

# 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: CS/CS/SB 2312

INTRODUCER: Government Efficiency Appropriations Committee, Community Affairs Committee and Senator Sebesta

SUBJECT: County Transportation System Surtax

DATE: April 24, 2006

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Eichin</u>	<u>Meyer</u>	<u>TR</u>	<u>Fav/ 3 amendments</u>
2.	<u>Vickers</u>	<u>Yeatman</u>	<u>CA</u>	<u>Fav/CS</u>
3.	<u>Keating</u>	<u>Johansen</u>	<u>GE</u>	<u>Fav/CS</u>
4.	_____	_____	<u>TA</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

---

## I. Summary:

This committee substitute (CS) implements numerous revisions to the Charter County Transit System Surtax. Most significantly, the CS implements the following:

- Renames the surtax as the Charter County Transportation System Surtax.
- Allows a proposal to adopt a Charter County Transportation System Surtax to be placed on the ballot pursuant to initiative petition, if provided for in the county's charter.
- Expands the allowable uses of the revenues raised by the surtax to include funding for: regionally significant transportation projects; matching funds for the Transportation Regional Incentive Program or New Starts Transit Program; and certain capital improvement projects and long-term concurrency management projects identified in local comprehensive plans.

The committee substitute authorizing each county that has, as of April 1, 2004, an estimated population of at least 300,000 but not more than 400,000 residents and levies the local government infrastructure surtax at the rate of 1 percent to levy, by referendum to be held November 7, 2006, the Voter-Approved Indigent Care Surtax at the rate not to exceed 0.5 percent.

The CS also authorizes *all non-charter counties* to levy, pursuant to an ordinance enacted by a majority of the members of the county governing authority and subject to approval by a majority vote of the electorate of the county, a County Transportation System Surtax. The CS provides for the distribution of proceeds from the maximum 1 percent sales surtax to counties and eligible municipalities by interlocal agreement, or in the absence of an interlocal agreement, through an

apportionment factor. The CS also specifies the allowable uses for surtax proceeds (identical to those established in the Charter County Transportation System Surtax).

Finally, the CS deletes a prohibition against the issuance by local governmental entities of more than one bond each year pledging proceeds of the Local Government Infrastructure Surtax.

This CS substantially amends section 212.055 of the Florida Statutes.

## **II. Present Situation:**

### **Discretionary Sales Surtaxes**

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.

<b>TABLE 1 Local Discretionary Sales Surtaxes</b>			
<b>TAX</b>	<b>AUTHORIZED LEVY (%)</b>	<b>NUMBER OF COUNTIES AUTHORIZED TO LEVY TAX</b>	<b>NUMBER OF COUNTIES LEVYING TAX</b>
Charter County Transit System Surtax	up to 1%	7	2
Local Government Infrastructure Surtax	0.5% or 1%	67	21
Small County Surtax	0.5% or 1%	31	25
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: *2006 Florida Tax Handbook, Including Fiscal Impact of Potential Changes*

**Charter County Transit System Surtax**

The Charter County Transit System Surtax, was created by the Legislature in 1976 to allow charter counties to levy a maximum 1 percent sales surtax to finance development, construction, and operation of fixed guideway, rapid transit systems. Subsequent amendments to the statute expanded the permitted use of the revenues to finance additional types of transportation infrastructure in addition to fixed guideway systems, including:

- operation and maintenance of bus systems
- development, construction, operation, or maintenance of roads or bridges
- expressway or transportation authorities, or
- pledged to bonds for road or bridge construction.

Under current law, the surtax may only be levied upon approval of a majority of the county electorate. In addition, only counties which have adopted a charter prior to January 1, 1984, may seek to levy the surtax. Seven counties are eligible to levy the surtax: Broward, Duval, Hillsborough, Miami-Dade, Pinellas, Sarasota and Volusia. Only two counties have levied the surtax: Duval (since 1989), and Miami-Dade (since 2003). Each county levies a half-cent sales surtax. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax is 2.5 percent.<sup>1</sup> According to the DOR, in FY 2005 the surtax in those two counties generated \$211,204,032.

<sup>1</sup> In addition to the Charter County Transit System Surtax, the seven charter counties are eligible to levy the Local Government Infrastructure Surtax at 0.5% or 1% and the Indigent Care & Trauma Center Surtax up to 0.5%. (Miami-Dade

Some county and city officials in recent years have expressed an interest in having the surtax eligibility broadened beyond charter counties. They have cited rising costs of transportation construction materials and labor, the state's new emphasis on regional transportation solutions, and required local matches for new state transportation funding programs such as the Transportation Regional Incentive Program (TRIP) as reasons they support broadening the surtax.

### **Voter-Approved Indigent Care Surtax**

Subsection (7) of s. 212.055, F.S., the Voter-Approved Indigent Care Surtax, was created by the Legislature in 2000 to authorize counties with less than 800,000 residents to impose an 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.

As of January 1, 2006, 60 counties are authorized to levy the Voter-Approved Indigent Care Surtax. Currently only two counties levy the tax: Alachua - 25%; and Polk - 0.5%.

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. Sixty-one counties are authorized to levy the Voter-Approved Indigent Care Surtax.

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

**Section 1** amends s. 212.055(1), F.S., to rename the Charter County Transit System Surtax as the "Charter County Transportation System Surtax." The CS provides that a proposal to levy such a surtax may be placed on the ballot pursuant to initiative petition, if provided for in the county's charter. The CS also expands the allowable uses of surtax revenues to include the following:

---

imposes the 0.5% Public Hospital Surtax in lieu of this surtax.) The maximum rate excludes the School Capital Outlay Surtax.

- A regional transportation project identified in regional transportation plans developed pursuant to s. 339.155(5), F.S.;
- As the local match for the new Transportation Regional Incentive Program, pursuant to s. 339.2819, F.S., or the New Starts transit program, pursuant to s. 341.051, F.S.; and
- Certain capital improvement projects and long-term concurrency management projects identified in local comprehensive plans.

The bill also amends subsection (7) of s. 212.055, F.S., authorizing each county that has, as of April 1, 2004, an estimated population of at least 300,000 but not more than 400,000 residents and levies the local government infrastructure surtax at the rate of 1 percent to levy, by referendum to be held November 7, 2006, an indigent care surtax at the rate not to exceed 0.5 percent. This surtax is included in a 1.5 percent cap as provided in paragraph (f) of this subsection.

The CS also creates a new paragraph (8), authorizing *all non-charter counties* to levy, pursuant to an ordinance enacted by a majority of the members of the county governing authority and subject to approval by a majority vote of the electorate of the county, a County Transportation System Surtax. The CS provides for the distribution of proceeds from the maximum 1 percent sales surtax to counties and eligible municipalities by interlocal agreement, or in the absence of an interlocal agreement, through a prescribed distribution formula. The formula apportions the revenues using equally weighted proportions of population in the counties and cities and centerline miles of roads owned and maintained by the counties and cities. The CS also specifies the allowable uses for surtax proceeds. The allowable uses are identical to those established in the Charter County Transportation System Surtax.

The bill will affect the maximum combined rates for discretionary sales surtaxes. 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, would be 2 percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined rate would be 2.5 percent. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax would remain 2.5 percent.

Finally, the CS deletes a prohibition against the issuance by local governmental entities of more than one bond each year pledging proceeds of the Local Government Infrastructure Surtax.

**Section 2** provides an effective date of July 1, 2006.

#### **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 CS authorizes all non-charter counties to levy the County Transportation System Surtax up to the rate of 1 percent. All non-charter counties that are not at their maximum surtax rates could levy this surtax by referendum.

The CS will allow Pasco County to place on the November 7, 2006 ballot, a 0.5% Voter-Approved Indigent Care Surtax. If the ordinance passes, based on the chart below, the 0.5% surtax could raise an estimated \$21 million for indigent care in Pasco County and total local option sales surtaxes in Pasco County would equal 1.5 percent.

B. Private Sector Impact:

Should a county enact the County Transportation System Surtax, consumers in that county would be subject to an additional tax of up to one percent on the first \$5,000 of a large number of goods and services.

If Pasco County voters approve the Voter-Approved Indigent Care Surtax, consumers in that county would be subject to an additional tax of up to 0.5 percent on the first \$5,000 of a large number of goods and services.

C. Government Sector Impact:

Currently, Pasco County imposes a 1% Local Government Infrastructure Surtax and without this bill, could not impose the Voted-Approved Indigent Care Surtax because the county is currently at its maximum levy.

If every non-charter county could levy the County Transportation System Surtax at the maximum rate of 1 percent, revenues raised statewide would equal an estimated \$1,650,410,117. Individual estimates for non-charter counties levying the surtax are shown in the following table:

## NON-CHARTER COUNTIES

<b>Estimated Revenues (\$) from 1% Local Sales Tax</b>			
<b>Based on Local Fiscal Year Ending Sept. 30, 2006</b>			
ALACHUA	35,902,742	LEE	106,773,637
BAKER	1,454,975	LEON	38,851,560
BAY	29,510,485	LEVY	3,149,204
BRADFORD	1,850,849	LIBERTY	245,507
BREVARD	69,633,423	MADISON	890,459
CALHOUN	654,449	MANATEE	47,345,172
CHARLOTTE	25,322,645	MARION	44,066,838
CITRUS	12,276,285	MARTIN	28,329,748
CLAY	18,482,779	MONROE	26,155,200
COLLIER	64,714,314	NASSAU	7,359,886
COLUMBIA	7,542,107	OKALOOSA	35,065,692
DE SOTO	2,553,814	OKEECHOBEE	5,055,158
DIXIE	817,426	ORANGE	326,260,793
ESCAMBIA	46,839,882	OSCEOLA	38,873,008
FLAGLER	8,016,804	PALM BEACH	239,446,012
FRANKLIN	1,571,466	PASCO	41,561,064
GADSDEN	2,791,983	POLK	71,379,643
GILCHRIST	551,651	PUTNAM	5,838,763
GLADES	350,983	SAINT JOHNS	22,779,219
GULF	1,040,088	SAINT LUCIE	29,518,916
HAMILTON	546,403	SANTA ROSA	12,556,528
HARDEE	1,766,491	SEMINOLE	68,078,347
HENDRY	3,160,307	SUMTER	6,093,389
HERNANDO	14,355,450	SUWANNEE	3,036,663
HIGHLANDS	11,134,257	TAYLOR	1,921,778
HOLMES	737,827	UNION	502,033
INDIAN RIVER	23,607,270	WAKULLA	1,502,051
JACKSON	4,358,839	WALTON	10,926,497
JEFFERSON	421,802	WASHINGTON	1,593,215
LAFAYETTE	290,917	<b>STATEWIDE</b>	<b>\$1,650,410,117</b>
LAKE	32,995,421		

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.



## **VIII. Summary of Amendments:**

None.

---

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

---