

# 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: Government Efficiency Appropriations Committee

---

BILL: CS/SB 1612

INTRODUCER: Commerce and Consumer Services Committee, Senator Baker and others

SUBJECT: Fiscally Constrained Counties

DATE: March 30, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Vickers</u>	<u>Yeatman</u>	<u>CA</u>	<u>Fav/2 amendments</u>
2.	<u>Barrett</u>	<u>Cooper</u>	<u>CM</u>	<u>Fav/CS</u>
3.	<u>Keating</u>	<u>Johansen</u>	<u>GE</u>	<u>Favorable</u>
4.	_____	_____	<u>TA</u>	_____
5.	_____	_____	<u>WM</u>	_____
6.	_____	_____	_____	_____

---

## I. Summary:

This committee substitute 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 committee substitute 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 committee substitute will be granted a two year phase-out period in which their distributions under this committee substitute will gradually cease. Finally, the committee substitute provides these funds will be available to the counties for any purpose except bonding.

This committee substitute amends sections 212.20, 218.65, 288.1169, and 985.2155 of the Florida Statutes. This committee substitute creates section 218.67 of the Florida Statutes.

## II. Present Situation:

Chapter 212, F.S., imposes taxes on sales, use and other transactions. Section 212.20(6)(d), F.S., governs distributions of most of those funds collected by the Department of Revenue. Sales tax distributions are made in the following manner:

- 5.0% to the General Revenue Fund;
- 0.2% to the Ecosystem and Restoration Management Trust Fund;
- 8.814% to the Local Government Half-cent Sales Tax Clearing Trust Fund;
- 0.095% to certain counties pursuant to s. 218.65, F.S., the Emergency Distributions;

- 2.044% to the County Revenue Sharing Trust Fund;
- 1.3409% to the Municipal Revenue Sharing Trust Fund;
- \$29,915,500 to counties in equal shares of \$446,500 annually;
- \$166,667 distributed monthly (\$2 million annually) to each applicant who qualifies as a “facility for a new or retained professional sports franchise.” Distributions fund the following franchises:
  - Pro Player Stadium, home of the Florida Marlins;
  - Alltel Stadium, home of the Jacksonville Jaguars;
  - Tropicana Field, home of the Tampa Bay Devil Rays;
  - St. Pete Times Forum, home of the Tampa Bay Lightning;
  - Home Depot Stadium, home of the Florida Panthers;
  - Raymond James Stadium, home of the Tampa Bay Buccaneers; and
  - American Airlines Arena, home of the Miami Heat.
- \$41,667 distributed monthly (\$0.5 million annually) to each applicant who qualifies as a “retained spring training franchise.” Distributions fund the following franchises:
  - Philadelphia Phillies, Clearwater;
  - L.A. Dodgers, Indian River County;
  - Toronto Blue Jays, Dunedin;
  - Detroit Tigers, Lakeland; and
  - Houston Astros, Osceola County.
- \$166,667 distributed monthly (\$2 million annually) to the Professional Golf Hall of Fame;
- \$83,333 distributed monthly (\$1 million annually) to the International Game Fish Association World Center; and
- The remainder to the General Revenue Fund.

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 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.<sup>1</sup> There are three rural areas of critical economic concern in the state.

1. Area I: Gulf, Franklin, Liberty, Calhoun, Gadsden, Jackson, Holmes, and Washington counties; and the City of Freeport in Walton County.
2. Area II: Desoto, Glades, Hardee, Highlands, Hendry, and Okeechobee counties; the cities of Belle Glade, South Bay and Pahokee in Palm Beach County; and the unincorporated area of Immokolee in Collier County.
3. Area III: Jefferson, Taylor, Madison, Hamilton, Suwannee, Lafayette, Dixie, Levy, Gilchrist, Columbia, Baker, Union, Bradford, and Putnam counties.

---

<sup>1</sup> The following 28 counties meet this definition of a “fiscally constrained county”: Liberty, Lafayette, Union, Calhoun, Holmes, Jefferson, Dixie, Gilchrist, Madison, Glades, Baker, Hamilton, Washington, Bradford, Taylor, Suwannee, Gadsden, Jackson, De Soto, Hardee, Levy, Okeechobee, Columbia, Hendry, Gulf, Franklin, Putnam, and Highlands.

In order for a county to be designated a rural area of critical economic concern, the county must meet one of the following population requirements:

1. A population of 75,000 or less; or
2. A population of 100,000 or less that is contiguous to a county with a population of 75,000 or less.

### III. Effect of Proposed Changes:

**Section 1** amends s. 212.20(6)(d), 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 5% General Revenue Fund distribution; the 0.2% Ecosystem and Restoration Management Trust Fund distribution; the 8.814% Half-cent Sales Tax distribution; and the 0.095% Emergency Distribution. The Revenue Estimating Conference has estimated that the amount available to fiscally constrained counties will be approximately \$16 million 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 committee substitute 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. The bill also removes obsolete eligibility requirements from the bill.

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, to 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.”<sup>2</sup> The committee substitute 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

---

<sup>2</sup> The following 30 counties meet the committee substitute’s 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, and Highlands.

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 committee substitute 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 mill.
- 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 committee substitute will be granted a two year phase-out period in which their distributions under this committee substitute 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. 288.1169, F.S., to correct a cross-reference.

**Section 5** 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. This provision adds Sumter and Wakulla counties to the list of fiscally constrained counties. 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.

Not all counties designated as a "fiscally constrained county" are property tax poor. Franklin County has the highest county property tax base per capita in the state, with the 5<sup>th</sup> lowest county

millage rate.<sup>3</sup> Gulf County has the fourth highest county property tax base per capita in the state, with the 14<sup>th</sup> lowest county millage rate.<sup>4</sup>

**Section 6** 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:

The committee substitute will distribute to fiscally constrained counties 0.082 percent of the state sales tax revenue. The Revenue Estimating Conference has estimated that this distribution will increase local government revenues by \$16 million annually beginning in fiscal year 2006-07. Likewise, the state's General Revenue Fund will decrease by \$16 million annually beginning in fiscal year 2006-07.

B. Private Sector Impact:

None.

C. Government Sector Impact:

See chart below.

---

<sup>3</sup> 2005: Franklin County property tax per capita of \$1,256; millage rate of 4.0540.

<sup>4</sup> 2005: Gulf County property tax per capita of \$826; millage rate of 5.0952

**Estimated Distributions to Fiscally Constrained Counties**

County	Population 2005	2005 Value of 1 Mill	2005 Taxable Value Per Capita	Taxable Value Factor	2005 Millage Rate	Millage Factor	Total Weights	Distribution Amounts
UNION	10,244	\$ 186,467	18,203	1.00	10.0000	1	2	\$ 792,631
HOLMES	17,763	351,665	19,798	1.00	10.0000	1	2	792,631
CALHOUN	12,523	278,370	22,229	1.00	10.0000	1	2	792,631
GADSDEN	44,776	1,076,791	24,048	1.00	10.0000	1	2	792,631
BAKER	21,939	584,901	26,660	0.75	8.8299	0.88299	1.63299	647,180
JACKSON	43,478	1,175,248	27,031	0.75	8.3439	0.83439	1.58439	627,919
LAFAYETTE	6,265	170,647	27,238	0.75	10.0000	1	1.75	693,552
BRADFORD	23,712	674,446	28,443	0.75	9.5000	0.95	1.7	673,737
MADISON	18,050	515,575	28,564	0.75	10.0000	1	1.75	693,552
LIBERTY	5,911	174,194	29,469	0.75	10.0000	1	1.75	693,552
WASHINGTON	21,735	646,323	29,737	0.75	9.5000	0.95	1.7	673,737
GILCHRIST	15,382	463,249	30,116	0.50	10.0000	1	1.5	594,474
SUWANNEE	38,174	1,184,960	31,041	0.50	9.7000	0.97	1.47	582,584
COLUMBIA	58,915	1,887,141	32,032	0.50	8.7260	0.8726	1.3726	543,983
JEFFERSON	13,085	441,414	33,734	0.50	10.0000	1	1.5	594,474
DIXIE	14,100	486,298	34,489	0.50	10.0000	1	1.5	594,474
DESOTO	30,483	1,141,425	37,445	0.50	8.1000	0.81	1.31	519,174
PUTNAM	73,309	3,120,129	42,561	0.50	9.2000	0.92	1.42	562,768
LEVY	37,676	1,611,123	42,763	0.50	9.0000	0.90	1.40	554,842
WAKULLA	25,485	1,167,625	45,816	0.50	8.2500	0.825	1.325	525,118
HAMILTON	11,499	571,032	49,659	0.50	10.0000	1	1.5	594,474
SUMTER	66,398	3,387,814	51,023	-	7.7675	0.77675	0.77675	307,838
HENDRY	37,413	1,926,387	51,490	-	8.7500	0.875	0.875	346,776
OKEECHOBEE	35,761	1,847,711	51,668	-	7.1000	0.71	0.71	281,384
HARDEE	25,560	1,404,978	54,968	-	8.7064	0.87064	0.87064	345,048
TAYLOR	19,673	1,082,202	55,009	-	8.0760	0.8076	0.8076	320,065
GLADES	9,983	582,024	58,302	-	10.0000	1	1	396,316
GULF	13,336	2,670,903	200,278	-	5.0952	0.50952	0.50952	201,931
FRANKLIN	10,542	3,360,049	318,730	-	4.0504	0.40504	0.40504	160,524
				14.25		25.86953	40.11953	\$ 15,900,000

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

If the intent of this bill is that counties receiving the additional sales tax distribution are truly fiscally constrained, then the bill should be amended to eliminate Franklin and Gulf counties from the definition of “fiscally constrained county.”

---

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

---



## **VIII. Summary of Amendments:**

None.

---

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

---