

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1536

SPONSOR: Fiscal Resource Committee and Senator Klein

SUBJECT: Revenue Sharing with Municipal Governments

DATE: April 6, 2000 REVISSED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>CA</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

**I. Summary:**

This committee substitute restructures two state sources of revenue sharing with municipalities:

- The Municipal Revenue Sharing Program,
- The Municipal Financial Assistance Trust Fund.

The 38.2 percent of net cigarette tax collections that currently funds these programs is transferred to the General Revenue Fund. In exchange, the state will transfer 1.09475 percent of the prior fiscal year's sales and use tax collections to the Revenue Sharing Trust Fund for Municipalities.

This committee substitute changes the definition of guaranteed entitlement to specify that beginning in state fiscal year 2000-2001, no eligible municipality shall receive less funds from the Revenue Sharing Trust Fund for Municipalities than 90 percent of the aggregate amount it received from the state in fiscal year 1999-2000 under the current law provisions of the cigarette tax, municipal fuel tax, and state alternative fuel fee. Available revenues in excess of the guaranteed amounts would be distributed to municipalities under the existing distribution formula.

The 1.09475 percentage is set to ensure that in fiscal year 2000-2001, the amount available for the Municipal Revenue Sharing Program will be equal to the amount projected under the existing revenue streams for the Municipal Financial Assistance Trust Fund and the Municipal Revenue Sharing Trust Fund. Similarly, the percentage holds state revenues harmless in fiscal year 2000-2001.

The Revenue Estimating Conference has not yet addressed this committee substitute. Assuming current trends in sales and use tax collections in subsequent fiscal years, municipalities will share a portion of the growth of sales and use tax collections that would otherwise have been available to the state. General Revenue growth will be reduced by this exchange of sales and use tax for cigarette tax.

This committee substitute substantially amends, creates, or repeals the following sections of the Florida Statutes: 11.45, 200.123, 210.20, 212.20, 218.21, 288.1169.

II. **Present Situation:**

**Background**

Florida's Constitution reserves all authority to tax, except the authority to levy the ad valorem tax, for the state. In general law, the state may authorize other governmental entities to levy taxes or participate in revenue sharing programs. Historically, local governments have had to absorb many of the costs associated with a variety of state-required programs and regulations. To address the implications of those fiscal demands and fund local government operations generally, state government utilizes several mechanisms to provide financial resources to local governments. One of those mechanisms involves the sharing of funds from designated state revenues with local governments.

**Municipal Financial Assistance Trust Fund**

The Legislature created the Municipal Financial Assistance Trust Fund in 1971 to share a portion of state cigarette tax revenues with municipalities. Prior to the creation of the trust fund, municipalities had the authority to levy a tax on cigarettes. In creating the trust fund, the Legislature prohibited municipalities from levying a tax on cigarettes. Currently, 5.8 percent of net collections are deposited into the trust fund. The statutory authority for the distribution of net cigarette tax collections to the trust fund is s. 210.20, F.S. The administration of the trust fund is addressed by s. 200.132, F.S.

**Municipal Revenue Sharing Act**

The Florida Revenue Sharing Act of 1972 created the Revenue Sharing Trust Fund for Municipalities. Currently, the trust fund receives 32.4 percent of net cigarette tax collections, 12.5 percent of the state alternative fuel user decal fee collections, and the net collections from the one-cent municipal fuel tax.

An allocation formula serves as the basis for the distribution of these revenues to each municipality that meets the strict eligibility requirements. Funds derived from the one-cent municipal fuel tax may only be used by municipalities for transportation-related expenditures. In addition, there are some statutory limitations regarding funds that can be used as a pledge for indebtedness. Specifically, s. 218.25, F.S., specifies that no local municipality may bond any portion of its revenue sharing distribution in excess of its guaranteed entitlement. The guaranteed amount is a "hold harmless" provision that guarantees a minimum allotment in order to insure coverage of all bonding obligations for those municipalities that qualified for revenue sharing dollars prior to July 1, 1972. In addition, Miami/Dade County has a unique guaranteed entitlement, which specifies it may not receive less than the aggregate amount it received from the trust fund in the preceding fiscal year plus a percentage increase in an amount equal to the percentage increase of the trust fund for the preceding fiscal year. Municipalities incorporated after that date do not receive a guaranteed entitlement.

The statutory authorizations for the allocation of the three revenue sources are: s. 206.605, F.S., for the one-cent municipal fuel tax, s. 206.879, F.S., for the 12.5 percent of state alternative fuel user decal fees, and s. 210.20, F.S., for the 32.4 percent of net cigarette tax collections. The administration of the program itself is addressed in ss. 218.20 - 218.26, F.S.

**III. Effect of Proposed Changes:**

Section 1 amends s. 210.20(2)(a), F.S., to eliminate the transfers of net cigarette tax proceeds to the Municipal Financial Assistance Trust Fund and the Revenue Sharing Trust Fund for Municipalities. This change increases the percentage of net cigarette tax proceeds allocated to the State General Revenue Fund.

Section 2 amends s. 212.20(6)(f), F.S., to provide for the transfer of 1.70179 percent of sales and use tax collections to the Revenue Sharing Trust Fund for Municipalities.

Section 3 amends s. 288.1169, F.S., to conform to the changes in s. 212.20, F.S.

Section 4 amends s. 218.21(6)(b), F.S., to change the definition of guaranteed entitlement. It specifies that in state fiscal year 2000-2001 and each state fiscal year thereafter, no eligible municipality shall receive less funds from the Revenue Sharing Trust Fund for Municipalities than 90 percent of the aggregate amount it received from the state in fiscal year 1999-2000 under the provisions of the then-existing s. 210.20(2)(a), tax on cigarettes; s. 206.879(1), state alternative fuel fee; and s. 206.605, tax on motor fuel. The provision that any government exercising municipal powers under s. 6(f), Art. VIII of the Florida Constitution may not receive less than the aggregate amount it received from the fund in the preceding year, plus a percentage increase equal to the percentage increase in the whole fund for the preceding year, is deleted.

Section 5 repeals s. 200.132, F.S., pertaining to the Municipal Financial Assistance Trust Fund.

Section 6 amends s. 11.45, F.S., authorizing the Department of Revenue to withhold a distribution to a municipality under s. 212.20(6)(f) 5. if it fails to pay the cost of an audit required under this section. Under current law the distribution is withheld from cigarette tax distributions.

Section 7 provides an effective date of July 1, 2000.

**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 Revenue Estimating Conference has not yet addressed this committee substitute. Assuming current trends in sales and use tax collections in subsequent fiscal years, municipalities will share a portion of the growth of sales and use tax collections that would otherwise have been available to the state. Growth in General Revenue will be reduced because cigarette tax revenue is not expected to grow as fast as sales and use tax.

**B. Private Sector Impact:****C. Government Sector Impact:****VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.