

STORAGE NAME: h0531.hcs

DATE: April 4, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE SERVICES
ANALYSIS**

BILL #: HB 531

RELATING TO: Discretionary Sales Surtax/Indigent Care

SPONSOR(S): Rep. Lawson

TIED BILL(S):

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

- (1) HEALTH CARE SERVICES
 - (2) COMMUNITY AFFAIRS
 - (3) FINANCE AND TAXATION
 - (4) HEALTH AND HUMAN SERVICES APPROPRIATIONS
 - (5)
-

I. SUMMARY:

HB 531 lowers the population threshold from 800,000 to 190,000 for nonconsolidated counties to levy, by extraordinary vote of the governing body or by countywide referendum, an indigent care sales surtax. The bill also allows eligible counties to levy both the indigent care surtax and the school capital outlay surtax, subject to the 1 percent sales tax cap.

The bill becomes effective upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|--|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

The bill enables more counties to levy the indigent care surtax of 0.5%. This will create more taxes on purchases that fall under the description of taxable transactions and administrative procedures in s. 212.054, F.S.

B. PRESENT SITUATION:

Florida's sales tax on most goods is 6 percent; however, eligible counties have the authority to add a discretionary sales surtax. A discretionary sales surtax is a locally imposed general sales tax at the county level which varies from 0.5 percent to 1.5 percent. The Florida Department of Revenue is responsible for the administration, collection, and enforcement of the discretionary sales surtax. The discretionary sales surtax is returned to the counties funding local programs. Under s. 212.055, F.S., current statutorily authorized discretionary sales surtaxes are as follows:

- Charter county transit system surtax;
- Local government infrastructure surtax;
- Small county surtax;
- Indigent care surtax;
- County public hospital surtax; and
- School capital outlay surtax.

Indigent Care Surtax: Section 212.055(4), F.S.

Non-consolidated counties with a total population of 800,000 or more are eligible to levy the indigent care surtax at a rate of up to 0.5 percent. The county may not concurrently impose the Indigent Care Surtax and a Public Hospital Surtax or a School Capital Outlay Surtax. The Indigent Care Surtax cannot be imposed in otherwise eligible counties where other local option surtaxes exceed a combined rate of 1 percent. The Indigent Care Surtax must be approved by either an extraordinary vote of the county's governing body or voter approval in a countywide referendum, and the proceeds must be used to fund health care services for the medically poor. Statutory authorization for this surtax is scheduled for repeal on October 1, 2005.

The ordinance adopted by the governing board providing for the imposition of the surtax must include a plan for providing health care services to qualified residents. In this instance, the term 'qualified residents' means residents of the authorizing county who are:

STORAGE NAME: h0531.hcs

DATE: April 4, 2000

PAGE 3

- Qualified as indigent persons as certified by the county; and
- Certified by the county as meeting the definition of medically poor; or
- Participating in innovative, cost-effective programs approved by the county.

The term 'medically poor' is defined as those persons having insufficient income, resources, and assets to provide the needed medical care without using resources required to meet basic needs for shelter, food, clothing, and personal expenses; or not being eligible for any other state or federal program, or having medical needs that are not covered by any such program; or having insufficient third-party insurance coverage.

As of July 1999, the following counties are eligible to impose the Indigent Care Surtax: Broward, Hillsborough, Orange, Palm Beach, and Pinellas. Of these counties, only Hillsborough has levied this surtax. As of July 1999, Hillsborough's Indigent Care Surtax was .25 percent. [*Source:* Florida Legislative Committee on Intergovernmental Relations: 1999 Local Government Financial Information Handbook.]

County Public Hospital Surtax: Section 212.055(5), F.S.

Any county, as defined in s. 125.011(1), F.S. [referring only to Miami-Dade County] is authorized to levy the County Public Hospital Surtax at a rate of 0.05 percent. The levy may be authorized either by an extraordinary vote of the county's governing body or voter approval in a countywide referendum. The proceeds of the surtax must be used to supplement the operation, maintenance, and administration of the county public hospital. [*Source:* Florida Legislative Committee on Intergovernmental Relations: 1999 Local Government Financial Information Handbook.]

School Capital Outlay Surtax: Section 212.055(7), F.S.

Florida's school districts may authorize the levy of the school capital outlay surtax at a rate of up to 0.5 percent subject to a resolution conditioned to take effect only upon approval by a majority vote in the countywide referendum. The proceeds must be expended for those school-related capital projects, technology implementation, and bond financing of such projects. The resolution must set forth a plan for use of the surtax proceeds in accordance with the authorized use.

Any school board imposing the surtax must implement a freeze on non-capital local school property taxes, at the millage rate imposed in the year prior to the implementation of the surtax, for a period of at least 3 years from the date of imposition. This millage rate provision does not apply to existing debt service or required state taxes. The surtax is distributed by the Department of Revenue to the school board imposing the surtax.

As of July 8, 1999, eight counties were levying the surtax at the maximum rate of 0.5 percent: Bay, Escambia, Gulf, Hernando, Jackson, Monroe, Saint Lucie, and Santa Rosa. [*Source:* Florida Legislative Committee on Intergovernmental Relations: 1999 Local Government Financial Information Handbook.]

Estimates of County Populations

Nonconsolidated counties eligible to levy an Indigent Care Surtax (eligible nonconsolidated counties have a population of 800,000 or more and are not levying the School Capital Outlay Surtax):

<u>County</u>	<u>Population</u>
Broward	1,490,289
Hillsborough	967,511
Orange	2,127,702
Palm Beach	1,042,196
Pinellas	898,784

[Source: University of Florida, Warrington College of Business Administration, Bureau of Economic and Business Research, Population Program, "Florida Estimates of Population", April 1, 1999.]

C. EFFECT OF PROPOSED CHANGES:

The bill permits nonconsolidated counties with populations of 190,000 or more that do not levy a County Public Hospital Surtax, to levy an Indigent Care Surtax up to at a rate of .05 percent if the total discretionary surtax rate levied by the county does not exceed 1 percent. The bill also removes the prohibition against levying both an Indigent Care Surtax and a School Capital Outlay Sales Surtax.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Reduces the minimum population requirement from 800,000 to 190,000 for nonconsolidated counties to levy an indigent care surtax if they do not levy a county public hospital surtax. Removes the prohibition from levying both an indigent care surtax and a school capital outlay surtax. [Note: The bill makes no changes to the October 1, 2005 sunset provision of the Indigent Care Surtax or the 1 percent total discretionary surtax rate cap for imposing the Indigent Care Surtax.]

Section 2. Provides an effective date of upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Agency for Health Care Administration

According to the agency, if the newly eligible counties levied the surtax there would be positive fiscal impacts on social services, safety net providers, clinics, and hospitals that are currently providing health care services to the medically indigent at little or no cost to the patient.

If all eligible counties levied the maximum of 0.5 percent surtax, the approximate fiscal impact would be additional revenues of more than \$266.6 million annually. The breakdown is as follows:

<u>County</u>	<u>Revenue in millions</u>
Alachua	\$ 12.2
Brevard	\$ 21.5
Collier	\$ 19.6
Lee	\$ 31.0
Manatee	\$ 13.5
Marion	\$ 13.2
Orange	\$ 111.8
Pasco	\$ 12.1
Polk	\$ 24.3
St. Lucie	\$ 7.4

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill increases the number of counties eligible to levy the local option indigent care surtax.

D. FISCAL COMMENTS:

Using the official 1999 county population estimates prepared by the Bureau of Economic and Business Research, University of Florida, the nonconsolidated counties with populations greater than 190,000 are: Alachua, Brevard, Collier, Escambia, Lake, Lee, Leon, Manatee, Marion, Pasco, Polk, Sarasota, Seminole, and Volusia.

The 1 percent rate cap in s. 212.055(4)(f), F.S., effectively limits the number counties that could potentially benefit from the proposed change. According to the Legislative Committee on Intergovernmental Relations, "1999 Local Government Financial Handbook," the following counties would be eligible to levy the indigent care surtax in accordance with the provisions of this bill: Alachua, Brevard, Collier, Lee, Manatee, Marion, Pasco, Polk, and Volusia. The following counties would not be eligible to levy the indigent care surtax in accordance with this bill because they already impose a "capped" surtax: Escambia, Lake, Leon, Sarasota, and Seminole. However, these counties could repeal the existing levy and authorize the Indigent Care Surtax.

This bill has been suggested for review by the Joint Revenue Estimating Conference. Additional information is not available at this time.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds or take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

The Florida Association of Counties supports this bill.

According to Health Care Services staff research, Hillsborough County is the only eligible county currently levying an Indigent Care Surtax. Four other counties are currently eligible to levy this surtax: Broward, Orange, Palm Beach, and Pinellas. [Note: Palm Beach County has separately established the Palm Beach County Health Care District. The Health Care District is a special taxing district established in Palm Beach County by ch. 87-450, L.O.F., to provide a source of funding for medically needy residents of Palm Beach County.] The bill, as introduced, would allow nine additional counties to be eligible to levy an Indigent Care Surtax: Alachua, Brevard, Collier, Lee, Manatee, Marion, Pasco, Polk, and Volusia.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE SERVICES:

Prepared by:

Staff Director:

Tonya Sue Chavis, Esq.

Phil E. Williams