

**STORAGE NAME:** h0235a.hcs

**DATE:** April 17, 1997

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
HEALTH CARE SERVICES  
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

**BILL #:** HB 235

**RELATING TO:** Discretionary Sales Tax

**SPONSOR(S):** Reps. Culp and Littlefield

**STATUTE(S) AFFECTED:** s. 212.055, F.S.

**COMPANION BILL(S):** SB 392 (Identical)

**ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:**

- (1) HEALTH CARE SERVICES YEAS 11 NAYS 0
- (2) GOVERNMENTAL OPERATIONS (W/D)
- (3) HEALTH & HUMAN SERVICES APPROPRIATIONS (W/D)
- (4)
- (5)

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**I. SUMMARY:**

This bill postpones, until October 1, 2008, the scheduled 1998 repeal of the 0.5% Indigent Care Sales Tax authorized to be levied in Broward, Hillsborough, Palm Beach, and Pinellas counties, but presently levied only in Hillsborough County.

The fiscal impact of this legislation is positive but indeterminate on local government. Several counties are eligible to impose this tax. Based on the continued imposition of the tax in Hillsborough County and growth rates in recent years, the minimum fiscal impact is estimated to be \$64.4 million in FY 1998-99, and \$67.7 million in FY 1999-2000.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

In 1984, the Legislature passed HB 1324 (ch. 84-373, LOF) which authorized certain counties to impose a 1/4 cent sales tax for indigent health care. The language in the statute was very narrowly crafted so that it applied only to Hillsborough County, and the duration of the tax was time limited from January 1, 1985 through December 31, 1986. (The expiration date was later extended to March 31, 1987 by ch. 85-342, LOF.)

This initial Hillsborough County indigent sales tax was for the purpose of maintaining the financial solvency of Tampa General Hospital. Approximately 95 percent of the proceeds of the tax went directly to the hospital to offset losses due to the provision of indigent care. During that time several of the state's teaching hospitals were experiencing financial difficulty and various funding sources were being explored. In fact, 1984 was the year that the Public Medical Assistance Trust Fund was created by the Legislature in order to address unfunded indigent health care in Florida's hospitals. The Hillsborough sales tax was a short term solution until PMATF funds became available to the hospital.

In 1991, the Legislature authorized counties with a minimum population of 800,000, whose governing bodies were not consolidated, to levy a 0.5% sales surtax for the purpose of providing health services to qualified indigent residents. Broward, Hillsborough, Palm Beach, and Pinellas counties currently qualify, although Orange County may soon exceed the resident threshold number. To date, only Hillsborough County has approved and imposed the tax, effective December 1, 1991.

An expiration date of October 1, 1998, was included in the original 1991 act. Reasons for including a repeal date included the need to foreclose any attempt to use the tax proceeds to back bonds for projects other than for the provision of indigent health care, and to provide a mechanism for forcing review of the tax and how tax revenues are being spent.

In FY 1991-92 Hillsborough County collected \$27.3 million (collection did not begin until 12/1/91); in FY 1992-93, \$43.8 million was collected; in FY 1993-94, \$50.2 million was collected; \$55.8 million was collected in FY 95-96; and \$58.7 is estimated to be collected for FY 96-97.

The Hillsborough sales tax, in combination with county ad valorem tax revenues, supports Hillsborough HealthCare, a comprehensive managed care plan for indigent county residents. Indigents are defined as those who do not qualify for other health care coverage, and who have incomes at or below 100% of the federal poverty level, or whose medical expenses effectively reduce their income to that level. Services are delivered by four geographical networks made up of primary care physicians, specialists, and hospitals. The Plan's operating budget for the program year which began February 1, 1995, is \$77,869,085, of which 34% (\$26,805,085) is funded from county property taxes and 66% (\$51,064,000) from the local option indigent sales tax.

Policies governing the Plan are determined by the seven-member Board of County Commissioners, with guidance from a 15-member voluntary citizens' Health Care

Advisory Board. The Plan is administered by the County's Community Health & Human Services Department and has enrolled just over 60% (24,000) of the eligible population (39,000).

Dade County also approved a .5 percent sales tax for indigent care under a different law (see s. 212.055(5), F.S.) The Dade funds are used primarily to support Jackson Memorial Hospital. Counties with a population under 50,000 are authorized by s. 212.055(6), F.S. to impose an indigent care sales tax but to date none has. A number of counties pay for indigent care through a property tax. Broward County has two hospital tax districts with authority to levy a tax, and Palm Beach County created a special indigent care tax district. In all, approximately a dozen political jurisdictions in Florida have taxing authority related to the provision of health care.

**B. EFFECT OF PROPOSED CHANGES:**

Hillsborough County will be able to continue collecting the indigent care surtax until October 1, 2008, with no further action by the county commission. Counties which meet the population requirements and other requirements of s. 212.055(4), F.S., will be authorized to impose the tax until October 1, 1998.

**C. APPLICATION OF PRINCIPLES:**

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

- (1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

- (2) what is the cost of such responsibility at the new level/agency?

N/A

- (3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

The bill authorizes the continuation of a ½ percent local option sales tax for certain counties. Hillsborough County is the only county which has implemented the tax to date and would be authorized to continue to collect the tax until 2008 under this bill. Other counties, including Broward, Hillsborough, Palm Beach, and Pinellas, could adopt the tax.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

Yes, as specified in a. above.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Persons who participate in the Hillsborough County Indigent Health Care Program are required to make copayments when services are received.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

No.

(5) Are families penalized for not participating in a program?

No.

- b. Does the bill directly affect the legal rights and obligations between family members?

No.

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

- (1) parents and guardians?

N/A

- (2) service providers?

N/A

- (3) government employees/agencies?

N/A

**D. SECTION-BY-SECTION RESEARCH:**

**Section 1.** Amends subsection (4) of s. 212.055, F.S., relating to the Indigent Care Surtax, to:

- (a) Change the expiration date from 1998 until 2008; and
- (b) Update language referring to a definition by substituting the Florida Hospital Uniform Reporting System (FHURS) manual for the Health Care Cost Containment Board rules, which no longer exist.

**Section 2.** Provides that the bill becomes effective upon becoming law.

**III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:**

**A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:**

- 1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None,

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

See 3. below.

3. Long Run Effects Other Than Normal Growth:

The long run effects are indeterminate. Eligible counties will be permitted to impose the 0.5% surtax beyond October 1, 1998. Assuming the continued imposition of the tax in Hillsborough County, the estimated minimum fiscal impact will be \$64.4 million in FY 1998-99, and \$67.7 million in FY 1999-2000.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Consumers will continue to pay an additional 0.5% on sales within Hillsborough County and potentially may pay an additional 0.5% on sales in other eligible counties.

2. Direct Private Sector Benefits:

As implemented in Hillsborough County, the continued assessment of this tax should increase health care access to the county's indigent residents, and reduce indigent care costs incurred by providers.

3. Effects on Competition, Private Enterprise and Employment Markets:

The cost of goods and services purchased in or delivered into counties imposing the surtax will be 0.5% higher than those same goods and services purchased in or delivered into neighboring counties not imposing this surtax.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 17, 1997, the bill was amended in the Health Care Services Committee through the adoption of a strike everything amendment. The amendment does the following: repeals the requirement that the county continue to fund indigent health care at the same level the county provided before enacting the tax; extends the repeal date of the law until October 1, 2005; and requires that any county which levied the tax prior to October 1, 1998 must adopt an ordinance, by extraordinary vote, to extend the surtax to October 1, 2005, and to specify the rate of taxation.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE SERVICES:

Prepared by:

Legislative Research Director:

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Michael P. Hansen

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