

STORAGE NAME: h1149s1.wrm
DATE: March 26, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
WATER & RESOURCE MANAGEMENT
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 1149
RELATING TO: Financial matters
SPONSOR(S): Representative(s) Spratt, Bronson and Edwards
STATUTE(S) AFFECTED: Sections 215.20, Florida Statutes (F.S.)
COMPANION BILL(S): None.

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) WATER & RESOURCE MANAGEMENT YEAS 10 NAYS 2
- (2) FINANCE & TAXATION
- (3) GENERAL GOVERNMENT (FISCAL)
- (4)
- (5)

I. SUMMARY:

CS/HB 1149 passed the House Committee on Water and Resource Management on March 17, 1998. On that same date, a strike-everything amendment (with title amendment) was adopted.

CS/HB 1149 would amend s. 215.20, F.S., to make the following modifications:

- reduces the service charge imposed on the Fuel Tax Collection Trust Fund and Local Option Fuel Tax Trust Fund to 5% (from the present 7.3%);
- diverts to the Aquatic Plant Control Trust Fund the funds made available in the Local Option Fuel Tax Trust Fund as a result of the reduction in the service charge; and
- requires the Department of Revenue to prepare a report to the Legislature by January 1, 1999, on the statewide amount of motor fuel tax revenues collected pursuant to ss. 206.41(1)(g) and 206.87(1)(e), F.S., from marina facilities.

CS/HB 1149 appears to return more county fuel tax revenue back to the counties as the bill reduces the general revenue service charge on the Fuel Tax Collection Trust Fund without redirecting these funds to any other trust fund. This situation would increase the Fuel Tax Collection Trust Fund by at least \$1.6 million in fiscal year 1998-1999 and would increase every year thereafter.

CS/HB 1149 would take effect July 1, 1998.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

The Fuel Tax Collection Trust Fund and County Fuel Tax

Section 206.875, F.S., establishes the Fuel Tax Collection Trust Fund and provides that all proceeds from the taxes imposed pursuant to Part II of Chapter 206, F.S., shall be deposited into the trust fund. For instance, s. 206.41(1)(b), F.S., imposes a state tax of 1 cent per gallon on certain motor fuels, and designates this tax as the "county fuel tax." Section 206.60, F.S., provides for the distribution of proceeds from the county fuel tax back to the counties, **after deduction of the general revenue service charge provided for in s. 215.20, F.S.**

The Local Option Fuel Tax Trust Fund

Pursuant to s. 206.41(1)(e), F.S., and s. 206.87(1)(c), F.S., local governments are authorized to levy up to 11 cents of local option fuel taxes in the form of two separate levies. The first levy is a tax of 1 to 6 cents on every net gallon of motor and diesel fuel sold in a county. The second levy is a 1 to 5 cent tax on every net gallon of motor fuel sold in a county (except pursuant to s. 336.025(1)(b), F.S., this tax does not apply to diesel fuel). Section 336.025(2)(a), F.S., creates the Local Option Fuel Tax Trust Fund and provides that local option fuel taxes shall be deposited to the trust fund. Like the Fuel Tax Collection Trust Fund, this trust fund serves to distribute tax proceeds back to local governments, **subject to the service charge imposed in Chapter 215, F.S.**

The General Revenue Service Charge

Section 215.20, F.S., requires that certain revenue income and trust funds contribute to the General Revenue Fund through a service charge deducted from the income or proceeds deposited to those trust funds. Sections 215.20(1) and 215.20(3), F.S., together impose a 7.3-percent general revenue service charge on the proceeds deposited to the Fuel Tax Collection Trust Fund and the Local Option Fuel Tax Trust Fund.

Aquatic Plant Control Program

Aquatic plants are a vital component of a healthy ecosystem. Hundreds of species of aquatic plants thrive in Florida's 1.5 million acres of waterbodies, and most are beneficial. They provide nursery areas and shelter for small fish and amphibians; are a food source for fish and birds; buffer shorelines from erosion; naturally purify water by emitting oxygen and filtering out pollutants; and provide nesting areas for birds.

Some non-native, also called exotic or non-indigenous, aquatic plant species are creating major problems for Florida lakes. Hydrilla and other noxious, exotic aquatic plants infest more than 100,000 acres of lakes and other waterbodies. These plants are crowding out the native vegetation, degrading water quality, restricting recreational activities, reducing waterfront property values, and stripping millions of dollars from local economies.

Hydrilla is the worst exotic aquatic plant in Florida. A native of Sri Lanka, hydrilla is a submerged, vine-like plant infesting more than 75,000 acres in 42 percent of Florida's waterbodies. Hydrilla was imported to Florida in the mid-1950s by a Tampa aquarium

dealer, who planted them in a canal behind his business and harvested them like a crop for sale to his customers. The aquarium owner apparently was unaware that the plant could reproduce asexually, let alone know they would quickly spread all over the state in less than a decade. The most common way hydrilla is spread these days is by fragments caught in boat propellers.

Growing in dense canopies on the surface of a waterbody, hydrilla blocks sunlight from reaching native plants and alters the mix and transfer of oxygen in the water. As the native plants die from lack of sunlight, their detritus adds to the muck on the bottom. Beneath the canopy, dissolved oxygen levels in the water are low, which can imperil the health of fish and other aquatic wildlife. Studies are inconclusive about the negative impacts hydrilla has on fish and birds. Up to a point, hydrilla provides the same benefits as native aquatic plants, but depending on its level of coverage and the location of the lake, adverse impacts appear. Some studies indicate that large-mouth bass and other sport fish in hydrilla-infested waters never achieve their prized plumpness because they do not like to enter the dense mats of vegetation to hunt for smaller fish. Also, the spread of hydrilla may be one of the reasons migratory waterfowl populations wintering in Florida have declined in recent years. Dense hydrilla canopies appeal to some waterfowl, but others prefer a more open area in which to hunt or nest.

Not all the costs associated with aquatic plant infestation are environmental. Highlands, Lake, Osceola and other central Florida counties are beginning to see a drop in ad valorem tax revenues from lakefront properties, which abut waterbodies infested with hydrilla. Lake Lochloosa, Orange Lake, and other central Florida lakes renowned for their bass fishing are attracting fewer high-profile fishing tournaments because of hydrilla infestation -- translating to less money flowing into the communities around the lakes.

Other noxious, exotic aquatic plants are water hyacinth, water lettuce and torpedo grass, all of which are displacing native aquatic vegetation and negatively impacting aquatic habitats for fish and birds.

Aquatic plant control is vested in DEP's Bureau of Aquatic Plant Management. The Bureau's fiscal year 1997-1998 budget was \$20.6 million. For fiscal year 1997-1998, the Bureau received state funding of \$6.3 million in gas tax revenues; \$2 from each non-commercial vessel registration fee and 40 percent of the registration fee for commercial vessels (with both sources amounting to \$1.8 million in FY 1997-1998). Until recently, the Bureau received \$3 million to \$5 million a year in federal dollars, but Congress recently cut back that program, to the extent that DEP received only \$0.78 million in federal funds for fiscal year 1997-1998. The Bureau also received \$1.0 million to battle upland exotic plants from the CARL Trust Fund. The remaining funding for fiscal year 1997-1998 comes from the Aquatic Plant Control Trust Fund.

In the House's proposed fiscal year 1998-1997 budget, the bureau would receive \$18.08 million, with \$8 million coming from general revenue.

Typically more than half of the Bureau's budget is earmarked for grants-in-aid to local governments for aquatic plant control programs; \$1 million of that must be spent on melaleuca control and \$2.5 million for floating plant (water hyacinth) control programs. Separate from the grants program is an \$880,000 transfer from the bureau's Aquatic Plant Control Trust Fund to the game commission for its aquatic plant control program.

Motor Fuel Tax Revenue Generated at Marina Facilities

As discussed above, the most common way that exotic aquatic plants spread is by boats and/or trailers. Fragments of exotic aquatic plants become caught in either a boat or its trailer or both; later, the boat user transports his craft to another waterbody, unfortunately spreading the exotic plant. Given this nexus between exotic aquatic plants and boats, the use of motor fuel tax revenue collected from marina facilities appears to logically relate to funding the state's battle against exotic aquatic plants. Recognizing this nexus, members of the Solid Waste Management Trust Fund Review Commission in their January 30, 1998, final report recommended to the Legislature that \$12.5 million be redirected to the Aquatic Plant Control Trust Fund by diverting a portion of the service charge imposed on the Local Option Fuel Tax Trust Fund. Consequently, members have expressed interest in asking the Department of Revenue to determine the amount of motor fuel tax revenue collected from marina facilities in order to gauge the level of funding from this source for fighting exotic aquatic plants.

B. EFFECT OF PROPOSED CHANGES:

Under current law, ss. 215.20(1) and 215.20(3), F.S., impose a 7.3 percent general revenue service charge on the proceeds deposited to the Fuel Tax Collection Trust Fund and the Local Option Fuel Tax Trust Fund. CS/HB 1149, however, amends s. 215.20, F.S., to reduce the rate of this service charge on these proceeds to 5 percent. The chart below demonstrates the fiscal impact of the changes proposed by CS/HB 1149:

Fiscal Year	County Fuel Tax	Local Option Fuel Tax	Total
1998-1999	\$1.6 million	\$11.4 million	\$13.0 million
1999-2000	\$1.9 million	\$14.4 million	\$16.3 million
2000-2001	\$2.0 million	\$15.0 million	\$17.0 million
2001-2002	\$2.0 million	\$15.7 million	\$17.7 million
2002-2003	\$2.1 million	\$16.3 million	\$18.4 million
2003-2004	\$2.1 million	\$17.0 million	\$19.1 million

CS/HB 1149 transfers from the General Revenue Fund to the Aquatic Plant Control Trust Fund the amounts that result from the 2.3 percent reduction in the service charge imposed on the Local Option Fuel Tax Trust Fund. The third column from the left in the above chart identifies how much such transfers would add to the Aquatic Plant Control Trust Fund. However, the bill does not redirect the funds freed from General Revenue because of the reduction in the service charge imposed on the Fuel Tax Collection Trust Fund. Consequently, it appears that these funds would be retained in the Fuel Tax Collection Trust Fund, resulting in larger distributions to the counties. The second column from the left identifies how much such transfers would add to the Fuel Tax Collection Trust Fund.

CS/HB 1149 also requires the Department of Revenue to prepare a report by January 1, 1999, that would indicate the amount of motor fuel tax revenue collected from marina facilities.

CS/HB 1149 also amends s. 215.20(4)(hh), F.S., to correct an obsolete reference for the statute establishing the Health Care Trust Fund.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. CS/HB 1149 requires the Department of Revenue to prepare a report by January 1, 1999, that would indicate the amount of motor fuel tax revenue collected from marina facilities.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

Not applicable.

2. Lower Taxes:

Not applicable.

3. Personal Responsibility:

Not applicable.

4. Individual Freedom:

Not applicable.

5. Family Empowerment:

Not applicable.

D. SECTION-BY-SECTION RESEARCH:

Section 1: Amends s. 215.20(4)(hh), F.S., to correct an obsolete reference for the statute establishing the Health Care Trust Fund. Provides for a reduction in the rate of service charge deducted from the proceeds of the county fuel tax distributed pursuant to s. 206.60, F.S., and from the Local Option Fuel Tax Trust Fund.

Section 2: Shifts funds made available because of the reduction in the general revenue service charge imposed on the Local Option Fuel Tax Trust Fund from General Revenue to the Aquatic Plant Control Trust Fund.

Section 3: Requires the Department of Revenue to prepare a report by January 1, 1999, that would indicate the amount of motor fuel tax revenue collected from marina facilities.

Section 4: Provides that the act shall take effect July 1, 1998.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

CS/HB 1149 would reduce by at least \$13 million a year the amount of money received by the General Revenue Fund as a result of the service charge imposed on the Fuel Tax Collection Trust Fund and the Local Option Fuel Tax Trust Fund. However, the bill transfer the funds made available from the 2.3 percent reduction in the service charge imposed on the Local Option Fuel Tax Trust Fund to the Aquatic Plant Control Trust Fund. In the Effect of Proposed Changes, a chart identifies the fiscal impact of CS/HB 1149.

3. Long Run Effects Other Than Normal Growth:

See comments in Section A.2 and the chart in the Effect of Proposed Changes section.

4. Total Revenues and Expenditures:

See A.2.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Because CS/HB 1149 may lead to an increase in the budget of DEP's Bureau of Aquatic Plant Management, local governments may in turn receive increased grant money for aquatic plant control.

In addition, because CS/HB 1149 reduces the general revenue service charge rate deducted from the Fuel Tax Collection Trust Fund without shifting the funds made available to the Aquatic Plant Control Trust Fund, it would appear that more county fuel tax proceeds can be distributed to the counties. The chart in the Effect of Proposed Changes shows the potential increase to the Fuel Tax Collection Trust Fund.

3. Long Run Effects Other Than Normal Growth:

See comments in B.2.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Indeterminate.

2. Direct Private Sector Benefits:

Because CS/HB 1149 may increase the budget of the Bureau of Aquatic Plant Management, then some private-sector businesses that contract with the Bureau or the counties to perform aquatic plant control may see more or larger contracts.

3. Effects on Competition, Private Enterprise and Employment Markets:

Indeterminate.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The mandates provision is not applicable to a research discussion of CS/HB 1149 because the bill does not require cities or counties to expend funds, or to take actions requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Not applicable.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

Not applicable.

V. COMMENTS:

CS/HB 1149 appears to return more county fuel tax revenue to the counties. This situation occurs because CS/HB 1149 reduces the general revenue service charge on the Fuel Tax Collection Trust Fund (from 7.3 percent to 5 percent) without redirecting those funds to any other trust fund. As a result, the Fuel Tax Collection Trust Fund retains a larger share of the tax revenue from the collection of the county fuel tax, which in turn increases the amount of distributions from this trust fund to the counties.

For purposes of clarification, the reference in Section 2 of CS/HB 1149 to subsection(1) should also include a reference to subsection (3). Section 215.20(1), F.S., establishes a 7 percent service charge on behalf of the General Revenue Fund on trust funds such as the Local Option Fuel Tax Trust Fund and the Fuel Tax Collection Trust Fund. Section 215.20(3), F.S., imposes a 0.3 percent service charge in the same way. Thus, if CS/HB 1149 intends to reduce the current 7.3 percent service charge to 5 percent, then the bill should, technically speaking, include a reference to both ss. 215.20(1) and 215.20(3), F.S.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 17, 1998, members of the House Committee on Water and Resource Management approved HB 1149 as a C/S. In voting to approve CS/HB 1149, the Committee members adopted a strike-everything amendment to the bill. On the technical side, this strike-everything amendment corrected s. 215.20, F.S., so that an obsolete reference to s. 455.2205, F.S., is changed to s. 408.16, F.S. (Health Care Trust Fund).

Substantively, the strike-everything amendment changed s. 215.20, F.S., to make the following modifications:

-- reduces the service charge imposed on the Fuel Tax Collection Trust Fund and Local Option Fuel Tax Trust Fund to 5% (from the present 7.3%);

STORAGE NAME: h1149s1.wrm

DATE: March 26, 1998

PAGE 9

-- diverts to the Aquatic Plant Control Trust Fund the funds made available in the Local Option Fuel Tax Trust Fund as a result of the reduction in the service charge; and

-- requires the Department of Revenue to prepare a report to the Legislature by January 1, 1999, on the statewide amount of motor fuel tax revenues collected pursuant to ss. 206.41(1)(g) and 206.87(1)(e), F.S., from marina facilities.

VII. SIGNATURES:

COMMITTEE ON WATER & RESOURCE MANAGEMENT:

Prepared by:

Legislative Research Director:

E. Palmer Mason

Joyce Pugh