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.)

BILL: CS/SB 1650

SPONSOR: Fiscal Resource Committee and Senator Klein

SUBJECT: Revenue Sharing with County Governments

DATE: April 6, 2000 REVISED: ______ ______ ______ ______

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Fournier	Wood	FR	Favorable/CS
2.			CA	
3.				
4.				
5.				

I. Summary:

The Committee Substitute for Senate Bill 1650 restructures the County Revenue Sharing Program by replacing declining revenue sources with a percentage of the state's sales and use tax. Under the legislation, the cigarette and intangibles taxes currently allocated to county governments would be transferred to the state's General Revenue Fund. In exchange, the state would transfer 2.56323 percent of taxes and fees imposed pursuant to Chapter 212, *Florida Statutes*, to the Revenue Sharing Trust Fund for Counties. In fiscal year 2000-01, the net fiscal impact to the state's General Revenue Fund is estimated to be zero. In future years, counties would benefit, either positively or negatively, from growth or decline in the state's sales and use tax collections.

The bill would also change the definition of guaranteed entitlement to specify that beginning in state fiscal year 2000-01, no eligible county shall receive less than 50 percent of the aggregate amount it received from the Revenue Sharing Trust Fund for Counties in fiscal year 1999-2000. After the receipt of its guaranteed entitlement, each eligible county would receive a "growth monies" distribution, computed on the basis of the apportionment factor provided in current law, which shall be applied to all remaining monies available for distribution in the Revenue Sharing Trust Fund for Counties.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 199.292, 210.20, 212.20,218.21, 218.23, 218.25, 288.1169, 218.251.

II. Present Situation:

Background

Florida's Constitution reserves all authority to tax, except the authority to levy the ad valorem tax, for the state. In general law, the state may authorize other governmental entities to levy taxes or participate in revenue sharing programs. Historically, local governments have had to absorb many of the costs associated with a variety of state-required programs and regulations. To address the implications of those fiscal demands and fund local government operations generally, state government utilizes several mechanisms to provide financial resources to local governments. One of those mechanisms involves the sharing of funds from designated state revenues with local governments.

County Revenue Sharing Program

The Florida Revenue Sharing Act of 1972 created the Revenue Sharing Trust Fund for Counties. Currently, the trust fund receives 2.9 percent of net cigarette tax collections and 37.7 percent of net intangible tax collections. An allocation formula serves as the basis for the distribution of these revenues to each county that meets strict eligibility requirements.

There are no use restrictions on these revenues; however, there are some statutory limitations regarding funds that can be used as a pledge for indebtedness. Pursuant to s. 218.25(1), F.S., counties are allowed to bond their guaranteed entitlement. This "hold harmless" provision guarantees a minimum allotment in order to insure coverage of all bonding obligations for those eligible counties that qualified for revenue sharing dollars prior to July 1, 1972. Section 218.21(6), F.S., defines the guaranteed entitlement to mean the amount received in the aggregate from the state in fiscal year 1971-72 under the provisions of the then existing tax on cigarettes, road tax, and intangibles tax. Pursuant to s. 218.25(2), F.S., a second guaranteed entitlement may also be assigned, pledged, or set aside as a trust for the payment of principal and interest on bonds, tax anticipation certificates, or any other form of indebtedness. Section 218.21(10), F.S., defines the second guaranteed entitlement as the amount of revenue received in the aggregate by an eligible county in fiscal year 1981-1982 under the then existing tax on cigarettes and intangibles tax less the guaranteed entitlement.

Cigarette tax collections have not kept pace with inflation and population growth, and cigarette revenues transferred to county governments have decreased substantially when compared to distributions directed to state trust funds. The intangibles tax, which represented 96 percent of total distributions under the County Revenue Sharing program in fiscal year 1996-97, has kept pace with inflation and statewide population growth. However, during the 1999 Legislative Session, the Legislature enacted chapter 99-242, L.O.F., to reduce the intangible tax rate from 2 mills to 1.5 mills. Although this reduction created a significant fiscal impact for county governments, reductions in county government contributions to the State Retirement System enacted in chapter 99-392, L.O.F., served to offset this negative fiscal impact for all counties but Duval County, which does not participate in the State Retirement System. To address Duval County's situation, chapter 99-239, L.O.F., created s. 218.251, F.S., providing that beginning in fiscal year 1999-2000, an additional distribution in the amount of $6.24 times the population shall be annually appropriated to any consolidated government, as provided by s. 3, Article VIII of the State Constitution. Duval County is the only county meeting this definition and the additional requirement that the consolidation must have occurred prior to January 1, 1999.

III. Effect of Proposed Changes:

<u>Section 1</u> amends s. 199.292(3), F.S., to eliminate the transfer of net intangibles tax collections to the Revenue Sharing Trust Fund for Counties. This change directs all net intangibles tax collections to the State General Revenue Fund.

Section 2 amends s. 210.20(2)(a), F.S., to eliminate the transfer of net cigarette tax proceeds to the Revenue Sharing Trust Fund for Counties. This change increases the percentage of net cigarette tax proceeds allocated to the State General Revenue Fund.

Section 3 amends s. 212.20(6)(f), F.S., to provide for a transfer of 2.56323 percent of sales and use tax collections to the Revenue Sharing Trust Fund for Counties.

Section 4 amends s. 218.21, F.S., to change the definition of guaranteed entitlement. Specifies that in state fiscal year 2000-2001 and each state fiscal year thereafter, no eligible county shall receive less funds from the Revenue Sharing Trust Fund for Counties than 50 percent of the aggregate amount it received from the state in fiscal year 1999-2000 under the provisions of the then-existing s. 210.20(2)(a), tax on cigarettes; and s. 199.292(3), tax on intangible personal property. Removes the definition of second guaranteed entitlement for counties.

Section 5 amends s. 218.23, F.S., to clarify the distribution formula for county governments in light of the other changes made in the bill. Provides for an annual distribution to any unit of local government which is consolidated as provided by s. 9, Art. VIII of the State Constitution of 1885, as preserved by s. 6(e), Art. VIII of the 1968 revised constitution (Duval County). Specifies that each eligible county shall receive its guaranteed entitlement each fiscal year. After the receipt of its guaranteed entitlement, each eligible county shall receive a distribution, computed on the basis of the apportionment factor provided for in s. 218.245, F.S., which shall be applied to all remaining monies available for distribution in the Revenue Sharing Trust Fund for Counties.

Section 6 amends s. 218.25, F.S., to remove statutory language pertaining to the second guaranteed entitlement for counties.

Section 7 amends s. 288.1169, F.S., to conform to changes made to s. 212.20 (6)(f), F.S.

Section 8 repeals s. 218.251, F.S.

Section 9 provides an effective date of July 1, 2000.

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 Revenue Estimating Conference has not yet addressed this bill. Counties' shared revenue under this bill will be tied to sales and use tax collections, and counties will be shielded from the impact of further cuts in the intangibles tax, or falling cigarette tax revenues. The General Revenue fund will bear the full impact of decreases in intangibles tax or cigarette tax revenues.

B. Private Sector Impact:

C. Government Sector Impact:

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.