

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Date: March 27, 1998 Revised: _____

Subject: Funding Sources for Agriculture Emergency Eradication Trust Fund

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Akhavein</u>	<u>Poole</u>	<u>AG</u>	<u>Favorable/CS</u>
2.	<u>Cooper</u>	<u>Yeatman</u>	<u>CA</u>	<u>Fav/1 amendment</u>
3.	<u>Keating</u>	<u>Smith</u>	<u>WM</u>	<u>Favorable</u>
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill provides funding sources for the Agricultural Emergency Eradication Trust Fund (AEETF), which is created upon adoption of SB 1010. It transfers 0.65 percent of both highway fuel sales tax and State Comprehensive Enhanced Transportation Systems tax net proceeds on motor fuel from the State Transportation Trust Fund (STTF) to the AEETF. The revenue loss to the STTF is expected to be approximately \$6.1 million in fiscal year 1998-99, gradually increasing to approximately \$7.7 million in fiscal year 2003-04.

The bill discontinues the transfer of funds to the Agricultural Emergency Eradication Trust Fund when the unobligated balance of the trust fund exceeds \$20 million and reinstates the transfers when the unobligated balance of the trust fund falls below \$10 million. It requires the Commissioner of Agriculture to notify the Governor, the President of the Senate, and the Speaker of the House of Representatives when an agricultural emergency exists and funds from the Agricultural Emergency Eradication Trust Fund will be used.

The bill also appropriates \$6 million from the General Revenue Fund to the AEETF in fiscal year 1998-99, and in subsequent fiscal years appropriates an amount equal to the previous year's transfers into the AEETF from the above mentioned motor fuel taxes.

The AEETF will provide funding in defined agricultural emergencies, such as unanticipated disease, insect infestation, emergency wildfire situations, or any natural disaster that threatens plants, livestock, or forest and wild lands in the state, for which ordinary funding sources are insufficient.

This bill amends sections 206.606 and 206.608, Florida Statutes, and creates section 206.609, Florida Statutes.

II. Present Situation:

When funds specifically appropriated for an agricultural emergency are exhausted or insufficient, the Department of Agriculture and Consumer Services has no reserved funds available to eliminate the emergency and must request funds from the state's Working Capital Fund. The department's resources were especially hard hit in 1997 when an outbreak of citrus canker was detected in May, and then, later that same month, Mediterranean fruit flies were discovered in Hillsborough County. The department has spent over \$27 million on these two emergencies alone. Approximately \$2.9 million came from General Revenue; \$9.9 million from the Working Capital Fund; \$1.2 million from the Citrus Inspection Trust Fund, which the federal government requires to be paid back; \$10.2 million from the Plant Industry Trust Fund; and, \$2.7 million from the Contracts and Grants Trust Fund. Approximately \$11.5 million of these appropriations are from the \$17 million citrus canker lawsuit settlement with the USDA. In addition, the availability of federal funds for the state-federal cooperative brucellosis eradication program are at risk. The federal share will end in September 1998, but the program will continue to need funding in order to keep Florida brucellosis free. Dry conditions are likely to bring on emergency wildfires which would necessitate immediate funding. Other possible emergencies the department would need to address are Brown Citrus Aphids, Anthracnose Leatherleaf Ferns, Tropical Soda Apple, Mediterranean Fruit Flies, Oriental Fruit Flies, Grasshopper Infestation, Southern Pine Beetles, and Africanized Bees.

Section 206.41(1)(g), F.S., imposes a "fuel sales tax" on each net gallon of motor fuel sold in Florida at a rate of 6 percent. The tax is levied by applying the 6 percent rate to the legislative initially established price of \$1.148 per gallon. On January 1 of each year, this established price is adjusted by the percentage change in the average of the consumer price index. Section 206.87(1)(e), F.S., also imposes the "fuel sales tax" on diesel fuel. The 1998-99 fuel sales tax rate is 9.07 cents per gallon.

Section 206.41(1)(f), F.S., imposes the State Comprehensive Enhanced Transportation System (SCETS) tax on each net gallon of motor fuel sold in each county. The tax is levied on motor fuel in each county levying a local option fuel tax, at a rate equal to two-thirds of the sum of the county's local option fuel taxes, not to exceed 4 cents per gallon. On January 1 of each year, the SCETS tax is adjusted by the percentage change in the average of the consumer price index. Section 206.87(1)(d), F.S., also imposes the SCETS tax on diesel fuel. The 1998-99 SCETS tax rate on motor fuel is 4.99 cents per gallon.

Pursuant to 206.606(1), F.S. the proceeds of the fuel sales tax imposed pursuant to ss. 206.41(1)(g) and 206.87(1)(e), F.S., are deposited in the Fuel Tax Collection Trust Fund. Tax proceeds, exclusive of service charges and refunds, are distributed monthly to the State Transportation Trust Fund (STTF), except that, annually:

- \$7.55 million is transferred to the Department of Environmental Protection to be deposited in the Marine Resources Conservation Trust Fund and the Aquatic Plant Control Trust Fund;

- \$1.25 million is transferred to the State Game Trust Fund in the Game and Fresh Water Fish Commission; and
- \$1.5 million is transferred to the Board of Regents for the Center for Urban Transportation Research.

Pursuant to s. 206.608, F.S., the proceeds of the SCETS tax imposed pursuant to sections 206.41(1)(f), and 206.87(1)(d), F.S., are deposited in the Fuel Tax Collection Trust Fund and then transferred into the STTF. Tax proceeds are to be used to fund projects in the adopted work program in the district in which the tax proceeds are collected.

III. Effect of Proposed Changes:

Section 1. Amends s. 206.606, F.S., to require 0.65 percent of the fuel sales tax imposed on motor fuel that is deposited into the Fuel Tax Collection Trust Fund to be transferred to the Agricultural Emergency Eradication Trust Fund after deducting service charges and refunds.

Section 2. Amends s. 206.606, F.S., to require 0.65 percent of the fuel sales tax imposed on motor fuel that is deposited into the Fuel Tax Collection Trust Fund to be transferred to the Agricultural Emergency Eradication Trust Fund after deducting service charges, refunds, and administrative costs. Provides for an effective date of July 1, 1999.

Section 3. Amends s. 206.608, F.S., to require 0.65 percent of the State Comprehensive Enhanced Transportation System tax imposed on motor fuel is to be transferred to the Agricultural Emergency Eradication Trust Fund after deducting service charges.

Section 4. Amends s. 206.608, F.S., to require 0.65 percent of the State Comprehensive Enhanced Transportation System tax imposed on motor fuel is to be transferred to the Agricultural Emergency Eradication Trust Fund after deducting service charges and administrative costs. Provides for an effective date of July 1, 1999.

Section 5. Creates s. 206.609, F.S., to discontinue the transfer of funds to the Agricultural Emergency Eradication Trust Fund when the unobligated balance of the trust fund exceeds \$20 million. The transfers are reinstated when the unobligated balance of the trust fund falls below \$10 million. The bill provides that a change in transfers shall take effect on the first day of the month after 30 days' notification to the Department of Revenue by the Department of Agriculture and Consumer Services. Any refunds claimed for off-road gasoline usage in excess of the refunds claimed during the fiscal year preceding the effective date of this act will be deducted from the amount transferred during the year the claims are made to the Agricultural Emergency Eradication Trust Fund.

Section 6. Requires the Commissioner of Agriculture to notify the Governor, the President of the Senate, and the Speaker of the House of Representatives when he or she certifies that an agricultural emergency exists and that funds from the Agricultural Emergency Eradication Trust Fund will be used.

Section 7. Appropriates \$6,000,000 for fiscal year 1998-1999 from the General Revenue Fund to the Agricultural Emergency Eradication Trust Fund. Appropriations shall be made from the General Revenue Fund in fiscal year 1999-2000 and each year thereafter, in an amount equal to the previous year's transfers into the Agricultural Emergency Eradication Trust Fund from ss. 206.606 and 206.608, F.S.

Section 8. Provides that this act shall take effect July 1, 1998, except as otherwise expressly provided in the act. This act shall not take effect unless SB 1010 or similar legislation is adopted, creating the Agricultural Emergency Eradication Trust Fund.

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 transfer from the Fuel Tax Collection Trust Fund to the Agricultural Emergency Eradication Trust Fund of 0.65 percent of the fuel sales tax and SCETS tax collections on motor fuel will result in a loss to the State Transportation Trust Fund (STTF) of an estimated \$6.1 million in fiscal year 1998-99 and \$6.3 million in fiscal year 1999-00. This reduction of revenues to the STTF will result in a recurring reduction in revenues spent on transportation projects of \$6 to \$7 million a year.

Anticipated Revenues:	Fiscal Year 98-99	Fiscal Year 99-00	Fiscal Year 00-01
<u>Agricultural Emergency Eradication Trust Fund</u>			
Motor Fuel Taxes (SCETS Tax)	2,150,000	2,220,000	2,330,000
Motor Fuel Taxes (Sales Tax)	3,900,000	4,100,000	4,250,000
General Revenue Matching Funds	6,000,000	6,050,000	6,320,000
TOTAL REVENUES FOR AEETF:	12,050,000	12,370,000	12,900,000

B. Private Sector Impact:

The private sector will benefit substantially from the eradication of exotic pests and diseases that impact Florida's crops and livestock.

C. Government Sector Impact:

The Department of Agriculture does not anticipate an increase in workload as a result of passage of this bill.

VI. Technical Deficiencies:

Section 5 provides that if the unobligated balance of the AEETF exceeds \$20 million, the transfers provided in ss. 206.606 and 206.608, F.S., are to be discontinued until the balance falls below \$10 million. The transfers addressed in ss. 206.606 and 206.608, F.S., are not limited to transfers from the Fuel Tax Collection Trust Fund to the AEETF. These transfers also pertain to transfers from the Fuel Tax Collection Trust Fund to other state trust funds. Section 5 should specifically state only those transfers provided in ss. 206.606(1)(d) and 206.608(1), F.S., should cease upon reaching the \$20 million threshold.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Community Affairs:

This amendment clarifies that once the \$20 million dollar cap is reached, only funds going into the AEETF will cease to be transferred.

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