SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1100

SPONSOR: Senator Carlton

SUBJECT: Tax Administration

DATE: April 24, 2001 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Keating	Johansen	FT	Favorable/CS
2.			AGG	
3.			AP	
4.			RC	
5.				
6.				

I. Summary:

This bill requires the Division of Bond Finance to conduct an annual debt affordability analysis for purposes of evaluating proposed capital projects that require new state debt and assisting the Governor and the Legislature in setting priorities among capital projects and appropriations. The bill requires the Division to prepare and submit a report to the Division of Bond Finance, the President of the Senate, the Speaker of the House of Representatives, and the chair of each appropriations committee. The bill requires the Legislative Budget Commission to annually review the state's tax-supported debt and estimate the maximum amount of new tax-supported debt that prudently may be authorized.

The bill creates s. 215.98, Florida Statutes.

II. Present Situation:

As with most states, Florida finances growth in infrastructure by the issuance of new debt. Whether building new schools to accommodate an increase in the student population or expanding state highways to reduce congestion caused by an increase in tourism, bonds offer the state the opportunity to fund such projects today while defraying the costs over many years.

In fiscal year 2000-2001, total state debt outstanding was approximately $18.0 billion. Broken-out by major category, state debt outstanding by program was as follows: 53 percent education; 26 percent transportation; 16 percent environmental; and 5 percent "appropriation and other". In fiscal year 2000, debt per capita was estimated to be $909.1, and the ratio of debt service as a percentage of revenues was estimated to be 5.3 percent.[1]

[1] Figures through out this analysis were obtained from one of the following; "State of Florida Debt Affordability Study", Division of Bond Finance, October 26, 1999; "State of Florida 2000 Debt Affordability Study Update, Division of Bond

The need to identify and monitor areas that affect the state's credit rating, its ability to service current and future debt obligations, and the ability to free-up more revenue from debt service for appropriations is essential in a legislative budget setting.

III. Effect of Proposed Changes:

Section 1. Creates s. 215.98, F.S., which sets into policy the state's need to exercise fiscal responsibility when issuing new debt. The bill requires that the Legislature exercise prudence in undertaking the sale of bonds and that sales should not cause the ratio of debt service to total general revenues to exceed six percent[2], unless the sale of a particular issue is determined by the Legislature to be in the best fiscal interest of the state. The Legislature shall not authorize the issuance of additional state tax-supported debt if such authorization would cause the debt ratio of debt-service-to-revenues available to pay debt service to exceed 6.5 percent, unless the Legislature determines that such additional debt is necessary to address a critical state emergency.

The bill requires the Division of Bond Finance to annually conduct a debt-affordability analysis. Proposed capital projects that require funding by the issuance of additional state debt shall be evaluated on the basis of the analysis to assist the Governor and the Legislature in setting priorities among capital projects and related appropriations.

The bill also requires the Division of Bond Finance to annually prepare a debt affordability report that will be presented to the governing board of the Division of Bond Finance, the President of the Senate, the Speaker of the House of Representatives, and the chair of each appropriations committee by December 15 of each year. The purpose of this report would be to provide a framework within which the Legislature can evaluate and establish priorities for bills that propose the authorization of additional state debt supported by the revenues of the state during the budget year. The report would also determine the amount to appropriate for debt service for the current fiscal year. The report shall include, but not be limited to:

a. A listing of state debt outstanding, other debt secured by the state revenues, and other contingent debt.
b. An estimate of revenues available for the next 10 fiscal years to pay debt services, including general revenues plus any revenues specifically pledged to pay debt services.
c. An estimate of additional debt issuance for the next 10 fiscal years for the state's existing borrowing programs.
d. A schedule of the annual debt service requirements including principal and interest allocation on the outstanding state debt included in (c) for each of the next 10 fiscal years.

Finance, November 29, 2000; Memorandum from the Director of Bond Finance to Fiscal Responsibility Council on State Debt Amortization, February 22, 2001.

[2] As noted in the "State of Florida Debt Affordability Study", Division of Bond Finance, October 26, 1999, "Although there is no articulated outside limit on the ratio [debt service to general revenues], the debt burden is considered excessive when debt service as a percentage of general revenues exceeds 10% (p.16)." As of June 30, 2000, the state had an estimated debt service to general revenue ratio of about 5.3 percent. This ratio however does not include projects that are currently authorized to issue bonds but have not yet done so (e.g., The high-speed rail project and Everglades restoration). Six percent was suggested to allow the state to incorporate those projects and establish a baseline for all future debt issuance.

e. An overview of the state's general obligation credit rating.
f. Identification and calculation of pertinent debt ratios, including, but not limited to, debt service to revenues available to pay debt service, debt to personal income, and debt per capita for the state's net tax supported debt.
g. The estimated debt capacity available over the next 10 fiscal years without the benchmark debt ratio of debt service to revenue exceeding 6 percent.
h. A comparison of the debt ratios prepared in (f), with the comparable debt ratios for the ten most populous states. The report would also determine the amount to appropriate for debt service for the current fiscal year.

Section 2. The bill grants the Legislative Budget Commission the power and duty to annually review the size and condition of the state's tax-supported debt and submit to the legislature an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the current fiscal year. In addition, the commission will also be responsible for issuing a report to the legislature estimating the amount of tax-supported debt which prudently may be authorized for the next fiscal year, together with a report explaining the basis for the estimate.

Section 3. The bill shall take effect July 1, 2001.

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:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Measures outlined in this bill may contribute to the Legislature's ability to free-up revenues that were once appropriated for servicing debt.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.