

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: Education Committee

BILL: SB 2382

INTRODUCER: Senator Dockery

SUBJECT: Local Government Infrastructure Tax

DATE: April 21, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Vickers</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable</u>
2.	<u>Brown</u>	<u>Matthews</u>	<u>ED</u>	<u>Pre-meeting</u>
3.	_____	_____	<u>GE</u>	_____
4.	_____	_____	<u>WM</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Currently, proceeds of the Local Government Infrastructure Surtax are only allowed to be spent by the local taxing authority on local infrastructure needs. This bill provides that only a minimum of 50 percent of the proceeds is required to be expended for local infrastructure purposes.

Subject to obligations to retire or service bond indebtedness for bonds issued by the taxing authority before July 1, 2006, up to 35 percent of the remaining proceeds may be used to reduce property taxes under this bill. The general prohibition on using proceeds or interest is deleted, and this bill additionally authorizes up to 15 percent to be used for operational expenses. This bill specifies that the percentage used for operational expenses must not exceed the percentage used to reduce property taxes.

The bill stipulates that property taxes may not be increased for the first year or by more than three percent above the rollback rate in subsequent years during the period of the levy.

This bill substantially amends section 212.055 of the Florida Statutes.

II. Present Situation:

Discretionary Sales Surtax

Section 212.055, F.S., authorizes counties to impose one or more of seven local discretionary sales surtaxes on all transactions occurring in the county which are subject to the state tax

imposed on sales, use, services, rentals, and admissions. The tax rate, duration of levy, method of imposition, and use of proceeds and accrued interest vary and are set in statute.¹

Local Discretionary Sales Surtaxes	Authorized Levy
Charter County Transient System	Up to 1%
Local Government Infrastructure Surtax	0.5% or 1%
Small County Surtax	0.5% or 1%
Indigent Care and Trauma Center Surtax	Up to 0.5%
County Public Hospital Surtax	0.5%
School Capital Outlay Surtax	Up to 0.5%
Voter-Approved Indigent Care Surtax	Up to 0.5% or 1%

Section 212.055, F.S., provides maximum combined tax rates for the different surtaxes imposed. The Local Government Infrastructure Surtax, Small County Surtax, Indigent Care and Trauma Center Surtax, and County Public Hospital Surtax are maximized at a combined rate of one percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined maximum rate is 1.5 percent. The School Capital Outlay Surtax, capped at 0.5 percent, is not included in tax rate caps.

The Local Government Infrastructure Surtax (surtax) is authorized in s. 212.055(2), F.S., upon enactment of an ordinance by a majority of the members of the county governing authority and approval in a local referendum. If not provided for differently in the ordinance, the surtax may not be levied for more than 15 years.² The levy may be extended by majority vote in another referendum.

The term “infrastructure” includes:

- Any fixed capital expenditure or fixed capital outlay associated with the construction, reconstruction, or improvement of public facilities which have at least a five year life expectancy and any land acquisition, land improvement, design, and associated engineering costs;
- Vehicles, and associated equipment required to outfit the vehicle for its official use or that has at least a five year life expectancy; and
- Any expenditure for the construction, lease, or maintenance of, or provision of utilities or security for, court-related facilities.³

The referendum must include a general description of the projects to be funded by the surtax. Section 212.055(2)(d), F.S., limits the purposes for which the proceeds and any accrued interest can be used. Proceeds and accruals cannot be used for operational expenses, unless the county has a population of less than 75,000, and is required to close a landfill by Department of Environmental Protection order. Funds are generally only to be used by the school district or within the county and municipalities in the county to:

¹ s. 212.055, F.S.

² s. 212.055(2)(a)2., F.S.

³ s. 212.055(2)(d)2., F.S.

- Finance, plan, and construct infrastructure;
- Acquire land for public recreation or conservation or protection of natural resources;
- Finance the closure of certain county or municipally owned solid waste landfills;
- Retire or service county bond indebtedness related to prior infrastructure construction; and
- Use up to 15 percent to fund economic development projects if specifically provided for in referendum.

Local Infrastructure Surtax by County

Based on 2005-2006 school district five year workplans, 25 school districts levy the local infrastructure surtax. These counties are: Bay, Brevard, Charlotte, Clay, Duval, Escambia, Flagler, Gulf, Hernando, Hillsborough, Jackson, Lake, Leon, Manatee, Marion, Monroe, Orange, Osceola, Palm Beach, Pasco, Polk, Santa Rosa, Sarasota, Seminole, and Volusia. In 2005-2006, the school districts project revenues of \$607.8 million in one-half cent and one cent sales surtax.

III. Effect of Proposed Changes:

The bill amends s. 212.055, F.S., to provide that at least 50 percent of the revenue from the Local Government Infrastructure Surtax must be used for the approved infrastructure projects. The bill authorizes taxing authorities, subject to any obligation to retire or service bond indebtedness, to use up to 35 percent of the funds to reduce property taxes and up to 15 percent for operational expenses.

This bill specifies that operational expenses are not to exceed the percentage used to reduce property taxes. If a taxing authority elects to use funds for operational expenses, the taxing authority is not authorized to increase property taxes above the rollback rate for the first year following the year in which funds are used for operational expenses, or to increase property taxes more than three percent above the rollback rate in subsequent years.

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:

This bill could result in reduced property taxes for property owners in certain counties. The fiscal impact of the bill is indeterminate.

C. Government Sector Impact:

This bill gives local governments the option to redistribute proceeds from a current revenue source, the Local Government Infrastructure Surtax, to fund operational expenses and reduce property taxes.

According to the Department of Education, this bill could potentially reduce the school district's ability to provide needed infrastructure by as much as 50 percent compared to the 2005-2006 level. Based on school district estimates, if up to 35 percent can be used to reduce property tax, in the amount of \$212.7 million, and up to 15 percent can be used for operational expenses, in the amount of \$91.2 million, the total amount available for meeting infrastructure needs could be reduced by as much as \$303.9 million. Based on districts' five year workplans, consisting of 2005-2006 actual and projections through 2009-2010, estimated potential revenue reaches \$1.4 billion. In total, implementation of this bill could divert up to \$1.2 billion from capital outlay projects.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

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