

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.)

Prepared By: Government Efficiency Appropriations Committee

BILL: SB 470

SPONSOR: Senator Argenziano

SUBJECT: Indigent Care Surtax

DATE: February 15, 2005

REVISED: 02/24/05

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Vickers</u>	<u>Yeatman</u>	<u>CA</u>	Favorable
2.	<u>Keating</u>	<u>Johansen</u>	<u>GE</u>	Fav/1 amendment
3.	<u> </u>	<u> </u>	<u>HA</u>	<u> </u>
4.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
5.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
6.	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Please see last section for Summary of Amendments

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

I. Summary:

Notwithstanding the repeal scheduled in s. 11 of ch. 2000-312, L.O.F., the bill reenacts subsection (7) of s. 212.055, F.S., to allow counties with a population of less than 800,000 to impose the Voter-Approved Indigent Care Surtax up to the rate of 0.5 percent, except that if a publicly supported medical school is located in the county, the rate shall not exceed 1 percent.

In addition, the bill authorizes counties with a population of fewer than 50,000 residents to levy an indigent care surtax of up to 1 percent, rather than 0.5 percent as authorized in current law, pursuant to an ordinance conditioned to take effect only upon approval by a majority vote of the electors of the county voting in a referendum. The bill expands the purposes for which the tax may be used in counties with fewer than 50,000 residents to include issuing bonds to finance, plan, construct, or reconstruct a public or not-for-profit hospital in the county and any land acquisition, land improvement, design, or engineering costs related to such hospital, if the governing body determines that a hospital in existence at the time of the issuance of the bonds would, more likely than not, otherwise cease to operate. The bill requires the clerk of the circuit court, as the ex officio custodian of the funds of the authorizing county, to disburse the funds to service bond indebtedness upon a directive from the authorizing county.

The bill amends s. 212.055 of the Florida Statutes.

II. Present Situation:

Section 212.055, F.S., authorizes counties to impose seven local discretionary sales surtaxes (taxes) on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, and admissions. The sales amount is not subject to the tax if the property or service is delivered within a county that does not impose a surtax. In addition, the tax is not subject to any sales amount above \$5,000 on any item of tangible personal property and on long distance telephone service. This \$5,000 cap does not apply to the sale of any other service. The Department of Revenue (DOR) is responsible for administering, collecting, and enforcing all sales taxes. Collections received by the department are returned monthly to the county imposing the tax.

The tax rates, duration levied, method of imposition, and proceed uses are individually specified in s. 212.055, F.S. Table 1 identifies the seven taxes, the rate limits, and the number of counties authorized to impose and the number imposing the tax. The maximum combined rate for the Local Government Infrastructure Surtax, the Small County Surtax, the Indigent Care and Trauma Center Surtax, and the County Public Hospital Surtax, is 1 percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined rate is 1.5 percent. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax is 2.5 percent. The School Capital Outlay Surtax is capped at 0.5 percent, and is not included in these tax rate caps.

TABLE 1			
Local Discretionary Sales Surtaxes			
TAX	AUTHORIZED LEVY (%)	NUMBER OF COUNTIES AUTHORIZED TO LEVY TAX	NUMBER OF COUNTIES LEVYING TAX
Charter County Transit System Surtax	up to 1%	7	2
Local Government Infrastructure Surtax	0.5% or 1%	67	23
Small County Surtax	0.5% or 1%	31	22
Indigent Care & Trauma Center Surtax	up to 0.5%	5	1
County Public Hospital Surtax	0.5% (Miami-Dade County)	1	1
School Capital Outlay Surtax	up to 0.5%	67	16
Voter-Approved Indigent Care Surtax	0.5% or 1%	60	2

Source: Legislative Committee on Intergovernmental Relations, Local Discretionary Sales Surtax Rates in Florida's Counties for 2005

Voter-Approved Indigent Care Surtax

Section 16 of ch. 2000-312, L.O.F., created s. 212.055(7), F.S., to authorize counties with less than 800,000 residents to impose, with referendum approval, the Voter-Approved Indigent Care Surtax. The rate of the levy is capped at 0.5 percent or 1 percent if a publicly supported medical school is located in the county. Counties levying the tax must develop a plan, by ordinance, for providing health care services to “qualified” indigent or medically poor residents.

Tax proceeds must be used to fund health care services for indigent and medically poor persons, including, but not limited to, primary care, preventive care, and hospital care. Indigent persons are defined as persons certified as indigent by the authorizing county. Persons defined as medically poor are those who:

- have insufficient income, resources, and assets to provide the needed medical care without using resources required to meet basic needs for shelter, food, clothing, and personal expenses;
- are not eligible for any other state or federal program or have medical needs that are not covered by any such program; or
- have insufficient third-party insurance coverage.

Persons participating in innovative, cost-effective programs approved by the authorizing county are also included as “qualified” residents.

The Department is required to collect and remit the tax proceeds to the Clerk of Court, who must deposit the funds in an Indigent Health Care Trust Fund, invest the deposits as prescribed in general law, and disburse the funds to qualified providers of health care services.

The maximum rate for any combination of the Infrastructure Surtax, the Small County Surtax, and the Voter-Approved Indigent Care Surtax, is 1 percent, or 1.5 percent in counties with a publicly supported medical school.

Pursuant to s. 11 of ch. 2000-312, L.O.F., the Voter-Approved Indigent Care Surtax shall stand repealed on October 1, 2005, unless reenacted by the Legislature.

While 60 counties are currently authorized to levy the Voter-Approved Indigent Care Surtax, to date only two counties (Alachua and Polk) have done so.

According to the 2004 population estimates for Florida counties,¹ the following 26 counties had a population below 50,000: Baker, Bradford, Calhoun, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Suwannee, Taylor, Union, Wakulla, and Washington counties.

¹ Bureau of Economic and Business Research, University of Florida (2004).

III. Effect of Proposed Changes:

Notwithstanding the repeal scheduled in s. 11 of ch. 2000-312, L.O.F., the bill reenacts subsection (7) of s. 212.055, F.S., to allow counties with a population of less than 800,000 to impose the Voter-Approved Indigent Care Surtax up to the rate of 0.5 percent, except that if a publicly supported medical school is located in the county, the rate shall not exceed 1 percent.

In addition, the bill amends s. 212.055(7), F.S., to authorize counties with a population of fewer than 50,000 residents to levy an indigent care surtax of up to 1 percent, rather than 0.5 percent as authorized in current law, pursuant to an ordinance conditioned to take effect only upon approval by a majority vote of the electors of the county voting in a referendum. In addition to the uses of the indigent care surtax otherwise authorized in this section, counties with a population of fewer than 50,000 residents may use the tax proceeds to fund bonds to assist a public or not-for-profit hospital in the county. However, the county may not issue such bonds more frequently than once per year. Any county that has a population of fewer than 50,000 residents at the time the bonds are issued retains the authority granted under this subsection throughout the term of the bonds, including the term of any refinancing bonds, even if the population of the county exceeds 50,000 or more residents. The county is authorized to use the services of the Division of Bond Finance of the State Board of Administration.

The plan for a county with less than 50,000 residents, may provide that some or all of the surtax revenues and any interest earned must be expended for the purpose of servicing bond indebtedness incurred to finance, plan, construct, or reconstruct a public or not-for-profit hospital in the county and for any land acquisition, land improvement, design, or engineering costs related thereto. However, the plan must be approved by an extraordinary vote of the county commission.

The bill requires the clerk of court, upon the direction of the authorizing county, to disburse the tax proceeds, and any interest earned, to service any bond indebtedness authorized in this bill.

Counties with less than 50,000 residents may issue the combination of the Local Government Infrastructure Surtax, the Small County Surtax, and the Voter-Approved Indigent Care Surtax at a rate up to 1.5 percent.

Section 2 of the bill provides that this bill shall take effect upon becoming law.

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:

The bill reenacts subsection (7) of s. 212.055, F.S., to allow counties with a population of less than 800,000 to impose the Voter-Approved Indigent Care Surtax up to the rate of 0.5 percent. The reenactment of the Voter-Approved Indigent Care Surtax will result in surtax collections for fiscal year 2005-06 of \$4.7 million in Alachua County (0.25%) and \$19.7 million in Polk County (0.5%).

The bill also reenacts the provision of s. 212.055(7), F.S., which authorizes a surtax rate of 1.0 percent in a county that has a publicly supported medical school located in the county. This provision allows the counties of Alachua (0.25%), Escambia (1.0%) and Leon (1.0%) to levy total local option sales surtaxes of 1.5 percent.

This bill authorizes counties with a population of fewer than 50,000 residents to levy an indigent care surtax of up to 1 percent, rather than 0.5 percent as authorized in current law, upon approval by a majority vote of the electors of the county voting in a referendum.

The following 26 counties have less than 50,000 residents: Baker, Bradford, Calhoun, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Suwannee, Taylor, Union, Wakulla, and Washington. It is unknown how many counties will exercise the authority to levy the surtax.

Due to the maximum tax rate limitation specified in s. 212.055(7)(f), F.S., and the levy of another surtax in the majority of those 26 counties, 24 counties would be able to levy at the 0.5 percent rate and two counties (Franklin and Gulf) could levy at the 1 percent rate.

The estimated revenues to eligible counties, using local FY 2004-05 revenue estimates and assuming the levy of the voter-approved indigent care surtax at each county's applicable maximum rate in 2005, are as follows:

TABLE 2 – Estimated Additional Revenues to Eligible Counties

Eligible County	Current Status Local Option Tax Levies		Maximum Rate for Indigent Care Surtax	Revenue Estimate
	Local Government Infrastructure Surtax	Small County Surtax		
Baker		1.0%	0.5%	\$662,609

Eligible County	Current Status Local Option Tax Levies		Maximum Rate for Indigent Care Surtax	Revenue Estimate
	Local Government Infrastructure Surtax	Small County Surtax		
Bradford		1.0%	0.5%	\$996,761
Calhoun		1.0%	0.5%	\$325,664
De Soto		1.0%	0.5%	\$1,107,430
Dixie	1.0%		0.5%	\$345,095
Franklin			1.0%	\$1,276,218
Gadsden		1.0%	0.5%	\$1,302,304
Gilchrist		1.0%	0.5%	\$310,050
Glades	1.0%		0.5%	\$193,368
Gulf			1.0%	\$1,070,422
Hamilton	1.0%		0.5%	\$331,261
Hardee		1.0%	0.5%	\$761,283
Hendry		1.0%	0.5%	\$1,393,539
Holmes		1.0%	0.5%	\$398,453
Jackson		1.0%	0.5%	1,806,879
Jefferson	1.0%		0.5%	\$322,896
Lafayette	1.0%		0.5%	\$147,460
Levy		1.0%	0.5%	\$1,478,199
Liberty		1.0%	0.5%	\$142,392
Madison	1.0%		0.5%	\$477,903
Okeechobee		1.0%	0.5%	\$1,986,649
Suwannee		1.0%	0.5%	\$1,459,820
Taylor		1.0%	0.5%	\$856,832
Union		1.0%	0.5%	\$294,238
Wakulla		1.0%	0.5%	\$645,628
Washington		1.0%	0.5%	\$745,165

NOTE: All of the counties identified in this table, with the exception of Franklin and Gulf, have existing Local Government Infrastructure or Small County Surtax levies totaling 1 percent. Therefore, assuming the provisions of SB 470, these 24 counties have only 0.5 percent of the Voter-Approved Indigent Care Surtax tax capacity. Franklin and Gulf counties would have the full 1 percent tax capacity.

Source: Florida Legislative Committee on Intergovernmental Relations, 2005.

B. Private Sector Impact:

If any county imposes this tax, consumers in that county will pay additional sales taxes on taxable purchases.

C. Government Sector Impact:

Imposition of this tax will provide applicable counties with additional resources to fund hospital and health care services for indigent and medically poor persons.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

Barcode 453280 by GE

Amends the bill to require that in order for small counties to levy the Voter-Approved Indigent Care Surtax proposed in the bill, the referendum must be approved by a vote of at least 60 percent of the electors of the county voting in the referendum.

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