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## **Financial Trends Report Shows Florida Counties Hit by Fearsome Fiscal Storms in Last Three Years**

*~ Latest report from the LeRoy Collins Institute reveals effects of state mandates  
and the recent economic downturn on more than thirty years of local revenue and spending trends ~*

**TALLAHASSEE, Fla.** – The LeRoy Collins Institute (LCI) today released its latest report, *The Double Whammy Facing Florida's Counties*, which documents the new era of financial difficulty confronting Florida counties as a result of the current recession coupled with state restrictions on local revenues. With only one exception in the early 90's, the analysis shows that over a thirty three-year period, between 1976 and 2009, revenues and spending continued to climb through 2007 until Florida's counties began to experience financial challenges likely caused by the double whammy of economic decline/housing market collapse and state mandates on the property tax.

"Until recently, the majority of Florida's counties, large and small, seemed able to continue on a steady path of increased revenue and spending, even when faced with state mandates on revenues," said Dr. Carol Weissert, Florida State University (FSU) political science professor and LCI director. "However, in 2008, the world changed for Florida's counties as a type of homegrown-hurricane hit and they are now struggling to weather the storm."

LCI's research shows that until 2008, general revenue per capita climbed steadily among Florida's counties. However, in 2008, county revenues fell by \$60 to \$1,226 per capita and fell again in 2009. *The Double Whammy* also shows that the range in county revenue has substantially widened. In 1976, general revenues per capita across counties ranged from \$80 to \$704. By 2009, the range had increased substantially from \$633 to \$2,988. This indicates significant differences in the ability of each of Florida counties to fund services for their citizens.

In 2009, the property tax, the most relied upon tax of Florida's counties, made up more than 55 percent of the average county's revenues in Florida. LCI's research shows the total property tax collected per capita peaked in 2007 and has fallen since. Additionally, the report documents the reliance on the property tax varies across counties.

"The lowest population counties are the heaviest users of the property tax," said Jessica Ice, Collins Fellow, PhD candidate at FSU's Department of Political Science and lead researcher on *The Double Whammy*. "More populous counties tend to use other revenue sources more than smaller counties."

The property tax, while not as sensitive to economic conditions as the sales tax, seems not to follow a pattern of rising during good economic times and falling during bad as experts had once believed. Using the annual unemployment rate for the state as the measure, little relationship is found between rising unemployment and lower property tax revenues per capita. However, sales and use tax revenues do follow a more expected pattern. For example, the report found that in 2009 when unemployment increased by an additional 4.3 percent, sales and use tax fell by more than \$8 per capita.

"More surprising was the pattern for another stream of revenue, both federal and state intergovernmental grants. We found that intergovernmental revenue is not countercyclical; in other words it does not rise as the unemployment rate rises," said Ice. "In fact, combined federal and state intergovernmental revenue increased substantially as the unemployment rate dropped in the mid-2000s and it fell during the 2007-2009 period of financial turmoil."

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*The Double Whammy* also takes a look at the spending side of the equation and demonstrates that the growth of expenditures per capita slowly climbed for the most part until the current recession. While most counties were able to continue their upward spending trajectory through 2008, that became unsustainable only a year later. On average, county expenditures per capita in 2009 dropped from 2008 levels by almost \$200. Studying four areas of public spending – human services, roads and streets, public safety, and culture and recreation – over the last three decades, LCI researchers found that spending increases were the most dramatic in public safety which rose from \$32 per capita in 1976 to a high of \$440 per capita in 2008. But in 2009, public safety spending per capita took a deep plunge dropping nearly 40 percent.

“Florida’s county governments have seen their revenue streams negatively altered at the same time demands for services have grown. Looking into the future, state legislators have put measures on the November 2012 ballot that can substantially lower the property tax levies that make up the majority of local governments’ revenue,” said Weissert. “The next few years will truly test our county governments and state legislators in dealing with these troubling times. Many county officials should prepare for a bumpy ride.”

*The Double Whammy* highlights several trends spanning the past thirty three years of county revenue and spending trends:

- While revenues per capita have edged up since 1979, the variation among counties has increased even more.
- Although counties have a variety of options for revenues apart from general taxes, they remain heavily reliant on taxes, particularly the property tax.
- Per capita public safety increases have far outpaced the growth of other county expenditures in the past two decades. However, in the past year, public safety has been cut the most compared to the other areas of spending.
- Larger counties appear to be better able to meet the increasing demands for human services in tough economic times than smaller counties.
- While earlier constitutional provisions had little impact on the revenue growth of counties, the most recent changes seem to be having major impacts.
- Intergovernmental grants – both federal and state – do not increase in tough economic times.

For more than 20 years, LCI has studied and promoted creative solutions to key private and public issues. Beginning in 2005, LCI published several reports in a series called, *Tough Choices: Shaping Florida’s Future*. These publications provided an in-depth analysis of Florida tax and spending policy including Medicaid, PreK-12 education, higher education, and children’s health and welfare.

LCI’s newest research series, *Tough Choices: Facing Florida’s Governments* is focused on state and local government relationships. *The Double Whammy* is the third report released in this series. Over the next year, LCI will release further studies featuring analysis of trends in municipal spending and revenue, the effects of state mandates on Florida’s local governments and analysis of individual municipal pension plans. The *Tough Choices* research series is made possible by funding from the Jessie Ball duPont fund. All released series reports can be found on the Institute’s website, <http://collinsinstitute.fsu.edu/>.

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**About the LeRoy Collins Institute:** Established in 1988, the LeRoy Collins Institute is an independent, nonpartisan, non-profit organization which studies and promotes creative solutions to key private and public issues facing the people of Florida and the nation. The Institute, located in Tallahassee at Florida State University, is affiliated and works in collaboration with the State University System of Florida. Named in honor of former Florida Governor LeRoy Collins, the Institute is governed by a distinguished board of directors, chaired by Allison DeFoor, D.Min. Other board members include executives, local elected officials, and senior professionals from throughout the state.