

STORAGE NAME: h0389s1.ft

DATE: April 24, 2000

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

BILL #: CS/HB 389

RELATING TO: Tax on the severance of phosphate rock

SPONSOR(S): Committee on Finance and Taxation, Representative Harrington, and others

TIED BILL(S):

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

(1) FINANCE AND TAXATION (FRC) YEAS 15 NAYS 0

(2)

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I. SUMMARY:

CS/ HB 389 increases the amount of funds credited to the Minerals Trust Fund from severance taxes that remain in the trust fund at the end of the fiscal year from 125 percent to 150 percent.

The bill changes the distribution of revenues from the severance tax on the production of phosphate rock. The distribution is changed as follows:

- the General Revenue Fund share is reduced from 72.5 percent to 55.15 percent;
- the Phosphate Research Trust Fund share is increased from 10 percent to 12.5 percent;
- the distribution to the counties in which the phosphate rock was produced is increased from 10 percent to 18 percent; and
- the distribution to the Minerals Trust Fund is increased from 7.5 percent to 14.35 percent.

Finally, the bill repeals s. 211.3103(9), F.S. The section being repealed states that if a producer donates property to a county, the proceeds the county receives under s. 211.3103, F.S., shall be reduced by the value of that donation.

The bill will result in a decrease to the General Revenue Fund of \$4.8 million, an increase to the counties of \$2.3 million, an increase to the Phosphate Research Trust Fund of \$0.7 million, and an increase to the Minerals Trust Fund of \$1.8 million in FY 2000-01.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Section 211.3103(4), F.S., prescribes the distribution of severance tax revenues received on the production of phosphate rock. It requires that the first \$10 million of tax be distributed to the Conservation and Recreation Lands Trust Fund. The remaining revenues are to be distributed as follows:

- 72.5 percent to the General Revenue Fund;
- 10 percent to the Phosphate Research Trust Fund;
- 10 percent to the counties in which the phosphate rock was produced; and
- 7.5 percent to the Minerals Trust Fund.

Chapter 99-113, L.O.F., re-created the Minerals Trust Fund in the Department of Environmental Protection, which was set to expire November 4, 2000. Chapter 99-205, L.O.F., repealed the Minerals Trust Fund in the Department of Revenue effective July 1, 2000.

In 1977, the Florida Legislature passed a bill creating the Phosphate Land Reclamation Study Commission, which was to determine how to identify and finance the reclamation of lands mined prior to June 3, 1975, that were still unreclaimed, and make recommendations to the Legislature. In 1978, the Legislature adopted the recommendation of the Phosphate Land Reclamation Study Commission to create the Nonmandatory Land Reclamation Trust Fund and to fund the trust fund by doubling the severance tax from five percent to 10 percent. The Commission also recommended that when the Nonmandatory Land Reclamation Trust Fund was adequately funded, the severance tax rate reduced by 20 percent.

Section 211.31(2), F.S., provides that on April 1 of each year, until such funding ends, the Secretary of the Department of Environmental Protection shall report to the Governor, the President of the Senate, and the Speaker of the House of Representatives, as to the sufficiency of the Nonmandatory Land Reclamation Trust Fund and whether the funding of that fund needed substantially to complete the master reclamation plan as provided in s. 378.021, F.S., should be decreased, increased, or otherwise modified by law.

On March 29, 1999, the Secretary of the Department of Environmental Protection reported to the Governor, the President of the Senate, and the Speaker of the House of Representatives that the Nonmandatory Land Reclamation Trust Fund was adequately

funded to meet the remaining reclamation needs. As a result, pursuant to law, effective January 1, 2000, the base rate of the severance tax was reduced by 20 percent. This reduction resulted in the deletion of the 14.5 percent distribution to the Nonmandatory Land Reclamation Trust Fund which was transferred to the General Revenue Fund, increasing the percentage it received from 58 percent to its current 72.5 percent.

As a result of the 20 percent decrease in the severance tax rate, there is less money collected by the state. With the General Revenue share of the severance tax increasing, counties, the Florida Institute of Phosphate Research and the Minerals Trust Fund are receiving less revenue.

C. EFFECT OF PROPOSED CHANGES:

See Section by Section Analysis below.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 amends s. 211.31(5), F.S., increasing the amount of funds credited to the Minerals Trust Fund from severance taxes that remains in the trust fund at the end of a fiscal year from 125% to 150%.

Section 2 amends s. 211.3103(4), F.S., changing the distribution of revenues from the tax on the production of phosphate rock. The distribution is changed as follows:

- the General Revenue Fund share is reduced from 72.5 percent to 55.15 percent;
- the Phosphate Research Trust Fund share is increased from 10 percent to 12.5 percent;
- the distribution to the counties in which the phosphate rock was produced is increased from 10 percent to 18 percent; and
- the distribution to the Minerals Trust Fund is increased from 7.5 percent to 14.35 percent.

This section also repeals s. 211.3103(9), F.S., which states that if a producer donates property to a county, the proceeds the county receives under s. 211.3103, F.S., shall be reduced by the value of that donation.

Section 3 Currently, moneys paid into the Nonmandatory Land Reclamation Trust Fund may be used by the department for various purposes, including use for "outdoor recreational purposes." The bill amends s. 378.036, F.S., to add the *construction of trails* to the "outdoor recreational purposes" for which the moneys may be used.

Section 4 provides for an effective date of July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>FY 2000-01</u>	<u>FY 2001-02</u>
General Revenue Fund	(\$4.82) m	(\$4.46) m
Phosphate Research Trust Fund	\$0.67 m	\$0.62 m
Minerals Trust Fund	\$1.84 m	\$1.7 m

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Distribution to Counties	\$2.31 m	\$2.14 m
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2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The 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:

The 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:

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

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

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B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 18, 2000, the Committee on Finance and Taxation adopted the following seven amendments and reported the bill favorably as a committee substitute:

Amendment 1 reduces the distribution to GR by an additional 1.35 percent. The original bill provided for a 56.5 percent distribution to General Revenue; the amendment provides for a 55.15 percent distribution.

Amendment 2 increases the distribution the Minerals Trust Fund by an additional 4.35 percent. The original bill provided for a 10 percent distribution to Minerals Trust Fund; the amendment provides for a 14.35 percent distribution.

Amendment 3 repeals 211.3103(9), F.S. The section being repealed states that If a producer donates property to a county, the proceeds the county receives under s. 211.3103, F.S., shall be reduced by the value of that donation.

Amendment 4 increases the amount of funds credited to the Minerals Trust Fund from severance taxes that remains in the trust fund at the end of a fiscal year from 125% to 150%.

Amendment 5 adds the *construction of trails* to the "outdoor recreational purposes" for which moneys may be used. Currently, moneys paid into the Nonmandatory Land Reclamation Trust Fund may be used by the department for various purposes, including use for "outdoor recreational purposes."

Amendment 6 reduces the distribution to the Phosphate Research Trust Fund by an additional one percent. The original bill provided for a 13.5 percent distribution to the Phosphate Research Trust Fund; the amendment provides for a 12.5 percent distribution.

Amendment 7 reduces the distribution to the counties by an additional two percent. The original bill provided for a 20 percent distribution to the counties; the amendment provides for an 18 percent distribution.

VII. SIGNATURES:

COMMITTEE ON Finance and Taxation:

Prepared by:

Staff Director:

Carol Dickson-Carr

Alan Johansen