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DATE: February 18, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH PROMOTION
ANALYSIS**

BILL #: HB 1549
RELATING TO: Health Care/Indigent Care Surtax
SPONSOR(S): Representative Stansel

TIED BILL(S):

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

- (1) HEALTH PROMOTION
 - (2) FISCAL POLICY & RESOURCES
 - (3) COUNCIL FOR HEALTHY COMMUNITIES
 - (4)
 - (5)
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I. SUMMARY:

THIS DOCUMENT IS NOT INTENDED TO BE USED FOR THE PURPOSE OF CONSTRUING STATUTES, OR TO BE CONSTRUED AS AFFECTING, DEFINING, LIMITING, CONTROLLING, SPECIFYING, CLARIFYING, OR MODIFYING ANY LEGISLATION OR STATUTE.

HB 1549 authorizes counties with a population of fewer than 30,000 residents to levy an indigent care surtax of up to 1 percent, subject to the 1 percent surtax cap, if approved by ordinance by an extraordinary vote of the county commission or conditioned to take effect only upon approval by a majority vote of the electors of the county voting in a referendum.

The bill also authorizes counties with a population of fewer than 30,000 residents, subject to specified restrictions and subject to an extraordinary vote of the county commission, to use some or all of the surtax revenues and interest to finance, plan, construct, or reconstruct a public hospital in the county and for land acquisition, land improvement, design, or engineering costs related to such hospital, if the county commission has determined that a currently existing hospital would otherwise likely cease to operate.

The bill authorizes the county to use the services of the Division of Bond Finance of the State Board of Administration to issue bonds for specified uses.

The bill expands the cap of 1.5 percent, currently applicable only to counties with a publicly supported medical school located within the county, to also include counties with a population of less than 30,000 residents.

The bill's effective date is October 1, 2002.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- 1. Less Government Yes No N/A
- 2. Lower Taxes Yes No N/A
- 3. Individual Freedom Yes No N/A
- 4. Personal Responsibility Yes No N/A
- 5. Family Empowerment Yes No N/A

Lower Taxes: The bill authorizes counties with a population of less than 30,000 to levy an indigent care surtax of 0.5 percent, subject to a 1 percent cap, subject to an extraordinary vote of the county commission or conditioned to take effect only upon approval by a majority vote of the electors of the county voting in a referendum.

B. PRESENT SITUATION:

Local Discretionary Sales Surtaxes

Section 212.055, F.S., authorizes counties to impose seven local discretionary sales surtaxes (taxes) on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, and admissions. The sales amount is not subject to the tax if the property or service is delivered within a county that does not impose a surtax. In addition, the tax is not subject to any sales amount above \$5,000 on any item of tangible personal property and on long distance telephone service. This \$5,000 cap does not apply to the sale of any other service. The Department of Revenue (DOR) is the agency required to administer, collect, and enforce all sales taxes. Collections received by the department are returned monthly to the county imposing the tax.

The tax rates, duration, method of imposition, and proceed uses are individually specified in s. 212.055, F.S. TABLE 1 identifies the seven taxes, the rate limits, the number of counties authorized to impose, and the number of counties actually imposing the tax. The statutorily established maximum combined rate for the Local Government Infrastructure Surtax, the Small County Surtax, the Indigent Care and Trauma Center Surtax, and the County Public Hospital Surtax is 1 percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined rate is 1.5 percent. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax is 2.5 percent. The School Capital Outlay Surtax is capped at 0.5 percent, and is not included in these tax rate caps.

**TABLE 1
Local Discretionary Sales Surtaxes**

<u>Tax</u>	<u>Authorized Levy (%)</u>	<u># Of Counties Authorized to Levy Tax</u>	<u># Of Counties Levying Tax</u>
Charter County Transit System Surtax	Up to 1%	5	1

<u>Tax</u>	<u>Authorized Levy (%)</u>	<u># Of Counties Authorized to Levy Tax</u>	<u># Of Counties Levying Tax</u>
Local Government Infrastructure Surtax	0.5% or 1%	67	28
Small County Surtax	0.5% or 1%	31	17
Indigent Care & Trauma Center Surtax	Up to 0.5%	5	1
County Public Hospital Surtax (Miami-Dade County)	0.5%	1	1
School Capital Outlay Surtax	Up to 0.5%	67	8
Voter-Approved Indigent Care Surtax	0.5% or 1%	61	0

(Source: Legislative Committee on Governmental Relations, 2/2002)

Voter-Approved Indigent Care Surtax

Chapter 2000-312, L.O.F., created s. 212.055(7), F.S., relating to voter-approved indigent care surtax, authorized counties with a total population of less than 800,000 to levy the surtax subject to voter approval in a countywide referendum. This surtax is one of several surtaxes subject to a combined rate limitation. A county eligible to levy this surtax is prohibited from levying it, the Local Government Infrastructure Surtax, and/or the Small County Surtax in excess of a combined rate of 1 percent. However, if a publicly supported medical school is located within the county, the tax rate is capped at 1 percent (public supported medical schools are located in Alachua, Hillsborough, and Leon Counties). The proceeds of the tax are to be used to fund health care services for the medically poor.

To levy the surtax, an ordinance must be adopted by the governing board providing for the imposition of the surtax and the levy can take effect only upon approval by a majority vote of the electors in a county-wide referendum. The ordinance must contain a plan for providing health care services to qualified residents.

“Qualified residents” means residents of the authorizing county who are:

- Qualified as indigent persons as certified by the authorizing county;
- Certified by the authorizing county as meeting the definition of medically poor. The term “medically poor” is defined as those persons having insufficient income, resources, and assets to provide the needed medical care without using resources required to meet basic needs for shelter, food, clothing, and personal expenses; or not being eligible for any other state or federal program, or having medical needs that are not covered by any such program; or having insufficient third-party insurance coverage; or
- Participating in innovative, cost-effective programs approved by the county.

A plan and its subsequent amendments must fund a broad range of health care services for indigent persons and the medically poor, including, but not limited to, primary care and preventative care, as well as hospital care. The plan must emphasize a continuity of care in the most cost-effective setting, taking into consideration a high quality of care and geographic access. Section 212.055(7), F.S., also specifies objectives for the plan where consistent with the plan.

Currently, 61 counties are eligible by population to levy the Voter-Approved Indigent Care Surtax. The only counties not eligible by population are: Broward, Hillsborough, Miami-Dade, Orange, Palm Beach, and Pinellas. Of the 61 remaining counties, none are at their statutory cap for levying a local option surtax. In addition, none of the 61 counties have levied the surtax.

As with the other surtaxes, the Department of Revenue is required to collect and remit the tax proceeds to the Clerk of the court, who must deposit the funds in an indigent health care trust fund, invest the deposits as prescribed in general law, and disburse the funds to qualified providers of health care services.

Counties With A Population of 30,000 or less

Of the 67 counties in Florida, the following 19 counties have an "Adjusted 2000 Census Count" population of 30,000 or less: Baker, Bradford, Calhoun, Dixie, Franklin, Gilchrist, Glades, Gulf, Hamilton, Hardee, Holmes, Jefferson, Lafayette, Liberty, Madison, Taylor, Union, Wakulla, and Washington. [Note: For actual adjusted population counts, see TABLE 2 in SECTION III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT.]

(Source, Legislative Committee on Intergovernmental Relations, 2/2000)

Division of Bond Finance, State Board of Administration

Section 215.62, F.S., authorizes the Division of Bond Finance, to do the following:

- Issues bonds for or on behalf of state agencies and authorities unless law provides otherwise;
- Administers the volume cap allocation for private activity bonds;
- Provides an arbitrage compliance program for state bond issues;
- Provides technical assistance on new financing programs and legislative proposals;
- Maintains a system for local government bond issuance reporting; and
- Provides coordination for continuing bond disclosure filings.

C. EFFECT OF PROPOSED CHANGES:

HB 1549 expands authority for the levy of an indigent care surtax at a rate of no more than 1 percent for counties with a population of less than 30,000 upon extraordinary vote of the county commission or conditioned to take effect upon approval by a majority vote of the electors of the county voting in a referendum.

The bill authorizes counties with a population of less than 30,000 to utilize the services of the Division of Bond Finance of the State Board of Administration to issue bonds, and limits the issue of such bonds to not more than once a year.

The bill authorizes counties with a population of less than 30,000 to utilize the surtax revenues and interest accrued to service bond indebtedness incurred to finance, plan, construct, or reconstruct a public hospital in the county, including costs associated with land acquisition, land improvement, design, or engineering costs, if the county commission determines that the currently existing public hospital would otherwise cease to operate.

The bill expands the cap of 1.5 percent, currently applicable only to counties with a publicly supported medical school located within the county, to also include counties with a population of less than 30,000 residents.

The bill's effective date is October 1, 2002.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends subsection (7) of section 212.055, F.S., related to voter-approved indigent care surtaxes.

Creates paragraph (c) to authorize counties with a population of fewer than 30,000 residents to levy an indigent care surtax upon the extraordinary vote of the county commission or conditioned upon approval by a majority vote of the electors in a referendum. Expands the uses of the revenue and interest collected by counties with a population of less than 30,000 to authorize the issuance of bonds through the Division of Bond Finance of the State Board of Administration, on a not more than annual basis. Authorizes any county that has a population of less than 30,000 at the time the bonds are authorized to retain the authority granted under this section related to bonds, including the term of any refinancing bonds, regardless of subsequent increases in population. Caps the rate of the surtax levied at 1 percent.

Redesignates paragraph (c) as paragraph (d) and updates a statutory cross-reference. In addition, for counties with a population of less than 30,000, expands the plan for providing health care services to include, upon extraordinary vote of the county commission, usage of the surtax for providing for some or all of the revenues and interest accrued to service bond indebtedness incurred to finance, plan, construct, or reconstruct a public hospital in the county, including the costs associated with land acquisition, land improvement, design, or engineering costs, if the county commission has determined that "a currently existing public hospital would, more likely than not, otherwise cease to operate."

Redesignates paragraph (d) as paragraph (e) and makes grammatical changes in the subsection.

Redesignates paragraph (e) as paragraph (f) and adds new subparagraph (4), to require the Clerk of the Court to disburse the funds, including interest, to service any bond indebtedness authorized by this section, upon receiving a directive from the authorizing county. Specifies that such directive may be irrevocably given at the time the bond indebtedness is incurred.

Redesignates paragraph (f) as paragraph (g) and expands the cap of 1.5 percent, currently applicable only to counties with a publicly supported medical school located within the county, to also include counties with a population of less than 30,000 residents.

Section 2. Provides an effective date of October 1, 2002.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

According to the Division of Bond Finance, a portion of the bond proceeds will be used to cover the bond issuance expenses by the division.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

TABLE 2
Estimates of Additional Local Option Sales Tax Revenue Capacity
In Local Fiscal Year 2001-02
Assuming the provisions of HB 1549 were currently in Law

Counties Having a Population Less than 30,000 listed in order of population (highest to lowest)	2001 Population Estimate	Current Local Option Sales Tax Rate*	Additional Tax Rate Capacity in FY 2001-02**	Additional Tax Revenue Capacity in FY 2001-2002***
Hardee	26,921	1.0%	0.5%	\$ 715,630
Bradford	26,080	1.0%	0.5%	\$ 716,455
Wakulla	23,807	1.0%	0.5%	\$ 481,685
Baker	22,807	1.0%	0.5%	\$ 567,345
Washington	21,437	1.0%	0.5%	\$ 571,999
Taylor	19,521	1.0%	0.5%	\$ 788,955
Madison	18,862	1.0%	0.5%	\$ 430,020
Holmes	18,714	1.0%	0.5%	\$ 351,095
Gulf	14,952	0.0%	1.0%	\$ 735,099
Gilchrist	14,699	1.0%	0.5%	\$ 254,402
Dixie	14,059	1.0%	0.5%	\$ 279,885
Hamilton	13,731	1.0%	0.5%	\$ 257,279
Union	13,521	1.0%	0.5%	\$ 223,109
Calhoun	13,073	1.0%	0.5%	\$ 300,191
Jefferson	13,043	1.0%	0.5%	\$ 255,668
Franklin	11,197	0.0%	1.0%	\$ 963,817
Glades	10,612	1.0%	0.5%	\$ 151,153
Liberty	7,132	1.0%	0.5%	\$ 89,115
Lafayette	7,057	1.0%	0.5%	\$ 126,278
TOTAL				\$8,259,179

Notes

*This percentage reflects the current combined tax rate of the s. 212.055(2), (3), and (7) local option sales taxes in those counties having a population fewer than 30,000.

**Although the maximum combined tax rate of the s. 212.055(2), (3), and (7) local option sales taxes in these respective counties would total 1.5 percent under the provisions of this bill, the maximum s. 212.055(7) tax rate in any given county is 1.0 percent.

***The dollar figures represent the estimated distribution to each county in the current year assuming the provisions of HB 1549 were current law and each eligible county imposed the maximum rate possible.

(Source: Legislative Committee on Intergovernmental Relations, 2/2002)

Counties imposing this discretionary sales surtax will have additional resources to provide health care services to the poor and medically indigent and to provide funds for the financing, planning, construction, or reconstruction of a public hospital located within the county.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

To the extent the moneys were used to provide additional services or bond public hospital construction or renovations, there would be increased private sector activity.

Any county that levies this tax will require consumers to pay an increased sales tax on eligible purchases.

D. FISCAL COMMENTS:

N/A

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:

This bill does not reduce the authority that municipalities or counties have to raise revenue in the aggregate.

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

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

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

Section 212.055(7)(a), F.S., provides that an indigent care surtax can be levied at a rate "up to" 0.5 percent. If a county chooses to levy a surtax at a tax rate of other than 1.0 percent (in total combined with other discretionary sales surtaxes), the department must provide the bracket rates by rule. According to the Department of Revenue, to enable the department to operate more efficiently, s. 212.12(11), F.S., relating to tax returns and regulations, should be changed to permit the department to establish and post to their internet site new bracket rates for chapter 212, F.S., without requiring rulemaking.

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C. OTHER COMMENTS:

On February 2, 2002, the Senate Committee on Comprehensive Planning, Local and Military Affairs adopted a CS for SB 1374, the companion bill for HB 1549. The CS deleted the requirement of an extraordinary vote of the county commission to levy the surtax and added the requirement that the surtax be conditioned to take effect only upon approval by a majority vote of the electors of the county voting in a referendum. The CS did not change the requirement that the county commission could, by extraordinary vote, use the surtax revenues and interest accrued for servicing bond indebtedness incurred to finance, plan, construct, or reconstruct a public hospital in the county and for use related to land acquisition, land improvement, design, or engineering costs related thereto, upon a determination by the county commission that a currently existing public hospital would, more likely than not, otherwise cease to operate.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON HEALTH PROMOTION:

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