

**STORAGE NAME:** h1945.ft

**DATE:** March 18, 1999

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
FINANCE AND TAXATION  
ANALYSIS**

**BILL #:** HB 1945 (PCB FT 99-05)

**RELATING TO:** Rebate of state taxes

**SPONSOR(S):** Committee on Finance and Taxation and Representatives Albright, Garcia & others

**COMPANION BILL(S):**

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

(1) FINANCE AND TAXATION YEAS 12 NAYS 4

(2)

(3)

(4)

(5)

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I. SUMMARY:

PCB FT 99-05 provides a one-time rebate to all residential utility customers in the form of a \$25 credit on their utility bill.

Each electric utility receives reimbursement for the credit, as well as administrative compensation on a per account basis.

The Public Service Commission is directed to provide a toll-free number for customer inquiries, as well as supplemental information via the Internet.

The bill has a one-time negative impact of \$176.7 million on General Revenue.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

In 1998, in an effort to provide tax relief to the average citizen, the Legislature passed a \$50 rebate for homeowners. This measure was vetoed for "setting up two classes of citizens - homeowners and everyone else." Under the measure, 3.6 million homeowners would have received the rebate. The 1998 measure was to be administered by the Department of Revenue based on homestead exemption information provided by county property appraisers. This approach, in addition to having problems, was expected to be costly to administer.

B. EFFECT OF PROPOSED CHANGES:

The bill would grant a \$25 rebate to residential electric utility customers. There are approximately 7 million residential electric consumer accounts in Florida. By relying on electric utilities' ongoing billings and their classifications of customers as residential (used to determine sales tax exemption status), this program can be administered at minimal cost.

The Public Service Commission [PSC] would oversee implementation of the rebate. The rebate would appear as a credit on the August utility bill under the title of "Florida Tax Rebate." If the electric customer's bill is less than the \$25 credit, the unused portion of the credit would remain on the bill until the credit is exhausted.

Utilities would be required to report to the PSC a preliminary count of residential utility customers in existence on July 1 by July 10, 1999. The PSC must compile a complete list of electric utility providers to receive funds. Each utility shall receive payment for the distribution of the credit in two installments.

The first installment is calculated as 75% of the total number of residential utility customers in service on July 1, 1999, multiplied by \$25, plus an additional per account calculation representing compensation for administration. The per account calculation is 75% of the total residential accounts active on July 1, 1999, multiplied by one of the following rates:

- \* \$2 for electric utilities providing residential electric service to fewer than 5,000 residential accounts;
- \* \$1 for electric utilities providing residential electric service to 5,000 to 10,000 residential accounts;
- \* 40 cents for electric utilities providing residential electric service to 10,001 to 50,000 residential accounts;
- \* 20 cents for electric utilities providing residential electric service to 50,001 to 100,000 residential accounts;
- \* 15 cents for electric utilities providing residential electric service to 100,001 to 300,000 residential accounts;
- \* 5 cents for electric utilities providing residential electric service to 300,001 to 1,500,000 residential accounts;
- \* 3 cents for electric utilities providing residential electric service to more than 1,500,000 residential accounts.

The PSC is required to submit the list to the Comptroller by July 20, 1999. The Comptroller must issue the first installment payment to the utilities by August 1, 1999.

The second installment represents the reimbursement for the remainder of funds distributed. The payment is calculated as the total number of residential utility customers in service on July 1, 1999, multiplied by \$25, plus an additional per account calculation representing compensation for administration, less the first installment payment. The per account calculation is of the total residential accounts active on July 1, 1999, multiplied by one of the following rates:

- \* \$2 for electric utilities providing residential electric service to fewer than 5,000 residential accounts;
- \* \$1 for electric utilities providing residential electric service to 5,000 to 10,000 residential accounts;

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- \* 40 cents for electric utilities providing residential electric service to 10,001 to 50,000 residential accounts;
- \* 20 cents for electric utilities providing residential electric service to 50,001 to 100,000 residential accounts;
- \* 15 cents for electric utilities providing residential electric service to 100,001 to 300,000 residential accounts;
- \* 5 cents for electric utilities providing residential electric service to 300,001 to 1,500,000 residential accounts;
- \* 3 cents for electric utilities providing residential electric service to more than 1,500,000 residential accounts.

The PSC is required to submit the list to the Comptroller by August 20, 1999. The Comptroller must issue payment to the utilities by September 1, 1999.

The list of residential accounts of each utility provider may be audited by upon request of the Comptroller, the President of the Senate, The Speaker of the House, or the Governor. The cost of this audit will be paid for out of the Public Service Commission Regulatory Trust Fund.

The bill directs the PSC to provide a toll-free number for customer inquiries, and supplemental information accessible via the Internet.

The bill provides an appropriation of \$177 million from the General Revenue fund for the cost of the rebate.

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?

Yes, the bill grant authority to the PSC to make rules to implement the rebate.

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

Yes, the PSC and electric utility companies must administer the distribution of the tax rebate.

(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?

No, the bill provides a rebate on state taxes

- 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, the rebate is a one-time event.

- 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?

No.

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?

No.

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:

None.

E. SECTION-BY-SECTION ANALYSIS:

**Section 1.** provides that each active residential utility customer as of August 1, 1999, will receive a one-time \$25 credit on their August utility bill; the bill appropriates the funds for the rebate from the General Revenue Fund;

The Florida Public Service Commission is required to direct each utility to provide the credit to each residential electric account. The credit is to appear on the utility bill as a "Florida Tax Rebate." The bill provides that the credit shall be applied to the August bill and each subsequent bill until the credit is exhausted.

Each electric utility is required to certify the total number of residential accounts active on July 1, 1999, to the Commission by July 10, 1999.

The PSC must calculate the amount of reimbursement by multiplying 75% times the number of residential accounts active on July 1, 1999, by \$25. The Commission must also calculate the reasonable utility computer reprogramming costs necessary to administer the credit by multiplying 75 percent times the number of residential accounts active on July 1, 1999 by the following rates:

- \* \$2 for electric utilities providing residential electric service to fewer than 5,000 residential accounts;
- \* \$1 for electric utilities providing residential electric service to 5,000 to 10,000 residential accounts;
- \* 40 cents for electric utilities providing residential electric service to 10,001 to 50,000 residential accounts;

- \* 20 cents for electric utilities providing residential electric service to 50,001 to 100,000 residential accounts;
- \* 15 cents for electric utilities providing residential electric service to 100,001 to 300,000 residential accounts;
- \* 5 cents for electric utilities providing residential electric service to 300,001 to 1,500,000 residential accounts;
- \* 3 cents for electric utilities providing residential electric service to more than 1,500,000 residential accounts.

The Commission must produce a list of the utilities detailing the necessary funds to provide reimbursement of the \$25 credit and reprogramming costs. The Commission must certify this list to the Comptroller of the State of Florida, the President of the Senate, The Speaker of the House, and the Governor by July 20, 1999.

The Comptroller must distribute funds to each individual electric utility based on the list in subsection (4) on or before August 1, 1999. The Comptroller must also make appropriate adjustments as funds are available to ensure an equal credit to each specified electric utility customer.

Each electric utility must, by August 10, 1999, re-certify to the Florida Public Service Commission the total number of residential electric utility accounts active on August 1, 1999.

Upon receipt of the certification in subsection (6), the Commission must calculate the amount of funds necessary to reimburse the utilities for the credits by multiplying the number of residential accounts active on July 1, 1999, by \$25. The Commission must also calculate the reasonable utility computer reprogramming costs necessary to administer the credit by multiplying the number of residential accounts active on August 1, 1999 by the following rates:

- \* \$2 for electric utilities providing residential electric service to fewer than 5,000 residential accounts;
- \* \$1 for electric utilities providing residential electric service to 5,000 to 10,000 residential accounts;
- \* 40 cents for electric utilities providing residential electric service to 10,001 to 50,000 residential accounts;
- \* 20 cents for electric utilities providing residential electric service to 50,001 to 100,000 residential accounts;
- \* 15 cents for electric utilities providing residential electric service to 100,001 to 300,000 residential accounts;
- \* 5 cents for electric utilities providing residential electric service to 300,001 to 1,500,000 residential accounts;
- \* 3 cents for electric utilities providing residential electric service to more than 1,500,000 residential accounts.

The Commission must produce a list of the utilities detailing the necessary funds to provide reimbursement for distribution of the \$25 credit and reprogramming costs less payments already distributed under subsection (5). The Commission must certify this list to the Comptroller of the State of Florida, the President of the Senate, The Speaker of the House, and the Governor by August 20, 1999.

The Comptroller shall distribute funds to each individual electric utility on or before September 1, 1999. The Comptroller shall make appropriate adjustments as funds are available to ensure an equal credit to each specified electric utility customer as provided by this section.

Upon the request of the Comptroller, the President of the Senate, the Speaker of the House of Representatives, or the Governor, the Public Service Commission must audit the number of residential utility accounts filed by any utility. The cost of this audit shall be paid for out of the Public Service Commission Regulatory Trust Fund.

The bill provides legislative intent that current utility rates, state and local taxes, and gross receipts will remain unaffected by the rebate.

**Section 2.** Directs the Public Service Commission to provide a toll free number for customer inquiries and to make supplemental information available via the Internet.

**Section 3.** Provides rulemaking authority to the Public Service Commission to administer the provision of this act.

**Section 4.** Provides for \$177 million to be appropriated from the General Revenue Fund for a one time rebate of state taxes.

**Section 5.** Provides that the act will become effective upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

There will be a one-time \$176.7 million cost to General Revenue.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

General Revenue	<u>FY 99-00</u> (\$176.7M)
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B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Utilities will incur costs to reprogram their billing systems and administer the rebate. They will be compensated for administration on a per residential account basis. The rate will vary depending upon the number of residential customers being serviced.

2. Direct Private Sector Benefits:

Florida residential electric customers will receive a \$25 rebate.

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

None.

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D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

None.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

None.

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

None.

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

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