

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 2034

SPONSOR: Transportation Committee and Senator Sebesta

SUBJECT: The High-Speed Rail System

DATE: April 22, 2003

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>McAuliffe</u>	<u>Meyer</u>	<u>TR</u>	<u>Fav/CS</u>
2.	<u>                    </u>	<u>                    </u>	<u>FT</u>	<u>                    </u>
3.	<u>                    </u>	<u>                    </u>	<u>ATD</u>	<u>                    </u>
4.	<u>                    </u>	<u>                    </u>	<u>AP</u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## I. Summary:

The Florida High-Speed Rail Authority Act gives broad tax exemption status to the Authority and its agents. This CS narrows the tax exempt status to provide taxes are not required to be paid on: (1) facilities directly related to the operation of the high-speed rail system; (2) any real property directly related to the operation of the high-speed rail system; and (3) any income derived directly from the operation of the high-speed rail system. The CS specifies these exemptions are not applicable to any tax imposed by ch. 220, F.S., on interest, income, or profits on debt obligations owned by corporations. Further, when property is leased by the Authority it is only exempt from ad valorem taxes if the lessee qualifies the property for an exemption under s. 196.199, F.S.

This CS substantially amends sections 341.8203 and 341.840 of the Florida Statutes.

## II. Present Situation:

In November 2000, Florida voters approved a constitutional amendment requiring the state to begin construction of a high-speed rail system. The amendment states:

To reduce traffic congestion and provide alternatives to the traveling public, it is hereby declared to be in the public interest that a high speed ground transportation system consisting of a monorail, fixed guideway or magnetic levitation system, capable of speeds in excess of 120 miles per hour, be developed and operated in the State of Florida to provide high speed ground transportation by innovative, efficient and effective technologies consisting of dedicated rails or guideways separated from motor vehicular traffic that will link the five largest urban areas of the

State as determined by the Legislature and provide for access to existing air and ground transportation facilities and services. The Legislature, the Cabinet and the Governor are hereby directed to proceed with the development of such a system by the State and/or by a private entity pursuant to state approval and authorization, including the acquisition of right-of-way, the financing of design and construction of the system, and the operation of the system, as provided by specific appropriation and by law, with construction to begin on or before November 1, 2003.

In 2001, the Florida Legislature enacted the Florida High Speed Rail Authority Act (Ch. 2001-153, L.O.F.). This Act created a nine member High Speed Rail Authority and charged the Authority with planning, administering and managing the preliminary engineering and preliminary environmental assessment of the intrastate high-speed rail system. It also required the first segment of the system be developed and operated between St. Petersburg, Tampa and Orlando with future service to Miami. The Florida Legislature amended this Act in the 2002 session to give the Authority implementation powers and to allow the Authority to begin the procurement process for this project. The Authority is required by law to report recommendations on a series of issues to the Governor and Legislature on January 1 of each year.

Florida appropriated a total of \$9.0 million in FY 2001/02 and FY 2002/03. Additionally, Congress earmarked \$3 million in FY 2001/02 and just approved another \$2.15 million this year for this project. Both State and federal funds are being used by the Florida High Speed Rail Authority primarily to conduct engineering and environmental activities in accordance with the National Environmental Policy Act (NEPA). This process will result in obtaining the federal Record of Decision (ROD) or federal permit to begin construction on the Orlando –Tampa segment of the statewide high speed rail system.

The Authority issued an RFP to design, build, operate, maintain, and finance a high speed ground transportation system in October 2002 and received four proposals submitted by private sector consortia. The initial phase of the system will include Tampa, Orlando, and St. Petersburg with a completion date for the Orlando to Tampa project planned in December 2008. Total project costs expressed in those proposals range from \$1.1 billion to \$2.7 billion. The public portion of that total was estimated to be as much as \$2.7 billion. Operating revenues over the life of the project are expected to exceed operating costs by \$500 million to \$2 billion.

The Authority's Findings and Recommendations presented to the Governor and Legislature on January 1, 2003, include:

- The Authority recommended the Legislature approve \$9.5 million (originally \$7.5 million) in funding to allow the Authority to continue environmental studies, engineering reports, public involvement and procurement activities and to obtain the ROD.
- The Authority recommended annual funding for Phase 1 – Part 1 (Tampa to Orlando) from non-programmed funds such as the Transportation Outreach Program.
- The Authority recommended federal matching funds be sought from the reauthorization of the federal transportation act.

- The Authority recommended the Legislature authorize flexibility to allow the Authority to effectuate the best level of commercially available security through surety bonds, and to clarify the tax exemption status of high-speed rail related development.
- The Authority recommended authorization to hire executive staff.

Section 196.199, F.S., provides property owned by the following governmental units but used by nongovernmental lessees are only exempt from taxation under the following conditions:

- Leasehold interests in property of the United States, of the state or any of its several political subdivisions, or of municipalities, agencies, authorities, and other public bodies corporate of the state are exempt from ad valorem taxation only when the lessee serves or performs a governmental, municipal, or public purpose or function. Further, all other interests in the leased property are also exempt from ad valorem taxation. However, a leasehold interest in property of the state may not be exempted from ad valorem taxation when a nongovernmental lessee uses such property for the operation of a multipurpose hazardous waste treatment facility.
- Any governmental property leased to an organization which uses the property exclusively for literary, scientific, religious, or charitable purposes is exempt from taxation under certain circumstances.

### **III. Effect of Proposed Changes:**

Section 341.840, F.S., as part of the Florida High-Speed Rail Authority Act, gives broad tax exemption status to the Authority and its agents. This CS amends that section to narrow the tax exempt status to provide taxes are not required to be paid on: (1) facilities directly related to the operation of the high-speed rail system; (2) any real property directly related to the operation of the high-speed rail system; and (3) any income derived directly from the operation of the high-speed rail system. However, the CS specifies these exemptions are not applicable to any tax imposed by ch. 220, F.S., on interest, income, or profits on debt obligations owned by corporations. Further, when property is leased by the Authority it is only exempt from ad valorem taxes if the lessee qualifies the property for an exemption under s. 196.199, F.S.

The CS also amends s. 340.8203, F.S., to delete “associated development” from the definition of “high-speed rail system.”

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

In the proposals received by the Authority, each proposal indicated some level of reliance upon the tax exemption under existing laws. The impact of this CS upon the proposals received by the Authority is indeterminate at this time.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

According to the Department of Revenue, the CS is not clear which transactions are intended to be excluded from tax exemption.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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