

The Florida Senate  
**COMMITTEE MEETING EXPANDED AGENDA**  
APPROPRIATIONS SUBCOMMITTEE ON FINANCE AND  
TAX  
Senator Stargel, Chair  
Senator Garcia, Vice Chair

**MEETING DATE:** Wednesday, December 14, 2016  
**TIME:** 10:00 a.m.—12:00 noon  
**PLACE:** James E. "Jim" King, Jr. Committee Room, 401 Senate Office Building

**MEMBERS:** Senator Stargel, Chair; Senator Garcia, Vice Chair; Senators Campbell, Rodriguez, and Steube

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TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	Introductions		Presented
2	Overview of Subcommittee Jurisdiction		Presented
Other Related Meeting Documents			

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# Appropriations Subcommittee on Finance and Tax Membership

## **Kelli Stargel, Chair - District 22**

322 SOB

Tallahassee Office: 5022

District: 42200

Assistants: Rachel Barnes, Chad Davis, and Chris Dowdy

## **Rene Garcia, Vice Chair – District 36**

310 SOB

Tallahassee Office: 5036

District: 43600

Assistants: Alessandro D’Amico, Miguel Abad, and Ana Perez

## **Daphne Campbell – District 38**

218 SOB

Tallahassee Office: 5038

District: 43800

Assistant: Theresa Frederick, Isabela Dorneles, and Elizabeth Honorat

## **Jose Rodriguez – District 37**

220 SOB

Tallahassee Office: 5037

District: 43700

Assistants: Chris Hudtwalcker and Luisana Perez-Fernandez

## **Greg Steube – District 23**

326 SOB

Tallahassee Office: 5023

District: 42300

Assistants: Alex Blair, Rita Faulkner, and Elizabeth Bolles

**Staff**  
**Appropriations Subcommittee on Finance and Tax**

**José A. Diez-Argüelles, Staff Director**

This is Jose's seventh year with the Florida Senate. He also has 15 years of legislative experience with the House of Representatives, serving as Staff Director of the Finance and Tax committee for over eight years. He has worked at the Public Service Commission, the Department of Insurance, as an Administrative Law Judge and in private practice. He has a B.A. and Law Degree from Florida State University and a Masters in Tax Law Degree from Boston University. He is originally from Cuba and has lived in Tallahassee since 1971.

**Robert Babin, Senior Attorney**

This is Robert's seventh year with the Florida Senate. Previously, he worked for the Florida Department of Revenue for seven years, serving most recently as the Department's Legislative and Cabinet Services Director. He has a B.A. from the University of West Florida, and a Law Degree and Masters in Tax Law Degree from the University of Florida. He is originally from Pensacola and has lived in Tallahassee since 2004.

**Ellen Fournier, Chief Legislative Analyst**

Ellen has worked for the Florida Senate in the Finance and Tax area since 1990. Ellen also worked for the Florida Department of Commerce for six years, and was an adjunct professor of economics at FAMU in 1984. She served as a visiting professor of economics at the U.S. Naval Academy in 1978-79. She has a B.A. from Roanoke College and a Masters Degree in Economics from the University of Virginia. She is originally from Virginia and has lived in Tallahassee since 1980.

**Steve Gross, Legislative Analyst**

This is Steve's third year with the Florida Senate. Previously, he worked for Histecon Associates in Little Rock, Arkansas as a Research Analyst. He has a B.B.A. from the University of Central Arkansas and a Masters Degree in Economics from Florida State University. He grew up in South Florida and has lived in Tallahassee since 2013.

**Lynn Wells, Administrative Assistant**

This is Lynn's seventh year with the Florida Senate. She has a B.S. degree from the University of West Florida.

**Jurisdiction**  
**Appropriations Subcommittee on Finance and Tax**

The Appropriations Subcommittee on Finance and Tax generally considers and evaluates proposals affecting state and local government revenue sources. When appropriate, the committee also examines proposals dealing with other state and local government financial matters, e.g., the issuance of bonds and investment activities. Subcommittee staff represents the Senate in the revenue estimating process set forth in Sections 216.133 – 137, Florida Statutes.

# RESOURCES

## 1. **Article VII, Florida Constitution**

## 2. **Florida Tax Handbook**

The *Florida Tax Handbook* provides statutory and administering authority for major state and local government revenue sources, and near-term estimates of revenue collections and dispositions. The tax base and rate of each source is provided, along with a brief statutory history. It includes fiscal impact estimates for all current exemptions, refunds, and allowances, and potential rate changes.

The *Handbook* also provides an overview of state revenues and expenditures, describes the Budget Stabilization Fund, and explains the consensus estimating conference process. It includes a section on major pending litigation which could significantly affect state revenue collections or tax policy.

The latest edition of the *Florida Tax Handbook* can be found at:

<http://edr.state.fl.us/Content/revenues/reports/tax-handbook/index.cfm>

The 2017 edition will be released in early 2017.

## 3. **Local Government Financial Information Handbook**

The *Local Government Financial Information Handbook* includes descriptions of local government revenue sources, and identifies the authority under which each is imposed, whether constitutional, home rule, or statutory. For many local revenue sources the *Handbook* includes revenue estimates for the upcoming state or local fiscal year; for others it provides the website address for data on actual collections. The *Handbook* also includes information on local option sales, fuel, and transient rental tax rates, and local population estimates. It is updated each October by the Office of Economic and Demographic Research, with assistance provided by the Department of Revenue's Office of Tax Research.

The latest edition of the *Local Government Financial Information Handbook* can be found at:

<http://edr.state.fl.us/Content/local-government/reports/index.cfm>

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## Consensus Estimating Conferences

- Formal process to develop “official” information for state planning and budgeting system. (Sections. 216.133-216.137, F.S.)
- Established in statute in 1985, but existed since 1970 informally.
- Why does Florida have a consensus estimating process?
  - The consensus estimating process allows policymakers to evaluate policy options with agreed-to fiscal impacts.
  - It frees the policymakers to consider policy options rather than debating fiscal impacts.
  - It produces results based on the best available information that can be accepted by all parties.
  - It provides the revenue estimates for monitoring the balanced budget provision of Section 1(d), Article VII, Florida Constitution.
- Major projections:
  - General Revenue funds available
  - Lottery funds
  - Transportation funds
  - Prison population
  - Social services caseloads
  - Public school enrollment
  - Public education capital outlay funds
- 10 Formal Conferences
  - 4 voting principals in each—professional staff from House, Senate, Governor’s Office, and Office of Economic and Demographic Research.
  - Consensus is reached only by unanimous consent among the principals.
  - Generally, assume current law and current administration.

- Conferences held throughout the year:
  - Spring – for the Legislative Budget
  - Summer – for the Long Range Financial Plan
  - Fall – for the Governor’s Budget Request
  
- Impact Conferences – evaluate fiscal impacts of proposed legislation.

# DEFINITIONS

## REVENUES

**Taxes** – Compulsory exactions by government to finance public goods and services.

**Fees** – Charges assessed for a particular service or benefit.

**User Fees** – Assessed for goods and services provided by government to customers.

**Regulatory Fees** – Assessed to those obtaining a license, permit, or other privilege under regulatory laws enacted to protect public health, welfare, or safety.

**Impact Fees** – Charges imposed against new development to provide for the cost of capital facilities made necessary by growth.

**Franchise Fees** – Imposed upon a utility for the grant of a franchise and for the privilege of using the local government's right-of-way to conduct the utility business.

**Special Assessments** – Imposed on properties that derive a special benefit from the improvement or service provided.

**Fines** – Exacted as payment by way of punishment for the doing of some act that is prohibited or the failure to do some act that is required.

## BUDGET

**General Revenue Fund** - Revenues from numerous sources received by the state available to the Legislature for any use. These are revenues that programs compete for and the Legislature must allocate among programs.<sup>1</sup>

**Trust Funds** - Monies that are earmarked by law for specific purposes. The Legislature has limited discretion in allocating among programs, unless the law is changed.<sup>1</sup>

**Unallocated General Revenue (“Working Capital Fund”)** - Consists of the projected receipts in the General Revenue Fund (including any prior year balances) which are in excess of the amount needed to meet General Revenue Fund appropriations for the current fiscal year. <sup>1</sup>

**Budget Stabilization Fund** - Consists of monies set aside equaling at least five percent of the previous year’s General Revenue Fund collections. It is required by the Constitution and can only be used to cover General Revenue Fund shortfalls and emergencies. <sup>1</sup>

**Recurring** - An expenditure or revenue source that is expected to occur year after year. Employee salaries, Medicaid expenditures, and sales tax revenue are examples.

**Nonrecurring** - An expenditure or revenue source that occurs in only one fiscal period or that is otherwise time-limited in duration. Start-up costs and bond proceeds are examples.

***Why does the Recurring/Nonrecurring distinction matter?*** *It keeps the state from committing to grow state spending faster than anticipated revenues. For example, the use of nonrecurring revenues to fund a recurring program will leave the state with unfunded commitments that will have to be addressed – either from unanticipated future revenue growth or, by reducing other programs.*

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<sup>1</sup> See Section 215.32, *Florida Statutes*.

**2016 CONSTITUTIONAL AMENDMENTS AFFECTING REVENUES**

Amendment 2	<a href="#">Use of Marijuana for Debilitating Medical Conditions</a>	<b>PASSED</b>
Amendment 3	<a href="#">Tax Exemption for Totally and Permanently Disabled First Responders</a>	<b>PASSED</b>
Amendment 4	<a href="#">Solar Devices or Renewable Energy Source Devices; Exemption From Certain Taxation and Assessment</a>	<b>PASSED</b>
Amendment 5	<a href="#">Homestead Tax Exemption for Certain Senior, Low-Income, Long-Term Residents; Determination of Just Value</a>	<b>PASSED</b>

**PASSED**

**AMENDMENT 2**  
**USE OF MARIJUANA FOR DEBILITATING MEDICAL CONDITIONS**  
**(15-01)**

**Background:** As of November 2016, 28 states have authorized medical marijuana use. In 2014, Florida authorized the use of low-THC cannabis (“non-euphoric marijuana,” “Charlotte’s web”) for the treatment of physical medical conditions that produce seizures or severe and consistent muscle spasms. *See* CS/CS/SB 1030 (2014). In 2016, Florida authorized the medical use of all forms of cannabis for terminal patients who qualify for experimental treatments under Florida’s Right to Try Act. *See* CS/CS/CS/HB 307 & HB 1313 (2016).

**Proposed Amendment:** Amendment 2 amends Article X, Section 29 of the Florida Constitution, to allow medical use of marijuana for individuals with debilitating medical conditions, as determined by a licensed Florida physician. It also allows caregivers to assist patients’ medical use of marijuana. The Department of Health must register and regulate centers that produce and distribute marijuana for medical purposes and must issue identification cards to patients and caregivers. The amendment applies only to Florida law; it does not immunize violations of federal law or any non-medical use, possession or production of marijuana.

**Legislative Analysis:** Financial Impact Estimating Conference (October 21, 2015), which can be viewed at: [http://edr.state.fl.us/Content/constitutional-amendments/2016Ballot/MedMFIEC\\_Full%20Analysis\\_10-21-2015.pdf](http://edr.state.fl.us/Content/constitutional-amendments/2016Ballot/MedMFIEC_Full%20Analysis_10-21-2015.pdf)

**Fiscal Impact:** The Revenue Estimating Conference determined that the 2014 bill authorizing the use of low-THC cannabis would increase General Revenue receipts in 2017-2018 by at least \$6.4 million, with a \$6.4 million recurring impact. The REC determined that the 2016 bill authorizing the use of medical marijuana under the Right to Try Act would increase General Revenue receipts by \$3.1 million in Fiscal Year 2017-2018, with a recurring \$3.1 million impact.

For the constitutional amendment, the Financial Impact Estimating Conference concluded that there would be additional regulatory costs and enforcement activities associated with the production, sale, use and possession of medical marijuana; however, the Conference could not determine the amount of cost to state and local governments. The Conference concluded that sales tax will likely apply to most purchases, resulting in a substantial, but indeterminate increase in state and local government revenues. The impact on property tax revenues could not be determined.

**Implementing Legislation:** The Legislature is not required to pass legislation for the amendment to become effective; however, the Legislature may pass implementing legislation if it chooses.

**PASSED**

**AMENDMENT 3**  
**CS/HJR 1009 (2016)**  
**TAX EXEMPTION FOR TOTALLY AND PERMANENTLY DISABLED FIRST  
RESPONDERS**

**Background:** Florida grants property tax exemptions for certain disabled persons. There is currently not an exemption specifically for first responders who become totally and permanently disabled as a result of injuries sustained in the line of duty.

**Proposed Amendment:** Amendment 3 amends Article VII, Section 6 and Article XII, of the Florida Constitution, to authorize the Legislature to grant ad valorem tax relief to a first responder who is totally and permanently disabled as a result of injuries sustained in the line of duty. The amendment takes effect January 1, 2017.

**Legislative Analysis:** House Final Bill Analysis (April 14, 2016), which can be viewed at: <http://www.flsenate.gov/Session/Bill/2016/1009/Analyses/h1009z1.FTC.PDF>

**Fiscal Impact:** The fiscal impact will depend on how the Legislature implements the amendment.

**Implementing Legislation:** This constitutional amendment requires implementing legislation.

**PASSED**

**AMENDMENT 4**  
**CS/HJR 193 (2016)**

**SOLAR DEVICES OR RENEWABLE ENERGY SOURCE DEVICES; EXEMPTION  
FROM CERTAIN TAXATION AND ASSESSMENT**

**Background:** Since 2008, the Florida Constitution has authorized the Legislature to prohibit consideration of renewable energy source devices for real property assessment purposes, but only for real property used for *residential purposes*. See Amendment 3, proposed by the Tax and Budget Reform Commission (2008), which can be viewed at:

<http://dos.elections.myflorida.com/initiatives/fulltext/pdf/12-4.pdf>. This preferential tax treatment did not extend to renewable energy source devices installed on nonresidential property or renewable energy source devices that were taxed as tangible personal property.

**Proposed Amendment:** Amendment 4 amends Article VII, Sections 3 and 4 and Article XII, Section 34 of the Florida Constitution, to authorize the Legislature, by general law, to exempt renewable energy source devices from ad valorem taxation for both residential and nonresidential property, as well as renewable energy source devices taxed as tangible personal property. This amendment takes effect January 1, 2018, and expires on December 31, 2037.

**Legislative Analysis:** House Final Bill Analysis (March 16, 2016), which can be viewed at: <http://www.flsenate.gov/Session/Bill/2016/0193/Analyses/h0193z.EUS.PDF>

**Fiscal Impact:** The fiscal impact will depend on how the Legislature implements the amendment.

**Implementing Legislation:** This constitutional amendment requires implementing legislation.



**PASSED**

**AMENDMENT 5**  
**CS/HJR 275 (2016)**

**HOMESTEAD TAX EXEMPTION FOR CERTAIN SENIOR, LOW-INCOME, LONG-TERM RESIDENTS; DETERMINATION OF JUST VALUE**

**Background:** In 2012, counties and municipalities were authorized to exempt from property tax homesteads valued at less than \$250,000, if the owner was 65 or older, had maintained his or her residence thereon for at least 25 years, and the household income did not exceed \$20,000, as adjusted by an annual cost of living index. *See CS/HB 357 (2012)*. By 2014, the exemption had been adopted within 24 counties. After the exemption was granted, some qualifying taxpayers became fully taxable in a later year as the value of their homestead grew to \$250,000 or above.

**Proposed Amendment:** Amendment 5 amends Article VII, Section 6 and Article XII of the Florida Constitution, to revise the homestead tax exemption that may be granted by counties or municipalities for property with just value less than \$250,000 owned by certain senior, low-income, long-term residents to specify that the just value is determined in the first tax year the owner applies and is eligible for the exemption. The amendment takes effect January 1, 2017, and applies retroactively to exemptions granted before January 1, 2017.

**Legislative Analysis:** House Final Bill Analysis (April 14, 2016), which can be viewed at: <http://www.flsenate.gov/Session/Bill/2016/0275/Analyses/h0275z1.FTC.PDF>

**Fiscal Impact:** If no additional counties or municipalities adopt the exemption, the amendment is estimated to reduce local government revenues by \$0.5 million in Fiscal Year 2017-2018, \$0.7 million in Fiscal Year 2018-2019, increasing to \$1.2 million by Fiscal Year 2020-2021. If all counties and municipalities adopted the exemption, the constitutional amendment would reduce local government revenues by \$1.6 million in Fiscal Year 2017-2018, \$2.4 million in Fiscal Year 2018-2019, increasing to \$4.2 million by Fiscal Year 2020-2021.

**Implementing Legislation:** Implementing legislation was passed in 2016. *See* House Bill 277, which can be viewed at: <http://www.flsenate.gov/Session/Bill/2016/0277>

# CourtSmart Tag Report

**Room:** SB 401

**Case No.:**

**Type:**

**Caption:** Appropriations Subcommittee on Finance and Tax

**Judge:**

**Started:** 12/14/2016 10:05:47 AM

**Ends:** 12/14/2016 10:22:47 AM      **Length:** 00:17:01

**10:05:47 AM** Chair Stargel's Opening Remarks  
**10:05:55 AM** Roll Call  
**10:06:56 AM** Vice-Chair Garcia's Opening Remarks  
**10:07:04 AM** Senator Rodriguez's Opening Remarks  
**10:07:13 AM** Senator Campbell's Opening Remarks  
**10:07:21 AM** Senator Steube's Opening Remarks  
**10:07:27 AM** Chair Stargel's Remarks  
**10:07:54 AM** Introductions of Committee Staff  
**10:09:22 AM** Chair Stargel's Remarks  
**10:09:41 AM** Jose Diez-Arguelles, Staff Director, Overview of the Committee's Jurisdiction  
**10:21:31 AM** Chair Stargel's Remarks  
**10:22:41 AM** Meeting Adjourned