# The Florida Senate

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Committee on Finance and Tax

## STATE REVENUES SHARED WITH LOCAL GOVERNMENTS: A STATE-BY-STATE COMPARISON


### SUMMARY

The State of Florida shares a variety of state revenue collections with cities, counties, and school districts. The sharing of state revenues began in 1931, with the sharing of 3-cents per gallon of the state's motor fuel tax with counties.[1] In fiscal year 2005-06 the total for Florida "own source" revenue collections was $44,585.3 million.[2] Of that total, $3,962.8 million was shared with cities, counties, and school districts, which represents 8.9 percent of total "own source" state revenues. The purpose of this report is to compare Florida's state shared revenues with local governments to other state's similar programs. A survey was sent to the Departments of Revenue of the forty-nine other states, requesting fiscal year 2005 revenue data on state revenues shared with local governments. Florida falls in the middle in the percentage of state "own source" revenues shared with local governments and is, in fact, slightly above the national average. Florida's state shared revenues have remained stable over the years, and when cigarette tax and intangibles tax revenues began to decline, the Legislature replaced those revenue sources with a percentage of the state sales and use tax, an inherently more stable and growing source than the revenues replaced.


### BACKGROUND

**Local Government Half-Cent Sales Tax**

The Local Government Half-cent Sales Tax Program, which was created in 1982,[3] is the largest of the state-shared revenues authorized by the Legislature. The general state sales tax rate was increased from 4 percent to 5 percent effective May 1, 1982, and for the first time, a portion of the proceeds were distributed annually to eligible municipal and county governments.[4] Each participating county or municipal government received one-half of the 1 cent increase in the sales and use tax, referred to as the "local government half-cent sales tax."[5] The program's primary purpose is to provide relief from ad valorem and utility taxes in addition to providing counties and municipalities with revenues for local programs.[6] The half-cent sales tax program consists of three distributions of state sales tax revenue collections. The *ordinary* distribution equals 8.714 percent of net sales tax proceeds and is deposited into the Local Government Half-cent Sales Tax Clearing Trust Fund.[7] The *emergency* and *supplemental* distributions equal 0.095% of net sales tax proceeds.[8] In 1994, the *emergency* distribution to counties was changed from an annual general revenue appropriation of not less than $5.5 million to 0.054 percent of net sales tax proceeds.[9] Section 92 of ch. 2003-402, L.O.F., changed the emergency distribution to the current rate of 0.095%. Only those county and municipal governments that meet eligibility requirements for revenue sharing pursuant to s. 218.23, F.S., may participate in the program.[10]

Effective January 1, 1988, the general state sales tax rate was increased from 5 percent to the current rate of 6 percent and the *ordinary* distribution of the half-cent sales tax was increased from 9.697 percent to 9.888

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[1] Section 3 of ch. 15659, 1931, L.O.F.
[2] Florida Revenue Estimating Conference, Revenue Analysis FY 1970-71 Through FY 2014-15, Vol. 21, Fall, 2005, Table 2.7 Total Direct Revenue.
[3] Section 10 of ch. 82-154, L.O.F.
[4] Deposits into the Local Government Half-cent Sales Tax Clearing Trust Fund began on October 1, 1982.
[5] Section 10 of ch. 82-154, L.O.F.
[6] FLCIR, 2005 Local Government Financial Information Handbook, p. 61.
[7] Section 212.20(6)(d)3., F.S.
[8] Section 212.20(6)(d)4., F.S.
[9] Section 1 of ch. 94-245, L.O.F.
[10] Section 218.63(1), F.S.

percent.[11] Beginning October 1, 1992, the *ordinary* distribution to local governments was reduced from 9.88 percent to 9.664 percent and beginning July 1, 1993, the rate was reduced further to 9.653 percent.[12] Effective July 1, 2003, the *ordinary* distribution was reduced by 0.1 percent. The 0.1 percent is distributed to the Public Employees Relations Commission Trust Fund, less $5,000 each month. The $5,000 each month is distributed to qualified counties pursuant to s. 218.65, *emergency* distribution.[13] In 2003, the sales tax distributions to the Local Government Half-cent Sales Tax Clearing Trust Fund were changed in order to provide funding for the judicial system. Effective July 1, 2004, distributions were changed as follows: the *ordinary* distribution was reduced from 9.653 percent to 8.814 percent; and the *emergency* and *supplemental* distributions were increased from 0.065 percent to 0.095 percent.[14]

## Florida Revenue Sharing Act

Chapter 72-360, Laws of Florida, created the Florida Revenue Sharing Act of 1972, which was a major attempt by the Legislature to ensure a minimum level of revenue parity across units of local governments.[15] The Revenue Sharing Act placed three shared tax sources for cities and two shared tax sources for counties into a "revenue sharing program." The state revenues deposited in the Revenue Sharing Trust Fund for Municipalities included 32.4 percent of the cigarette tax,[16] the 1 cent municipal fuel tax,[17] and the alternative fuels tax.[18] State revenues deposited in the Revenue Sharing Trust Fund for Counties included 37.7 percent of the intangibles tax[19] and 2.9 percent of the cigarette tax.[20] These distributions continued from July 1, 1972, through June 30, 2001, when the cigarette tax and intangibles tax revenues were replaced by sales tax revenue.

[11] Section 42 of ch. 87-548, L.O.F.
[12] Section 18 of ch. 92-319, L.O.F.
[13] Section 1 of ch. 2003-404, L.O.F.
[14] Section 92 of ch. 2003-402, L.O.F.
[15] Florida Legislative Committee on Intergovernmental Relations (FLCIR), 2005 Local Government Financial Information Handbook, pgs. 43 and 81.
[16] Section 210.20(2)(a), F.S. (repealed by s. 29 of ch. 2000-355, L.O.F.)
[17] Sections 206.605(1) and 206.875(2), F.S.
[18] Section 206.879(1), F.S.
[19] Section 199.292(4), F.S. (repealed by s. 8 of ch. 2000-173, L.O.F.)
[20] Section 210.20(2)(a), F.S.

Cigarette tax collections began decreasing in 1998-99, resulting in a decrease of cigarette tax revenues to the Revenue Sharing Trust Fund for Municipalities (until replaced by sales tax in 2000) and the Revenue Sharing Trust Fund for Counties. Also, with the reduction in the annual intangibles tax rate on stocks and bonds, the elimination of the tax on accounts receivable, and the granting of additional exemptions, the revenues to the Revenue Sharing Trust Fund for Counties from the intangibles tax began decreasing in fiscal year 1998-99. Chapter 2000-355, L.O.F., restructured the Revenue Sharing Trust Fund for Municipalities, eliminating the 32.4 percent cigarette tax distribution to the Revenue Sharing Trust Fund for Municipalities and the 5.8 percent distribution to the Municipal Financial Assistance Trust Fund, transferring the portion of the cigarette tax that previously funded these trust funds to the General Revenue Fund, and provided a distribution of 1.0715 percent of sales and use tax collections to the Revenue Sharing Trust for Municipalities. Likewise, ch. 2000-173, L.O.F., eliminated the sharing of intangibles tax revenues with counties[21] and provided for a distribution of 2.25 percent of sales and use tax collections to the Revenue Sharing Trust Fund for Counties.

Chapter 2003-402, L.O.F., changed sales tax distributions to local governments because of constitutionally mandated realignment funding for the state court system. Effective July 1, 2004, sales tax distributions were changed as follows: the *ordinary* distribution was reduced from 9.563 percent to 8.814 percent; the *emergency* distribution was increased from 0.065 percent to 0.095 percent; the distribution to the Revenue Sharing Trust Fund for Counties was decreased from 2.25 percent to 2.0440 percent; and the distribution to the Revenue Sharing Trust Fund for Municipalities was increased from 1.0715 percent to 1.3409 percent to offset municipalities' losses from the *ordinary* distribution reduction. There are no restrictions placed on the local government's uses of sales tax revenues distributed as revenue sharing, except for a limitation on the amount which may be pledged for debt service.

In 1984, the Legislature imposed a fee on alternative fuels, twenty-five percent of which is transferred to the Revenue Sharing Trust Fund for Municipalities.

Total revenue sharing for fiscal year 2005-06 to the Revenue Sharing Trust Fund for Municipalities was:

- 1-cent motor and special fuel tax - $94.1 million

[21] Section 8 of ch. 2000-173, L.O.F.

- 1.0715% of net sales tax revenues - $253.2 million
- 25% of Alternative Fuel User Fee - $1.2 million

Total revenue sharing for fiscal year 2005-06 to the Revenue Sharing Trust Fund for Counties was:
- 1-cent cigarette tax - $11.4 million
- 2.044% of net sales tax revenues - $386.0 million

## Motor and Special Fuel Taxes

Florida began taxing gasoline in 1921, at the rate of 1 cent per gallon. In 1923, gasoline taxes were levied at the rate of 3 cents per gallon, with 2 cents per gallon going to the state for the use of the State Road Department and 1 cent per gallon being equally distributed among counties.[22] In 1925, gasoline taxes were increased to 4 cents per gallon, with 3 cents per gallon going to the state for the use of the State Road Department and 1 cent per gallon being equally distributed among counties.[23] Effective July 1, 1931, the state gasoline tax totaled 6 cents per gallon. The 6 cents consisted of the 3 cents First Gas Tax, which was paid into the "State Road License Fund" of the State Road Department[24] and the 3 cents Second Gas Tax, which was paid into the "State Road Distribution Fund" for use by counties.[25] Chapter 20554, 1941, L.O.F., enacted similar taxation of special fuels, commonly referred to as diesel fuel.

In 1941, the Legislature adopted a temporary additional one cent per gallon gas tax, requiring one-half of the additional one cent per gallon tax to be deposited into the County School Fund.[26] During a 1949 Special Session, the Legislature made the 1 cent per gallon gas tax permanent by creating s. 208.44, F.S., and distributed the proceeds in the same manner as the second gas tax.[27]

Section 2 of ch. 57-162, L.O.F., changed the designation of the 6 cents gas tax, but kept the distribution the same, resulting in more gas tax revenue going to the state and less to counties. The First Gas Tax became 4 cents and the Second Gas Tax became 2 cents. In 1961, the 7th cent gas tax trust fund was created for deposit of the additional 1 cent gas tax pursuant to s. 208.44, F.S.[28] Chapter 71-212, L.O.F., provided for the return to the counties of that portion of the seventh cent gas tax which was remitted to the state Department of Transportation. Section 206.60, F.S., provides for the distribution of the 7th cent or "county fuel tax." Proceeds from the county fuel tax must be used for transportation-related purposes only.

Effective July 1, 1971, the Legislature enacted an additional 1 cent per gallon tax on motor fuel and special fuel called the "8th cent" tax, which was shared with municipalities beginning October 1, 1972. The funds could only be used for transportation-related activities. Municipalities levying more than 10 mills, except for debt service or other special millages, on July 1, 1971, were required to reduce their operating millages for their fiscal year 1971-72 by the number of mills that would have been necessary to raise eighty percent of the revenues replaced for the period October 1, 1971 to October 1, 1972.[29] The Florida Revenue Sharing Act of 1972 directed that the additional 8th cent tax on motor fuel be deposited into the Revenue Sharing Trust Fund for Municipalities.[30] (s. 206.605, F.S.)

Chapter 83-3, L.O.F., changed the name of the second gas tax to the constitutional gas tax. In 1987, all of the proceeds from the constitutional gas tax were credited to each county to meet debt service requirements pursuant to s. 16, Art. IX and s. 9(c), Art. XII of the State Constitution. (s. 206.47, F.S.)

Fiscal year 2005-06 shared fuel tax revenues were:
- 2-cent Constitutional Gas Tax: $210.9 million
- 1-cent County Gas Tax: $92.6 million
- 1-cent Municipal Gas Tax: $94.1 million (Revenue Sharing Trust Fund for Municipalities)
- Alternative Fuels Tax: $1.2 million (Revenue Sharing Trust Fund for Municipalities)

## Gross Receipts Tax

The gross receipts tax was enacted in 1931 at the rate of 1.5 percent on the gross receipts of electric, gas, and telephone companies.[31] In 1963, collections were earmarked by constitutional amendment for funding capital outlay needs of the universities and junior colleges and for revenue bonds. A 1974 amendment to

[22] Section 1 of ch. 9120, 1923, L.O.F..
[23] Section 1 of ch. 10025, 1925, L.O.F.
[24] The State Road Department was the precursor to the Department of Transportation.
[25] Chapter 15659, 1931, L.O.F.
[26] Section 1 of ch. 20228, 1941, L.O.F.
[27] Chapter 25266, 1949, L.O.F.
[28] Section 3 of ch. 61-119, L.O.F.
[29] Chapter 71-363, L.O.F.
[30] Section 16 of ch. 72-360, L.O.F.
[31] Sections 1,2 of ch. 15658, L.O.F.

the State Constitution opened up use of these funds to include public schools and authorized the issuance of general obligation bonds in lieu of the former authorized for revenue bonds only.[32] Section 14 of ch. 90-132, L.O.F., increased the gross receipts tax to 2.5 percent over a three year period: 2.0 percent effective July 1, 1990; 2.25 percent effective July 1, 1991; and 2.5 percent effective July 1, 1992. In addition, the electric utility portion of the base was expanded to include certain co-generated electrical power transmission. The telecommunications component of the tax base was expanded to communications services effective October 1, 2001, and the tax rate on communication services, including cable and direct satellite television, was set at 2.37 percent.[33] The gross receipts tax is imposed pursuant to s. 203.01, F.S. Gross receipts tax distributions to school boards for fiscal year 2005-06 were $975.8 million.

## Motor Vehicle License Tax

Florida began annual motor vehicle licensing in 1917.[34] In 1930, a constitutional amendment was adopted exempting motor vehicles from ad valorem taxes.[35] Constitutional earmarking of the first proceed of the revenues derived from the licensing of motor vehicles in an amount required to meet fixed capital outlay needs of local school districts was approved in November 1952.[36] The constitution was further amended in 1965 to expand the definition of “motor vehicles” to include mobile homes, house trailers, camper-type mobile homes and similar type vehicles, if such vehicles are not attached to the land.[37] Motor vehicle license taxes are imposed pursuant to s. 320.08, F.S., and s. 320.20, F.S., provides for the disposition of the license tax revenues. Fiscal year 2005-06 revenues from motor vehicle license taxes to school districts were $118.9 million.

## Mobile Home Licenses Tax

A portion of mobile home license taxes was distributed to local governments effective July 1, 1973. Mobile home license tax revenues, less $1.50 collected on each license, is distributed to the counties and cities within the counties wherein the mobile homes are located as follows: one-half to the county school board and the remainder either to the board of county commissioners for the mobile homes which are located within the unincorporated areas of the county, or to any city within such county for the mobile homes which are located within its corporate limits.[38] (Section 320.081(4), F.S.) Fiscal year 2005-06 revenues from mobile home licenses totaled $19.4 million: $9.7 million to school boards; $5.1 million to counties; and $4.7 million to cities.

## Pari-Mutuel Tax

Pari-mutuel wagering in Florida was first authorized in 1931.[39] Section 4151(61), F.S., provided that 90 percent of pari-mutuel tax revenue shall be divided into as many equal parts as there are counties in the state.[40] Pari-mutuel revenues can be used at the discretion of the county.[41] The Legislature in 1971, placed a ceiling of $446,500 on the amount of racing revenues distributed to each county, for a statewide total of $29,915,500.[42] Section 3 of ch. 2000-35, L.O.F., designated the $29.9 million paid annually to counties to be deposited directly into the General Revenue Fund rather than the Pari-mutuel Trust Fund. Section 212.20(6)(d)7., F.S., was amended to distribute $29,915,500 in sales tax revenues annually to counties to replace the loss of the $29.9 million in pari-mutuel revenues.[43]

## Communications Services Tax

Prior to 2001, nonresidential telecommunications services were subject to sales and use tax under chapter 212 at the rate of 7 cents. Cable television and direct satellite television were subject to sales and use tax at the rate of 6 percent. Chapter 2000-260, L.O.F., created chapter 202, the Communications Services Simplification Tax, which provided for a new statewide tax on communications services to replace the sales and use tax on telecommunications services, cable and direct satellite. The communications services tax of 6.8 percent is imposed on the retail sales of communications services which originate and terminate in Florida, or originate or terminate in Florida and are billed to a Florida address. Communications services include all forms of telecommunications previously taxed by the gross receipts tax plus cable television and

[32] Section (9)(a), Art.XII of the State Constitution
[33] Sections 41, 44 of ch. 2000-260, L.O.F.
[34] Section of ch. 7275, 1917, L.O.F.
[35] Section 1(b), Art. VII of the State Constitution
[36] Section 9.(d)(3), Art. XII of the State Constitution
[37] Section 1 of ch. 65-446, L.O.F.
[38] Section 2 of ch. 73-343, L.O.F.
[39] Chapter 14832, 1931, L.O.F.
[40] Ib., s.12
[41] Ib., s.13
[42] Section 550.135(1), L.O.F.
[43] Section 3 of ch. 2000-354, L.O.F.

direct-to-home satellite service. Direct-to-home satellite services are taxed at the rate of 10.8 percent. Except for the tax on direct-to-home satellite service, the state communications services tax collections are distributed by the same formula as the sales and use tax, pursuant to s. 212.20(6), F.S. Sixty-three percent of the tax on direct-to-home satellite is distributed by the sales tax formula and the remainder (37%) is transferred to the Local Government Half-Cent Clearing Trust Fund and allocated in the same proportion as the half-cent sales tax under s. 218.61, F.S., and the emergency distribution under s. 218.65, F.S.[44]

Chapter 2006-229, L.O.F., changed the distribution of the communications services tax on direct-to-home satellite service. Seventy percent of the 37 percent is allocated in the same proportion as the half-cent sales tax. The remaining 30 percent of the 37 percent is distributed to fiscally constrained counties,[45] which are defined as each county that is entirely within a rural area of critical economic concern pursuant to s. 288.0656, F.S., or each county for which the value of a mill of ad valorem tax will raise no more than $5 million in revenue. The source of this distribution is a state tax on satellite TV service which cannot be levied by local governments. Since its enactment in 2001, the revenues have grown dramatically. The group of counties receiving the new share of this revenue tend to be poorer and rural, so they can be expected to have a disproportionate share of satellite subscribers. These revenues may be used by a county for any public purpose, except that such revenues may not be used to pay debt services on bonds, notes, certificates or participation, or any other forms of indebtedness.

## Beverage License Tax

The State of Florida began assessing an annual state license tax on manufacturers, distributors, vendors, brokers, sales agents, and importers of alcoholic beverages in 1935.[46] Effective July 1, 1971, a portion of the annual state beverage license taxes collected within a county or municipality in Florida was shared with those local governments. Pursuant to s. 561.342, F.S., twenty-four percent of the license taxes imposed under s. 561.34, subsections (1), (2), (3), (6), (7) and s. 561.35, collected within an incorporated county is returned to the county. Thirty-eight percent of the license taxes imposed under s. 561.34, subsections (1), (2), (3), (6), (7) and s. 561.35, collected within an incorporated municipality is returned to the municipality.[47] Beverage license tax revenues may be used at the discretion of the local government. Fiscal year 2005-06 beverage license tax revenue distributions were $6.1 million to counties and $6.8 million to cities.

## Insurance License Tax

In 1903, the State of Florida imposed a $5 annual state license tax on the original appointment and renewal of insurance representatives and agents selling various types of insurance products in Florida.[48] In 1959, a county license tax of $3.00 was levied by the state in addition to the state license tax[49] and increased to $6.00 in 1982.[50] The county tax is paid by each insurer for each agent only for the county where the agent resides. Section 624.505, F.S., requires the Department of Financial Services to deposit the county license tax in the Agents County Tax Trust Fund. In fiscal year 2005-06, $5.2 million was deposited into the Agents County Tax Trust Fund for use by the county.

## Vessel License Tax

In lieu of property taxes, vessels must be registered and numbered in Florida. Section 328.70, F.S., imposes annual vessel registrations, which began in 1965, based on the length of the vessel. In addition to the state registration tax, a county license tax was also adopted, ranging in rates from $1.00 to $72.50, which was distributed back to the county where registered.[51] In 1970, state vessel registration fees were increased by $1.00 while county registration fees were decreased by $1.00.[52] Effective June 1, 1989, both state and county vessel registration fees were increased.[53] Until 2000, the Department of Highway Safety and Motor Vehicles collected all vessel registration fees through county tax collectors for distribution of the county license tax back to the county. In 2000, the Legislature authorized the tax collector to distribute the county portion of vessel registration fees directly to the board of county commissioners.[54] County vessel registration fee revenues must be used for boat-related activities and manatee and marine mammal protection and

[44] Section 202.18, F.S.
[45] Section 218.67, F.S.
[46] Section 4 of ch. 16774, 1935, L.O.F.
[47] Section 6 of ch. 71-361, L.O.F.
[48] Section 23 of ch. 5106, 1903, L.O.F.
[49] Section 74 of ch. 59-205, L.O.F.
[50] Section 65 of ch. 82-243, L.O.F.
[51] Chapter 65-361, L.O.F.
[52] Section 4 of ch. 70-336, L.O.F.
[53] Section 3 of ch. 88-336, L.O.F.
[54] Section 31 of ch.362, L.O.F.

recovery.[55] In fiscal year 2005-06, $8.1 million was retained by counties in vessel registration fees.

## Solid Minerals Severance Tax

Pursuant to Part II of chapter 211, F.S., a severance tax is levied upon every person engaging in the business of severing phosphate rock from the soils or waters of Florida for commercial use.[56] Counties where phosphate rock is severed began receiving severance tax revenues in 1982 at the rate of 5 percent of the number of tons of phosphate rock produced.[57] Distributions to counties have changed many times since 1982. The current distributions of severance tax on phosphate after the first $10 million is distributed to the Conservation and Recreation Lands Trust Fund are:

- 40.1 % to the General Revenue Fund;
- 16.5 % to the County where mined;
- 9.3 % to the Phosphate Research Trust Fund;
- 10.7 % to the Minerals Trust Fund;
- 10.4 % to the Nonmandatory Land Reclamation Trust Fund; and
- 13.0% to counties that have been designated a Rural Area of Critical Economic Concern.

Counties receiving 16.5 percent pursuant to s. 211.3103(3)(b)2., F.S., must use the proceeds for phosphate-related expenses. Payments to counties designated a rural area of critical economic concern may be used for planning, preparing, and financing of infrastructure projects for job creation and capital investment; maximizing the use of federal, local, and private resources; and projects that improve inadequate infrastructure that has resulted in regulatory action that prohibits economic development or community growth, if such projects are related to specific job creation or job retention opportunities.[58] Distributions to counties for fiscal year 2005-06 from the phosphate severance tax were $ 10.0 million.

## Oil and Gas Tax

Part I of Chapter 211, F.S., imposes an excise tax on every person who extracts gas, oil, or sulfur for sale or transport, storage, profit, or commercial use. The tax rate is calculated separately for oil, gas, or sulfur; however, the tax rates are all based on the volume of oil, gas, or sulfur produced in a particular month. The severance taxation of oil and gas began in Florida in 1945 at the rate of 5 percent. Tax revenues were distributed 80 percent to the General Revenue Fund and 20 percent to the county in which the oil and gas was produced for use by the General Revenue Fund of the Board of County Commissioners.[59] In 1977, the tax rate on oil was increased to 8 percent.[60] Sulfur production became subject to tax July 1, 1986.[61] Distributions of oil, gas and sulfur tax revenues have been changed many times since 1945. The revenues generated from these taxes may be used at the discretion of the governing body of the county. The current distributions of the oil, gas and sulfur tax are as follows:

8% oil tax: 75% to the General Revenue Fund
12.5 % to the county in which produced
12.5 % to the Minerals Trust Fund
5% Oil, gas, sulfur tax:
67.5% to the General Revenue Fund
20.0% to the county in which produced
12.5% to the Minerals Trust Fund

Distributions to counties for fiscal year 2005-06 from the oil, gas and sulfur tax were $ 1.3 million.

# METHODOLOGY

A legislative review was done of Florida's revenue sharing program and the following state revenues shared with local governments: motor and special fuels; sales and use tax; cigarette taxes; gross receipts tax; motor vehicle taxes; pari-mutuel taxes; communications services tax; motor boat license fees; mobile home licenses; beverage license fees; insurance license fees; severance taxes and oil and gas taxes. A ten-year history of Florida state tax revenues shared with local governments was developed and a survey was sent to the Department of Revenue of the forty-nine other states, requesting fiscal year 2005 revenue data on state revenues shared with local governments.

# FINDINGS

The fiscal year 2005-06 total for Florida "own source" revenue collections was $44,585.3 million.[62] Of that total, $3,962.8 million was shared with cities, counties, and school districts, which represents 8.9 percent of

[55] Section 328.72 (15), F.S.
[56] Chapter 71-105, L.O.F.
[57] Section 1 of ch. 82-184, L.O.F.
[58] Section 211.3103(5), F.S.

[59] Sections 1, 2 of ch. 22784, 1945, L.O.F.
[60] Section 1 of ch. 77-408, L.O.F.
[61] Section 4 of ch. 86-178, L.O.F.
[62] Florida Revenue Estimating Conference, Revenue Analysis FY 1970-71 Through FY 2014-15, Vol. 21, Fall, 2005, Table 2.7 Total Direct Revenue.

total "own source" state revenues. In fiscal year 1996-97, total shared revenues were $2.504.0 million or 9.1 percent of total "own sources" of $26,633.4 million.[63] As a percent of total "own source" revenues, state shared revenues declined in fiscal year 2004-05, when sales tax distributions were changed in order to provide funding for the judicial system. Over this ten year period, state shared revenues grew by 58.3 percent.

## A State-by-State Comparison of State Shared Revenues

Of the forty-nine surveys mailed, all but five were returned.[64] In order to compare other states with Florida's state shared revenues, state shared revenues were defined as "state taxes, licenses, or fees that are imposed, collected and enforced by the state, where a portion of such taxes, licenses, or fees are distributed to counties, cities, school districts, or other local governments." Appropriations were not to be considered as state shared revenues nor were local taxes collected by the state for the local government. Given this definition of "state shared revenues," Connecticut, Georgia, New York, and Wisconsin do not share state revenues with local governments. However, in fiscal year 2005, Georgia provided $402.9 million to local governments for property tax relief. The Georgia Tax Relief Credit requires local governments to credit homeowner's property tax bills by the amount appropriated in the budget.

Most states do not levy a state property tax, which is primarily a locally imposed tax. Of the states responding to the survey, Alabama, Kentucky, New Hampshire, and Pennsylvania impose some form of state property tax, which is shared with local governments and Ohio shares a portion of their intangibles tax.

The most commonly shared revenues are motor fuel and special fuel taxes and the sales and use tax. Twenty seven states, including Florida, share motor fuel and special fuel taxes with cities and counties. The following states restrict the uses of these taxes to transportation-related activities: Alabama, Arkansas, California, Florida, Hawaii, Kansas, Kentucky, Maryland, Michigan, Nebraska, Ohio, Pennsylvania, Tennessee, Utah, Washington, and Wyoming. Seventeen states, including Florida, share motor vehicle license tax revenues with local governments, with Alabama, Arkansas, California, Hawaii, Idaho, Illinois, Indiana, Kentucky, Maryland and Virginia requiring shared revenues to be used for transportation-related purposes.

Of the twenty-three states, including Florida, that share state sales and use tax revenues with local governments, only Alabama, California, Iowa, Maryland, Nebraska, Washington, and West Virginia restrict the uses of some or all of their shared revenues. Alabama requires counties to use their shared sales and use tax revenues for law enforcement, public health, and agriculture extension services. Iowa earmarks their motor vehicle use tax revenues shared with cities and counties for road projects in the approved transportation plan. Sales tax revenues collected on rental cars by Maryland and Nebraska and shared with local governments must be used for transportation-related projects. A portion of Washington's shared sales and use tax revenues must be dedicated to stadiums while West Virginia's shared sales and use tax revenues must be used for infrastructure improvements, economic development, regional jail and correctional authority and county jail expenses.

Eighteen states, including Florida, share severance taxes with local governments; seventeen states share alcoholic beverage taxes; twelve states, including Florida, share cigarette taxes; eleven states share corporate income tax revenues; eight states share personal income tax revenues; and nine states, including Florida, share some public utility tax revenues with local governments.

Alabama, Kansas, Kentucky, and South Carolina require their state imposed "bed tax" to be used by the local government for the promotion of tourism. New Hampshire requires a portion of their shared corporate income tax revenues to be used for education, while Utah dedicates 100 percent of both their corporate and personal income tax revenues to education. The portion of insurance premium tax revenues shared with local governments in Arizona and West Virginia must be used for pension plans.

Table 1 below is a summary of state-by-state comparisons of "state shared revenues" with local government for fiscal year 2005. As defined for use in this report, the national average for fiscal year 2005 of "state shared revenues" is 7.5 percent, with Florida above the national average at 9 percent. Seventeen other states are above the national average and twenty-two fall below. In addition to "state shared revenues," most states, including Florida, appropriate billions of dollars to local governments, with educational funding

[63] Id., Table 1.8 History Total Direct Revenue.

[64] Delaware, Missouri, Nevada, Rhode Island, & Vermont.

to local school districts receiving the most appropriated monies.

**Table 1**
**FY 2005 State Revenues Shared With Local Governments, State-by-State Comparison (Millions)**

| States | Total State "Own Source" Collections | Total Shared Revenue | Percent of Total State Collections |
|---|---|---|---|
| Alabama | 7,614.0 | 493.0 | 6.5% |
| Alaska | 1,951.2 | 22.2 | 1.1% |
| Arizona | 13,000.0 | 1,859.6 | 14.3% |
| Arkansas | 5,935.0 | 172.6 | 2.9% |
| California | 106,928.0 | 8,393.0 | 7.8% |
| Colorado | 8,455.0 | 14.0 | 0.2% |
| Connecticut * | N/A | - | - |
| Delaware ** | N/A | - | - |
| **Florida** | **41,007.2** | **3,678.8** | **9.0%** |
| Georgia * | N/A | - | - |
| Hawaii | 4,597.4 | 164.0 | 3.6% |
| Idaho | 2,819.0 | 263.3 | 9.3% |
| Illinois | 37,000.0 | 4,649.0 | 12.6% |
| Indiana | 15,055.0 | 4,661.8 | 31.0% |
| Iowa | 5,398.5 | 397.4 | 7.4% |
| Kansas | 5,776.6 | 197.2 | 3.4% |
| Kentucky | 8,771.5 | 2,279.3 | 26.0% |
| Louisiana | 9,219.0 | 1,457.0 | 15.8% |
| Maine | 4,194.9 | 120.1 | 2.9% |
| Maryland | 18,208.7 | 457.0 | 2.5% |
| Massachusetts | 17,058.2 | 76.5 | 0.4% |
| Michigan | 26,800.0 | 2,352.9 | 8.8% |
| Minnesota | 15,527.0 | 11.0 | 0.1% |
| Mississippi | 5,857.7 | 665.9 | 11.4% |
| Missouri ** | N/A | - | - |
| Montana | 2,586.2 | 72.2 | 2.8% |
| Nebraska | 4,512.3 | 204.6 | 4.5% |
| Nevada ** | N/A | - | - |
| New Hampshire | 2,161.9 | 762.4 | 35.3% |
| New Jersey | 28,042.7 | 817.3 | 2.9% |
| New Mexico | 5,618.0 | 1,377.8 | 24.5% |
| New York * | N/A | | |
| North Carolina | 21,389.7 | 241.6 | 1.1% |
| North Dakota | 1,186.6 | 95.0 | 8.0% |
| Ohio | 46,600.0 | 2,414.2 | 5.2% |
| Oklahoma | 6,602.3 | 1,975.0 | 29.9% |
| Oregon | 5,480.3 | 302.9 | 5.5% |
| Pennsylvania | 28,430.0 | 183.5 | 0.6% |
| Rhode Island ** | N/A | - | - |
| South Carolina | 6,005.9 | 838.8 | 14.0% |
| South Dakota | 1,189.6 | 133.5 | 11.2% |
| Tennessee | 9,578.9 | 708.7 | 7.4% |
| Texas | 60,152.0 | 104.3 | 0.2% |
| Utah | 5,543.1 | 2,275.4 | 41.0% |
| Virginia | 14,427.0 | 2,028.8 | 14.1% |
| Vermont ** | N/A | - | - |
| Washington | 13,860.1 | 422.0 | 3.0% |
| West Virginia | 9,154.0 | 71.0 | 0.8% |
| Wisconsin * | N/A | - | - |
| Wyoming | 2,056.3 | 274.0 | 13.3% |
| **U.S.** | **635,750.8** | **47,688.6** | **7.5%** |
| **Percent of Total** | | **100.0%** | |

* As defined for this project, these states do not share any state revenues with local governments.

** States that did not return their survey.

## CONCLUSIONS

The purpose of this report is to compare Florida's state shared revenues with local governments to other state's similar programs. Florida falls in the middle in the percentage of state "own source" revenues shared with local governments and is, in fact, slightly above the national average. Florida's state shared revenues have remained stable over the years, and when cigarette tax and intangibles tax revenues began to decline, the Legislature replaced those revenue sources with a percentage of the state sales and use tax, an inherently more stable and growing source than the revenues replaced. If one wanted to get the whole picture of how much funding is provided to local governments by the states, state appropriations would have to be included in the analysis along with "state shared revenues," although as previously noted, school districts receive the bulk of appropriated funds.