
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: April 23, 1998 Revised: _____

Subject: Funds Distributed to Local Governments

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>O'Farrell</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable</u>
2.	<u>Beggs</u>	<u>Smith</u>	<u>WM</u>	<u>Favorable/CS</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill would change the threshold for excluding contested property assessments from the taxable value of the nonexempt property assessment roll that is used to compute school district required local effort for purposes of the Florida Education Finance Program (FEFP).

The bill also establishes a special distribution to cities and counties from the Local Government Half-cent Sales Tax Clearing Trust Fund in the event an action to contest a property tax assessment results in a difference between the property appraiser's assessment and the good faith payment by the taxpayer is greater than 6 percent.

This bill substantially amends sections 236.081 and 218.66 of the Florida Statutes.

II. Present Situation:

Section 236.081, F.S., sets forth the procedure for calculating each school district's FEFP allocation, if the allocations are not determined in the General Appropriations Act or a substantive bill implementing the appropriations act. Subsection (4) of the law provides for the computation of the required local property taxing effort each district must make to participate in the FEFP. Contained within the subsection is the authority to exclude from the taxable value of property used for computing required local effort, property with a contested assessment that involves more than 10 percent of the total nonexempt assessment roll.

The effect of this provision is to reduce a school district's required local effort share of the FEFP and increase the state's contribution by an amount equal to the district's required local effort millage applied against the value of the contested property assessment. Without this adjustment a school district would lose the revenue generating potential of 10 percent or more of its tax roll

until the assessment protest is settled. If the protest settlement supports the assessment, the district receives the contested tax revenue and the Department of Education adjusts the district's FEFP allocation until the dollars advanced by the state are recouped. The adjustment procedure applies only to required local effort revenue. It does not compensate for temporary revenue loss from discretionary millage levies.

The Department of Education reports that every few years at least one of the state's school districts experiences a significant change in its FEFP required local effort calculation as a result of a contested assessed value of certain property on the tax assessment roll. In some cases the assessed value of the property being contested does not represent more than 10 percent of the total nonexempt assessment roll; however, the local revenue loss to the district may be large enough to cause serious budget constraints.

Currently, the school boards in Gulf County and St. Lucie County are experiencing losses in required local effort revenue as a result of property tax roll litigation. In neither case does the contested assessment represent 10 percent of the total nonexempt assessment roll; however, the loss in operating revenue is significant in both districts.

In Gulf County the Florida Coast Paper Company has contested the County Property Appraiser's assessed value of a large land holding. The contested assessment represents 9.48 percent of the county's total nonexempt assessment roll. The loss in required local effort revenue to the school board is \$369,494 or 4 percent of its FEFP budget.

The St. Lucie County case involves Florida Power and Light holdings that represent 6.57 percent of the total nonexempt assessment roll. The loss in required local effort revenue to the school board is \$3,150,133 or 3 percent of the FEFP budget. This is the third year in a row that Florida Power and Light has contested the taxable value of property in the county. The prior years' impact on required local effort revenue averaged about \$1.6 million per year.

Part VI of chapter 218, F.S., provides a distribution of the 6 percent sales tax collected by the state to municipalities and counties. The distribution is based on the actual sales tax collections within a county and distributed to the county and municipal governments based on population shares within the county. Approximately 9.5 percent of sales taxes collected by the state is distributed in this manner. Estimated distributions for fiscal year 1998-99 are \$1,160.6 million.

III. Effect of Proposed Changes:

With regard to distributions to school districts, the bill would lower the threshold for excluding the assessed value of contested property from the computation of school district required local effort to 6 percent from 10 percent of the total nonexempt assessment roll. The reduced percentage would also reduce the relative dollar amount of temporary local revenue loss for school districts before the recomputation of required local effort would be triggered.

The proposed changes would also require either an increase in state revenues or a redistribution of funds in the FEFP to compensate for the temporary loss in local revenue experienced by the affected school districts.

With regard to distributions to counties and municipalities, the bill establishes a special distribution from the Local Government Half-cent Sales Tax Clearing Trust Fund in the event an action to contest a property tax assessment results in a difference between the property appraiser's assessment and the good faith payment by the taxpayer. Section 194.171(3), F.S., currently requires taxpayers who challenge their tax assessments to make a good faith payment to the tax collector of the amount they deem to be owing. Upon resolution by the court, additional amounts due, if any, are paid. This process can delay payment in some cases for a number of years.

Under the provisions of the bill, in the event that the difference between a taxpayer's good faith payment and the amount the property appraiser says is owed is greater than 6 percent of the total taxes assessed in the county or municipality, that county or municipality would be eligible for a special distribution from the Local Government Half-cent Sales Tax Clearing Trust Fund. The distribution would be equal to 95% of the taxes contested. Eligible local governments would have to apply for the distribution before July 1 of the year following the year in which the tax was assessed. The distribution would be made prior to September 30 of the same year. Any additional tax revenue received by the local government upon resolution of the case would be immediately repaid to the Trust Fund. At the time of payment and repayment of a special distribution, the distribution to all other fund recipients would be adjusted proportionately.

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:

None.

C. Government Sector Impact:

The proposed change to s. 236.081, F.S., would benefit any school district in which contested property assessments involve more than 6 percent of the total non-exempt tax roll. It would specifically benefit the school boards in Gulf County and St. Lucie County in the event their respective contested property assessment issues continue into the next school year. Even though the bill would take effect upon becoming a law, the Department of Education has advised that it is unlikely the effective date would occur before the fourth, and final, FEFP adjustment for the current school fiscal year would be completed. More simply stated, it is doubtful the bill would result in the two school boards realizing any additional state funds to compensate for their local revenue loss for the 1997-98 school year.

The proposed change to s. 218.66, F.S., would benefit any county or municipality in which a contested property assessment involves more than 6 percent of the total non-exempt tax roll. By taking effect upon becoming a law, the new distribution would be available during the current local fiscal year. This would be of benefit to Gulf and St. Lucie counties. In the year the distribution is made, there will be a reduction in funds distributed to other local governments. If the property appraiser loses the suit as to value, this loss would be permanent. Otherwise, the funds will be repaid in a future fiscal year.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.