County Sample Survey Data

Figure 41. Orange County LGCI



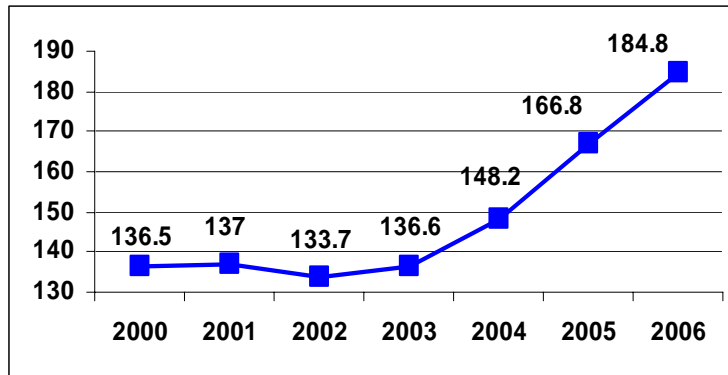
Source: FL County Sample Survey Data

The LGCI's for the individual Counties mirror the Statewide LGCI. As with the State, many Counties experienced a drop in per employee spending from 2001 to 2002. Looking back at the economy during that time period, one will find a recession and weak job market were rampant during those years.

4.2 Capital Cost Index

In addition to many of the operating expenses captured in the LGCI, County governments have also been dealing with the rapid rise in costs for materials going into road and bridge construction. The Florida Department of Transportation ("FDOT") uses several measures as to the costs for constructing roads. Figure 42 displays the Producer Price Index's Highway and Street Construction Index.

Figure 42. Highway and Street Construction Index



Source: *Producer Price Index, U.S. Bureau of Labor Statistics*

The Highway and Street Construction Index has increased rapidly in the last several years. Since the year 2003, the index has risen 35% and reflects the budget crunch many Counties are attempting to correct with revenue generating methods such as higher impact fees to help new growth pay for itself.

Figure 43 displays the FDOT's cost of materials going into roadway construction. The figure shows annual increases from 2005 to 2006 ranging from 14% for asphalt to 109% for earthwork.

Figure 43. FDOT Road Construction Materials Cost Escalations

		2005		2006	
		Cost	Annual % Increase	Cost	Annual % Increase
Earthwork	Cubic Yard	\$7.37	68%	\$15.40	109%
Asphalt (Tonnage Items)	Ton	\$77.66	26%	\$88.75	14%
Concrete (Structural)	Cubic Yard	\$761.71	35%	\$1,434.45	88%
Steel (Structural)	Pound	\$1.57	6%	\$2.00	27%
Steel (Reinforcing)	Pound	\$0.91	21%	\$1.60	76%

Source: *FDOT Work Program Challenges*

In addition to the cost increases for roads, Counties also experienced costs increases for public buildings, jails, libraries, new fire stations, etc. As Figure 43 shows, the cost for materials such as concrete and steel, have risen dramatically as of late. From 2005 to 2006, the cost for a cubic yard of structural concrete went from \$761 to \$1,434 for a 88% price increase. The cost for reinforcing steel rose from \$.91 per pound to \$1.60 per pound for a 76% price increase.

5.0 Conclusions

Since 2001, property taxes soared by \$10.4 Billion in Florida. The sharp increases in property values were not fully offset by falling millage rates. As a result, tax payments escalated which gave rise to calls for reform. Furthermore, questions were raised about how local governments used this increase in taxes. As noted above members of the Florida House of Representatives have articulated these concerns when they released their proposals for property tax relief.

“Government should not grow faster than its citizens’ ability to afford it, but that is exactly what has happened throughout Florida these past few years,” added Representative Ray Sansom (R-Destin). “We want to make sure that taxpayers are getting value from government. Our plan recognizes that it doesn't matter how much money government spends, but how wisely it spends the money it collects that really counts. Our plan will ensure all governments in Florida spend smarter and are more accountable to the taxpayers.”³

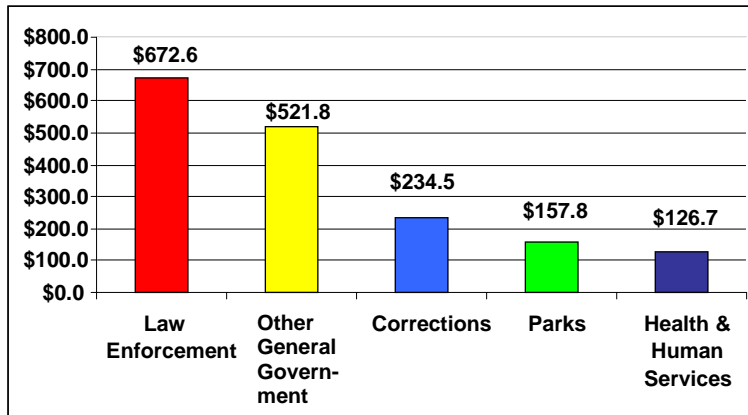
Of the total increase in property taxes of \$10.4 Billion since 2001, Florida’s counties accounted for about 30% of the growth or \$3 Billion. Interestingly, it is property taxes collected by or on behalf of school districts that account for the largest part of the increase, more than 40%. Yet, counties and cities are the focus of questions concerning government spending.

This study analyzes in detail spending by Florida’s counties since 2000. Figure 44 shows the five fastest growing expenditure categories based on analysis of the data from the Uniform Chart of Accounting for all 67 Florida counties since 1999. Taken together these five areas alone accounted for over \$1.7 Billion of spending increases. Spending increases for law enforcement and for corrections combined for a total of over \$900 million. The general government category added \$522 million of additional spending.

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Press Release of February 21, 2007 “Speaker Rubio, House Leaders Propose RESPONSIBLE, Immediate Property Tax Relief”

Figure 44. Five Fastest Growing Categories of County Spending 2000-2005 in \$Millions

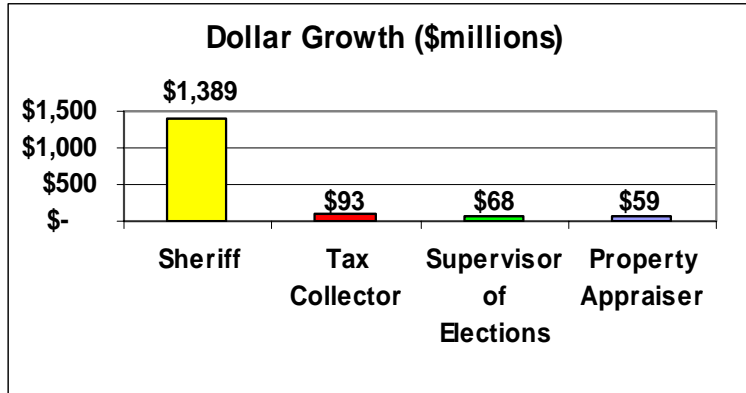


Source: Florida Department of Financial Services Uniform Chart of Accounts Data

As discussed above, the Other General Government category, which is account code 519 in the Uniform System of Accounting, is the category where governments account for spending not elsewhere categorized. The category includes funding for CRAs which merely passes through the county accounts, but is not under the control of counties. Counties also accounted for spending on technology and other items. Therefore, growth in this category of spending cannot be classified as uncontrolled growth in local governments.

The Survey of local government spending sheds additional light on what counties spent their increased revenues on. The Survey data show that counties spent much of their increased revenues on constitutional officers (over which they have limited control), cost driven categories of spending not fully under county control and on infrastructure projects. As Figure 45 shows, constitutional officer's expenditures increased sharply driven in large part by the sheriff's office. These findings are consistent with those drawn from the Chart of Accounting where the law enforcement and corrections categories alone increased nearly \$1 Billion. The \$1.4 Billion increase in the sheriff's office alone accounts for nearly one-half of the total increase in property taxes received by counties since 2000.

Figure 45. Growth in Spending by Constitutional Officers



FL County Survey Data

The LGCI analysis is also important to fully understanding the forces that have driven county government spending higher since 2000. The costs that Florida counties face increase much faster than the general rate of inflation as measured by the consumer price index. The market basket of goods purchased by Florida's counties is heavily burdened by costs associated with personnel, pension, insurance, and fuel compared to the market basket in the CPI which is heavily weighted with shelter and food costs. As a result, since 2000 the LGCI jumped 58% compared to 17% for the CPI. Our UCA analysis for General Fund spending from 1999-2005 showed spending increased 57%.

Florida's population increased by 17% from 1999-2005. Florida counties render services and provide facilities to all of these new citizens. Most of what counties provide are services and facilities for people. Thus, more people mean more cost. It is not a one-for-one relationship, because there are some economies of scale in some areas. However, in many areas it is a one-for-one relationship. For example, the level of service for police protection is measured on a per person basis. Levels of service for many other facilities and services are also measured on a per person basis, such as emergency medical services, libraries and parks to name the most obvious.

The combination of rapid population growth and unit cost inflation faced by Florida's counties since 2000 explains most of the increases in their expenditures. A careful review of county staffing did not reveal a proliferation of staff. The review of county spending, using either the Uniform Chart of Accounting or our Survey data, did not identify any extravagant patterns of spending. Counties spent most of their increased revenues on public safety (especially the sheriffs' offices), on cost-propelled expenses like insurance, health care, and pensions, and on capital facilities including environmental lands.

Appendix 1 – Universal Chart of Accounts Data

Appendix 2 – FL County Survey Data

Appendix 3 – LGCI Data