

STORAGE NAME: h3393.bdt

DATE: February 10, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 3393

RELATING TO: Air Carriers

SPONSOR(S): Representatives Turnbull and King

COMPANION BILL(S): CS/HB 3171 (s), SB 0328 (s), 1st Eng HB 2109

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

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
 - (2) GOVERNMENTAL OPERATIONS
 - (3) FINANCE & TAXATION
 - (4) GENERAL GOVERNMENT APPROPRIATIONS
 - (5)
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I. SUMMARY:

This bill directs the Department of Management Services to evaluate the state contract for air carrier service for state employees to determine how to improve the quality, availability, and cost of air service to state employees and other citizens. The department is to then undertake a pilot program based on its analysis, and then evaluate the pilot program.

The bill provides a sales and use tax exemption for replacement engines, parts, and equipment used in the repair and maintenance of aircraft of more than 15,000 pounds maximum certified takeoff weight when such parts or equipment are installed on aircraft that are being repaired or maintained in this state.

The bill revises provisions which provide for the administration and financing of airport projects, to provide that a portion of the assistance provided by the Department of Transportation may be used to improve scheduled airline service.

Finally, the bill deems that projects to improve scheduled air service to and from the state capital of are of statewide importance.

The Revenue Estimating Conference has estimated that this bill has a negative fiscal impact on the State General Revenue Fund of (\$1.7m) in fiscal year 1998-99, and (\$1.9m) in fiscal year 1999-00. The impact on local governments is estimated at (\$.02) in fiscal years 1998-99 and 1999-00.

This bill does not increase the rulemaking authority of a state agency.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Presently, the Department of Management Services seeks competition from air carriers serving Tallahassee to establish the contract award for Prop Jet and Jet aircraft service for state employees. The Department awards an annual contract for airfares between certain city pairs including Tallahassee.

Part 1 of ch. 212, F.S., provides for the imposition of a 6 percent state sales and use tax on all parts and equipment installed in connection with the major repair, alteration, rebuilding or maintenance of an aircraft. Current law provides exemptions for the following aircraft parts and maintenance:

- 1) parts and services for aircraft modifications resulting in a major change to the aircraft's design and performed under the authority of a supplemental type certificate issued by the Federal Aviation Administration (See s. 212.08(5)(I), F.S.);
- 2) parts and equipment installed on foreign registered aircraft (See s. 212.06(5)(a)1., F.S.); and
- 3) repairs and maintenance for air carriers using mileage apportionment for corporate income tax and electing to be taxed on an apportioned basis (See. s. 212.0598, F.S.)

B. EFFECT OF PROPOSED CHANGES:

This bill directs the Department of Management Services to evaluate the state contract for air carrier service for state employees and to undertake a pilot program based on its analysis, and then evaluate the pilot program. In implementing any program, the Department of Management Services must take into consideration s. 112.061, F.S., the section of law dealing with per diem and travel expenses of public officers and employees.

This bill creates an exemption from the sales and use tax, levied pursuant to part 1 of ch. 212, F.S., for replacement engines, parts, and equipment used in the repair or maintenance of commercial aircraft with certified maximum take-off weights of more than 15,000 pounds if such parts or equipment are installed on an aircraft that is being repaired or maintained in this state.

The bill provides that up to 20 percent of the assistance provided by the Department of Transportation for each airport's work program budget may be used to improved scheduled airline service to and from that airport.

The bill deems projects that are designed to improve scheduled air service to and from the state capital, thereby increasing citizen access to state government of statewide importance.

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?

N/A

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

Yes. The Department of Management Services would analyze and evaluate the state contract for air carrier service for state employees and undertake a pilot program based on the analysis. The Department would then evaluate the impact of the pilot program and be prepared to report annually to the Speaker of the House of Representatives and the President of the Senate.

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

N/A

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?

N/A

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

N/A

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

Yes. The bill provides a sales and use tax exemption for qualifying aircraft being repaired or maintained in this state.

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

N/A

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

N/A

3. Personal Responsibility:

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

N/A

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

N/A

4. Individual Freedom:

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

N/A

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

N/A

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?

N/A

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

N/A

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

N/A

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. STATUTE(S) AFFECTED:

Sections 212.08, 332.007 Fla. Stat.

E. SECTION-BY-SECTION RESEARCH:

N/A

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

The Department of Management Services will incur costs associated with evaluating the state air contract.

2. Recurring Effects:

The Revenue Estimating Conference estimates that this bill will have the following impact on General Revenue:

General Revenue	<u>FY98-99</u> (\$1.7m)	<u>FY99-00</u> (\$1.9m)
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3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

See A2 above.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The Revenue Estimating Conference estimates that this bill will have the following fiscal impact:

	<u>FY1998-99</u>	<u>FY1999-00</u>
Local Half Cent	(\$0.1m)	(\$0.1m)
Local Option	(\$0.1m)	(\$0.1m)
	<u>(\$0.2M)</u>	<u>(\$0.2M)</u>

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

The aviation industry will have a reduced cost of doing business in Florida.

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

The reduced cost of doing business in Florida should make Florida more attractive to the aviation industry.

D. FISCAL COMMENTS:

According to the Department of Management Services, a comparison of current non contract city pair one-way fares indicates State employees could pay \$7,536,633 more for travel between Tallahassee and Miami, Orlando and Tampa based on data provided by credit card companies in 1992 when the last fare contract study was completed.

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:

Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

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

While the bill will reduce the amount of the local Government half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. therefore, Article VII, Section 18(b), Florida Constitution does not apply.

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

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