

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 2512

SPONSOR: Appropriations Committee and Senator Lee

SUBJECT: Service Charge on General Revenue

DATE: March 25, 2004 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------------|----------------|-----------|------------------|
| 1. | <u>Wilson</u> | <u>Wilson</u> | <u>GO</u> | <u>Favorable</u> |
| 2. | _____ | _____ | <u>FT</u> | <u>Withdrawn</u> |
| 3. | <u>Barrett</u> | <u>Coburn</u> | <u>AP</u> | <u>Fav/CS</u> |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |
| 6. | _____ | _____ | _____ | _____ |

I. Summary:

The bill applies a uniform service charge to all state trust funds for transfer to the General Revenue Fund to fund the general government operating costs. The bill provides exceptions to the revised service charge and deletes provisions authorizing lower service charges and exemptions for specific trust funds.

This bill substantially amends the following sections of the Florida Statutes: ss. 11.045, 20.2553, 112.3215, 215.211, 215.20, 215.22, 215.24, 250.175, 339.082, 365.173, 372.106, 372.107, 373.472, 464.0198, 498.019, 561.027, 570.205, 576.045, 932.705, 943.365, 946.522, and 1013.63.

II. Present Situation:

The imposition of service charges on named trust funds began in 1941 when the initial rate was set at 3 percent.¹ The succeeding rate changes that occurred in 1961, 1979, 1983, and 1990 brought the services charges to their current level of 7 percent plus an additional 0.3 percent assessed on selected funds. The charge paid by the trust funds is paid to the General Revenue Fund to offset the cost of general government. These general government operating costs include, but are not limited to, the Legislature, Governor, State Court System, including state attorneys and public defenders, public safety entities, including corrections, juvenile justice, and some law enforcement, and education. The service charge applies to the initial deposits into each trust fund and is not charged again if the moneys are transferred.

¹ Florida Senate Finance and Taxation Committee, “2004 Florida Tax Handbook Including Fiscal Impact of Potential Changes, Tallahassee, FL, 2004 ed., 124.

In order to fund *Mobility 2000*, service charges imposed on collections of motor fuel and diesel fuel taxes, local option fuel taxes, auto title fees, and the \$100 “new-wheels-on-the-road” fee were eliminated. Effective July 1, 2000, the 7.3 percent General Revenue service charge was eliminated on the Fuel Tax Collection Trust Fund for motor fuel and diesel fuel collections and on the \$24 original certificate of title fee and each duplicate copy. Effective July 1, 2001, the 7.3 percent General Revenue service charge was eliminated on SCETS² tax collections and on the \$100 “new-wheels-on-the-road” fee. The service charge on local option fuel tax collections is phased out over a two-year period. Effective July 1, 2005 through June 30, 2006, the General Revenue service charge rate is reduced from 7.3 percent to 3.5 percent and effective July 1, 2006, and thereafter, the 3.5 percent General Revenue service charge is eliminated.

The University Concurrency Trust Fund, found at s. 1013.63, F.S., was originally created in 1993 as the State University System Concurrency Trust Fund (s. 240.156, F.S.). It is funded by depositing the General Revenue service charge on local option fuel tax collections in the Trust Fund rather than in the General Revenue Fund. This funding will be reduced in 2005-2006 and eliminated in 2006-2007 as the service charge on those taxes is reduced to zero (as described in the paragraph above) to fund county transportation programs, as provided in s. 215.211, F.S.

Section 215.20, F.S., imposes a service charge of 7 percent on all trust fund income of a revenue nature except for those funds listed in s. 215.22, F.S. That latter section exempts all trust funds in the Department of Labor,³ Department of Education, and the Department of Transportation, as well as several types of receipts to any trust fund. It exempts fourteen trust funds in the Departments of: Agriculture and Consumer Services; Management Services; Veterans’ Affairs; Highway Safety and Motor Vehicles; Environmental Protection; and Health.

Additionally, s. 215.20, F.S., specifies trust funds in the Department of Agriculture and Consumer Services and the Department of Citrus that are to pay a lower service charge of 3 percent and specifies over 100 trust funds that are to pay a higher service charge of 7.3 percent.

Section 215.24, F.S., exempts those trust funds that receive federal matching contributions.

The Senate Finance and Taxation Committee report indicates the following history of collections:

General Revenue Service Charges, Analysis of Collections, FY 99 - FY 05⁴

| Fiscal Year | Regular 7% or 7.3% | Motor and Diesel 7.3% | Agriculture and Citrus 3% | TOTAL |
|----------------------|---------------------------|------------------------------|----------------------------------|---------------|
| 2004-05 ⁵ | | | | \$375,000,000 |
| 2003-04 ⁶ | | | | 396,700,000 |
| 2002-03 | \$386,244,734 | \$13,329,648 | \$4,842,555 | 386,416,937 |
| 2001-02 | 328,995,609 | 13,037,712 | 4,920,822 | 346,954,143 |

² State Comprehensive Expanded Transportation System Tax.

³ Since renamed the Agency for Workforce Innovation.

⁴ Id. at 123.

⁵ Estimated

⁶ Estimated

| | | | | |
|---------|-------------|------------|-----------|-------------|
| 2000-01 | 347,299,581 | 12,652,766 | 4,771,734 | 364,724,081 |
| 1999-00 | 338,333,643 | 66,709,115 | 4,670,120 | 409,712,878 |

III. Effect of Proposed Changes:

The bill applies a uniform General Revenue service charge to all state trust fund income, provides exceptions to the uniform charge, and deletes provisions authorizing reduced service charges or exemptions for specific trust funds, as follows:

Section 1. Section 215.20, F.S., is amended to apply a uniform 7.3 percent General Revenue service charge for all trust funds unless one of the following exceptions applies:

- Federal programs prohibit the service charge;
- Bond covenants prohibit the service charge;
- The named trust fund is holding money in a trustee or fiduciary capacity for individuals or organizations;
- The Governor determines that federal matching funds, contributions, or private grants to any trust fund would be lost to the state;
- Revenues are received into the Administrative Trust Fund of the Department of the Lottery; or
- Revenues to the trust fund are shared with local governments or are received from taxes or fees levied by local governments, unless such revenues were subject to the service charge in 1990 or are subject to the service charge pursuant to other statutes.

Amendments to this section also eliminate the lesser service charge of 3 percent and the 0.3 percent service charge imposed on specific trust funds.

Section 2. This section repeals ss. 215.211, 215.222, and 215.24, F.S., that collectively provide exemptions to the General Revenue service charge, and exceptions to its imposition, that no longer will be applicable based upon the revisions made to s. 215.20, F.S., above.

Section 3. This section amends s. 11.045, F.S. to remove the exemption from the General Revenue service charge for the Legislative Lobbyist Registration Trust Fund in the Legislature.

Sections 4, 6, 7, 10, 14, 15, 17, and 18. These sections amend ss. 20.2553, 250.175, 339.082, 372.107, 561.027, 570.205, 932.705, and 943.365, F.S., to remove the exemption from the General Revenue service charge for the Federal Law Enforcement Trust Fund in the Departments of: Environmental Protection; Military Affairs; Transportation; Fish and Wildlife Conservation Commission; Business and Professional Regulation; Agriculture and Consumer Services; Highway Safety and Motor Vehicles; and Law Enforcement.

Section 5. This section amends s. 112.3215, F.S. to remove the exemption from the General Revenue service charge for the Executive Branch Lobby Registration Trust Fund in the Legislature.

Section 8. This section amends s. 365.173, F.S., to remove the exemption from the General Revenue service charge for the Wireless Emergency Telephone System Trust Fund in the State Technology Office.

Section 9. This section amends s. 372.106, F.S., to remove the exemption from the General Revenue service charge for the Dedicated License Trust Fund in the Fish and Wildlife Conservation Commission.

Section 11. This section amends s. 373.472, F.S. to remove the exemption from the General Revenue service charge for the Save Our Everglades Trust Fund in the Department of Environmental Protection.

Section 12. This section amends ss. (1) of s. 464.0198, F.S., so that moneys deposited into the Florida Center for Nursing Trust Fund from contributions pursuant to s. 464.0195(3), F.S., are exempt from the service charge. Section 464.0195(3), F.S., includes a provision on initial and renewal applications for nurses in which they may donate money to the Florida Center for Nursing which are then routed through this named trust account.

Section 13. This section amends s. 498.019, F.S., to remove unnecessary language that requires the Division of Florida Land Sales, Condominiums, and Mobile Homes Trust Fund to operate according to s. 215.20, F.S. With the uniform service charge imposed by that amended section, this trust fund already is included and will pay the 7.3 percent that it currently does.

Section 16. This section amends s. 576.045(2)(c), F.S., to remove the exemption from the General Revenue service charge for the General Inspection Trust Fund in the Department of Environmental Protection.

Section 19. This section amends s. 946.522, F.S. to remove the exemption from the General Revenue service charge for the Prison Industries Trust Fund in the Department of Financial Services.

Section 20. This section amends s. 1013.63, F.S., to remove the exemption from the General Revenue service charge for the University Concurrency Trust Fund in the Department of Education. The section is further amended to provide that revenues raised by any local option motor fuel tax levied are no longer deposited into that fund and that moneys may be appropriated to it.

Section 22. The act takes effect July 1, 2005.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None. This bill continues the current statutory exemptions from the service charge for state revenues shared with counties and municipalities and for taxes and fees levied by counties and municipalities, if those moneys were not subject to the service charge in 1990.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The bill consolidates the authorization for the imposition of service charges on named trust funds. In so doing, the cumulative effect, discussed below, is to apply the same uniform rate of 7.3 percent to funds that now have imposed either the full or fractional rates.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Applying the 7.3 percent General Revenue service charge to all state trust funds will generate additional recurring revenue for the General Revenue Fund and will reduce moneys available to trust funds in an identical amount. The Estimating Conference has reviewed this bill. Based on their research, the bill will generate \$238.7 million in additional service charge deposited into the General Revenue Fund in the 2005-2006 fiscal year and \$265.5 million in 2006-2007. Trust fund revenues will decrease by the same amount that service charges to the General Revenue Fund increase.

The major trust funds affected by this bill (over \$2 million) are:

| <u>Dept.</u> | <u>Fund</u> | <u>Service Charge</u> |
|--------------|---|-----------------------|
| DOR | Fuel Tax Collection Trust Fund | \$122.6 million |
| | distributed to the State Transportation Trust Fund | |
| HSMV | Motor Vehicle License Revenues | \$46.8 million |
| | distributed to the State Transportation Trust Fund | |
| DOR | Local Option Fuel Tax Trust Fund | \$26.8 million |
| | distributed to the State Transportation Trust Fund | |
| HSMV | Initial Registration Fee | \$10.8 million |
| | distributed to the State Transportation Trust Fund | |
| HSMV | Mobile Home & Recreational Vehicle Trust Fund | \$8.1 million |
| | \$21 title fee distributed to the State Transportation Trust Fund | |
| HSMV | International Registration Clearing Trust Fund | \$2.9 million |
| DOT | State Transportation Trust Fund | \$2.4 million |
| Citrus | Citrus Advertising Trust Fund | \$2.2 million |

DOR Documentary Stamp Tax Clearing Trust Fund

\$2 million

Note that although this bill does not affect service charges deposited into the General Revenue Fund until 2005-2006, because the state's official revenue forecast is based on projected revenue changes over the next five years, the revenue projection for 2004-2005 will be affected. Specifically, while the total General Revenue Fund estimated revenues will not increase for 2004-2005, \$265.5 million will be considered recurring instead of non-recurring.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
