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.)

Prepared By: Community Affairs Committee

BILL: SB 1612

INTRODUCER: Senator Baker and others

SUBJECT: Fiscally Constrained Counties

DATE: March 1, 2006 REVISED: 3/14/06

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Vickers	Yeatman	CA	**Fav/2 amendments**
2.			CM	
3.			GE	
4.			TA	
5.			WM	
6.				

Please see last section for Summary of Amendments

- [ ] Technical amendments were recommended
- [X] Amendments were recommended
- [ ] Significant amendments were recommended

I. Summary:

This bill revises the definition of "fiscally constrained county" from a county where one mill of taxation raises less than $3 million to a county in which one mill of taxation raises less than $4 million. The bill designates 0.082 percent of the available sales tax revenue for distribution to fiscally constrained counties. These funds (approximately $16 million) will be distributed by the Department of Revenue using a formula that factors in both the revenue-raising potential of one mill, measured on a per capita basis, and a local-effort factor based on the county-wide operating millage levied. Counties that cease to qualify for funds under this bill will be granted a two year phase-out period in which their distributions under this bill will gradually cease. Finally, the bill provides these funds will be available to the counties for any purpose except bonding.

The bill also appropriates $2 million from the General Revenue Fund for the 2006-2007 fiscal year to the Office of Tourism, Trade, and Economic Development for the implementation of the rural priority recommendation within the statewide strategic economic development plan.

This bill substantially amends sections 212.20, 218.65, 288.0656, 288.1169, and 985.2155 of the Florida Statutes. This bill creates section 218.67 of the Florida Statutes.

II. Present Situation:

Section 212.20(6), F.S., provides for the distribution of certain tax proceeds generated through ch. 212, F.S., (taxes on sales, use, and other transactions) and s. 202.18, F.S. (taxes on communications services). Currently, this section contains a number of set-asides for specified purposes. This section does not presently authorize the distribution of tax proceeds specifically to fiscally constrained counties.

Section 218.65, F.S., authorizes the emergency distribution of funds from the Local Government Half-cent Tax Clearing Trust Fund to qualified county governments (in addition to its regular monthly distribution). This section establishes criteria for the finding of a fiscal emergency.

Section 288.0656, F.S., establishes the Rural Economic Development Initiative (REDI) to assist economically distressed rural communities. REDI is housed in the Governor's Office of Tourism, Trade, and Economic Development where it coordinates the efforts of state and regional agencies working to assist qualified communities.

Section 985.2155, F.S., which provides for shared county and state responsibility for juvenile detention, currently defines “fiscally constrained county” to mean a county designated as a rural area of critical economic concern under s. 288.0656, F.S., for which the value of a mill in the county is no more than $3 million, based on the property valuations and tax data annually published by the Department of Revenue under s. 195.052, F.S.

III. Effect of Proposed Changes:

Section 1 amends s. 212.20(6), F.S., to provide that 0.082 percent of the available sales tax revenue shall be transferred to the Local Government Half-cent Sales Tax Clearing Trust Fund and distributed to fiscally constrained counties. This transfer will occur after the set asides listed in subparagraphs 1, 2, 3, and 4 of s. 212.20(6)(d), F.S. The Revenue Estimating Conference has estimated that the amount available to fiscally constrained counties will be approximately $16 for fiscal year 2006-07.

Section 2 amends s. 218.65, F.S., to revise eligibility requirements for the emergency distribution of funds from the Local Government Half-cent Sales Tax Clearing Trust Fund. Specifically, the bill provides that eligible counties must: (1) have a population of 65,000 or less; and (2) the moneys distributed to the county pursuant to s. 218.62, F.S., for the prior fiscal year were less than the current per capita limitation.

This section also allows a county that becomes ineligible for the emergency distribution under s. 218.65, F.S., because its population has increased to more than 65,000, will receive transitional distributions for 2 years, if money deposited in the Local Government Half-Cent Sales Tax Clearing Trust Fund exceeds the amount necessary to provide base allocations to each eligible county. In the first year the transitional distribution will equal two-thirds of the amount it received in the prior year; in the second year it will equal one-third of the amount it received the last year its population was less than 65,000. If the moneys in the trust fund are insufficient to provide a transitional distribution to each eligible county, each eligible county is to receive a share of the available moneys proportional to the amount it would have received had moneys been sufficient to fully provide a transitional distribution to all eligible counties.

Section 3 creates s. 218.67, F.S., which provides that each county for which the value of a mill will raise no more than $4 million in revenue, based on the property valuations and tax data published by the Department of Revenue will be considered a "fiscally constrained county". [1] The bill authorizes each fiscally constrained county that participates in the local government half-cent sales tax to be eligible to receive an additional distribution for the Local Government Half-Cent Sales Tax Clearing Trust Fund. This amount is in addition to its regular monthly distribution and any emergency distribution under s. 218.65, F.S.

These funds will be distributed by the Department of Revenue using a formula that factors in both the revenue-raising potential of one mill, measured on a per capita basis, and a local-effort factor based on the county-wide operating millage. Specifically, the bill provides funds will be distributed based on the following factors:

- The relative revenue-raising-capacity factor (the ability of the eligible county to generate ad valorem revenues from one mill of taxation on a per capita basis). Provides the values to be assigned to counties based on the county's ability to raise funds on a per capita basis from one mil.

- The local-effort factor (a measure of the relative level of local effort of the eligible county as indicated by the latest available millage rate). The local-effort factor is the most recently adopted countywide operating millage rate for each eligible county multiplied by 0.1.

- Each county's proportional allocation of the total amount available for distribution to all eligible counties. The amount available to each eligible county is to be in the same proportion as the sum of the county's two factors to the sum of the two factors for all eligible counties. Counties participating in the phase-out period for counties that no longer meet the eligibility requirements will not be included in the total of the factors for all eligible counties.

Counties that cease to qualify for funds under this bill will be granted a two year phase-out period in which their distributions under this bill will be reduced. In the first year after a county ceases to qualify it will receive two-thirds of the amount received in the prior year and in the second year it will receive an amount equal to one-third of the amount received during the last year in which they qualified. Finally, these funds will be available to the counties for use for any purpose except to pay debt service on bonds.

Section 4 amends s. 288.0656, F.S., to provide that the Office of Tourism, Trade, and Economic Development may accept and administer moneys to support the implementation of the rural priority recommendation within the statewide strategic economic development plan as provided

[1] The following counties meet this definition of a "fiscally constrained county": Liberty, Lafayette, Union, Calhoun, Holmes, Jefferson, Dixie, Gilchrist, Madison, Glades, Baker, Hamilton, Washington, Bradford, Wakulla, Taylor, Suwannee, Gadsden, Jackson, De Soto, Hardee, Levy, Okeechobee, Columbia, Hendry, Gulf, Franklin, Sumter, Putnam, Highlands.

in s. 288.905, F.S., including the development of significant regional economic development projects in each of the designated rural areas of critical economic concern. This section authorizes the Office to contract with Enterprise Florida, Inc., for the performance of specified services.

Section 5 amends s. 288.1169, F.S., to correct a cross-reference.

Section 6 amends s. 985.2155, F.S., to amend the definition of a "fiscally constrained county" to remove the requirement that the county be designated as a rural area of critical economic concern under s. 288.0656, F.S. The definition is further amended to increase the value of a mill to be no more than $4 million, based on property valuations and tax data published by the Department of Revenue pursuant to s. 195.052, F.S.

Section 7 appropriates $2 million from the General Revenue Fund for the 2006-2007 fiscal year to the Office of Tourism, Trade, and Economic Development for the implementation of the rural priority recommendation within the statewide strategic economic development plan.

Section 8 provides an effective date of July 1, 2006.

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:

The bill will distribute to fiscally constrained counties 0.082 percent of the state sales tax. This increase has been estimated to increase local government revenues by an annualized $16 million in fiscal year 2006-07.

The bill appropriates $2 million from the General Revenue Fund to for the 2006-07 fiscal year to the Office of Tourism, Trade, and Economic Development for the implementation of the rural priority recommendation within the statewide strategic economic development plan.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode 430608 by Community Affairs:
The amendment deletes a provision in the bill authorizing OTTED to administer funds appropriated for the rural priority recommendation within the statewide strategic economic development plan.

Barcode 933546 by Community Affairs:
The amendment deletes a $2 million appropriation to OTTED for implementation of the rural priority recommendation within the statewide strategic economic development plan.