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DATE: March 8, 2002

HOUSE OF REPRESENTATIVES

FISCAL RESPONSIBILITY COUNCIL
ANALYSIS

BILL #: HB 1421

RELATING TO: Rental car surcharge

SPONSOR(S): Representative(s) Johnson

TIED BILL(S):

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

(1) TRANSPORTATION YEAS 11 NAYS 0
(2) FISCAL RESPONSIBILITY COUNCIL YEAS 19 NAYS 0
(3)
(4)
(5)

I. SUMMARY:

The State of Florida levies a $2-per-day rental car surcharge, pursuant to s. 212. 0606, F.S., on leased or rented vehicles that carry fewer than nine passengers. The surcharge is collected through the first 30 days of the lease or rental contract. Less state administration and collection fees, 80 percent of the surcharge revenues are deposited, without earmark, into the State Transportation Trust Fund. In FY 2001-2002, the surcharge generated about $114 million for the Department of Transportation (DOT).

HB 1421 proposes earmarking DOT's share of the rental car surcharge revenues for the County Incentive Grant Program (CIGP), which helps finance local transportation projects that may or may not directly upgrade the Florida Intrastate Highway System. The bill directs DOT to allocate the surcharge revenues to seven of its district offices, based on the amount of the surcharge collected in the counties within each district.

Passage of HB 1421 infuses CIGP with a new and growing revenue stream – important to proponents of the program, which is not funded in the Governor's FY 2002-2003 budget proposal, and which statutorily is unfunded through 2005. Allocating this funding to CIGP will have the effect of reducing funding for non-CIGP projects in DOT's Five-Year Work Program.

HB 1421 takes effect upon becoming a law.

(NOTE: At its February 13, 2002, meeting, the House Transportation Committee adopted without objection one amendment that made significant changes to HB 1421, before voting in favor of the bill. The amendment is traveling separately. For details, please see "VI. AMENDMENTS AND COMMITTEE SUBSTITUTE CHANGES" below.)

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [x]
2.	Lower Taxes	Yes []	No []	N/A [x]
3.	Individual Freedom	Yes []	No []	N/A [x]
4.	Personal Responsibility	Yes []	No []	N/A [x]
5.	Family Empowerment	Yes []	No []	N/A [x]

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

B. PRESENT SITUATION:

History of the rental car surcharge
The Legislature created the rental car surcharge in 1989 at an initial rate of 50 cents per day. It applies to each of the first 30 days of either the lease or rental of a motor vehicle licensed for hire, and designed to carry fewer than nine passengers. The proceeds of the original 50-cent surcharge were distributed 20 percent to the Law Enforcement Trust Fund (managed by the Department of Highway Safety and Motor Vehicles) and 80 percent to the Children and Adolescents Substance Abuse Trust Fund (managed by the Department of Health and Rehabilitative Services).

In its 1990 session, the Legislature raised the surcharge to $2 per day, effective July 1, 1990, and revised the distribution so that, after the 7.3-percent General Revenue administrative and service charges are deducted, the State Transportation Trust Fund received 75 percent of the remaining proceeds. The Substance Abuse Trust Fund received 20 percent of the remaining funds, while the Law Enforcement Trust Fund received the remaining 5 percent.

The Legislature revised the distribution again in 1991. The 5 percent of total receipts that had been deposited in the Law Enforcement Trust Fund was redirected to the state’s General Revenue Fund. The share previously distributed to the Children and Adolescents Substance Abuse Trust Fund was, instead, divided between the Tourism Promotional Trust Fund (15.75 percent) and the Florida International Trade and Promotion Trust Fund (4.25 percent).

In the 2000 session, the Legislature redirected the General Revenue portion to DOT’s State Transportation Trust Fund, so that DOT now receives 80 percent of the proceeds, less the General Revenue surcharge. In FY 2001-2002, DOT’s share of the rental car surcharge proceeds was $114 million; the General Revenue service charge totaled $11 million, while the Tourism Promotional Trust Fund received $22 million and the International Trade and Promotion Trust Fund received $6 million.

Projected rental car surcharge revenues did not appreciably decline after the terrorist attacks of September 11, 2001, and they are projected to grow in coming years. The FY 2002-2003 projections are for the surcharge to generate $117 million for DOT.

Pursuant to ss. 212.0606 and 212.11, F.S., rental car companies collect the surcharge and remit it monthly to the Department of Revenue. There are no provisions in law requiring the rental car companies to specify in their monthly remittances where the surcharge proceeds were collected.

County Incentive Grant Program (CIGP)
In the 2000 session, the Legislature passed CS/CS/SB 862, a comprehensive transportation package that created a number of new initiatives that, over the next 10 years, would spend $2.6 billion in cash to produce $6 billion in transportation improvements. Among the initiatives was the County Incentive Grant Program (CIGP).

CIGP provides grants to counties to improve a road or other transportation facility that is located on the State Highway System or which relieves traffic congestion on the State Highway System. Pursuant to s. 339.2817, F.S., among the criteria considered by DOT when evaluating the grant applications are:

- the extent to which the project will encourage, enhance, or create economic benefits;
- the likelihood that assistance would enable the project to proceed at an earlier date than the project could otherwise proceed;
- the extent to which assistance would foster innovative public-private partnerships and attract private debt or equity investment;
- the extent to which the project uses new technologies, including intelligent transportation systems, which enhance the efficiency of the project;
- the extent to which the project helps to maintain or protect the environment; and
- the extent to which the project includes transportation benefits for improving intermodalism and safety.

Selected projects are ranked, and are included in the DOT Work Program, to the extent that revenues are appropriated.

For projects on the Florida Intrastate Highway System, DOT provides 60 percent of project costs; for projects on the State Highway System, the DOT provides 50 percent of project costs; and for local projects intended to relieve traffic congestion on the State Highway System, DOT provides 35 percent of project costs. The local match for rural areas that meet the criteria for being economically distressed, pursuant to s. 288.06561, F.S., can be waived.

About $490 million was anticipated for CIGP over the next 10 years. In its first two years, it received $100 million a year in General Revenue. The original sources of that General Revenue funding for CIGP (and the other Mobility 2000 transportation incentive programs) were transportation tax revenues freed up by eliminating the 7.3-percent General Revenue service charge on various state motor fuel taxes, motor vehicle title fees, and on the initial motor vehicle registration fee.

Because there are several transportation initiatives dependent on these redirected revenues, funding for CIGP and the Small County Outreach Program is scheduled to be suspended in FY 2003-2004 and FY 2004-2005. Beginning in FY 2005-2006, funding for these two programs is scheduled to return, due to a phase-out of the 7.3-percent general revenue service charge on local-option fuel taxes. By FY 2006-07, CIGP is projected to receive $44 million to $46 million a year.

As originally designed, CIGP would not have been funded in FY 2003-2004 and FY 2004-2005. However, DOT did not include any funding for CIGP in its proposed FY 2002-2003 legislative budget request because of projected General Revenue shortfalls, and neither did the Governor.

The House and Senate budget proposals for CIGP for FY 2002-2003 have not been determined.

C. EFFECT OF PROPOSED CHANGES:

HB 1421 would direct DOT to allocate its rental car surcharge proceeds to DOT Districts 1-7, excluding the Turnpike District, rather than as an unallocated revenue source in the State Transportation Trust Fund. The allocations would be based on the amount of rental car surcharge proceeds collected in the counties within each DOT district. Finally, the surcharge proceeds must be used exclusively to fund CIGP.

The bill has two significant impacts. First, it provides funding for a program that conceivably will be unfunded over the next three fiscal years, and at a higher dollar level than originally anticipated. Second, it reduces funding for non-CIGP projects in DOT's current Five-Year Work Program, which included in its revenue projections an estimated $117 million beginning in FY 02-03 from the rental car surcharge for general state transportation projects. The average annual growth in the rental car surcharge is projected to be 2.4% from FY 02-03 through FY 06-07.

HB 1421 takes effect upon becoming law.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends s. 212.0606, F.S., to specify that the portion of rental car surcharge revenues deposited in the State Transportation Trust Fund shall be distributed to each DOT district (except for the Turnpike District) based on the amount of surcharge collected in the counties within each district. Specifies that the DOT district allocations shall be used exclusively to fund the County Incentive Grant Program.

Section 2: Provides this act shall take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Passage of HB 1421 would have no impact on the amount of revenues deposited into DOT's State Transportation Trust Fund. However, it would limit DOT's control over how those revenues are spent. Currently, the rental car surcharge revenues, estimated at about $117 for FY 2002-2003, are mingled with other DOT revenues for general use in the Five Year Work Program. Under the provisions of HB 1421, the revenues must be allocated to CIGP.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

To the extent that they apply for and receive CIGP grants, local governments would benefit from increased state revenues for local transportation projects that benefit the State Highway System.

2. Expenditures:

Again, to the extent that they apply for and receive CIGP grants, local governments would have to come up with local matching funds, ranging from 40 percent to 65 percent of total project costs, for transportation improvements.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Transportation contractors are likely to be unaffected by a shift of rental car surcharge revenues from general DOT work program projects, to CIGP projects.

D. FISCAL COMMENTS:

DOT has expressed two fiscal concerns about HB 1421.

First, the agency has built its 2002-2007 Work Program based on projected revenues, including those from the rental car surcharge. If HB 1421 were to go into effect upon passage, the latest iteration of the work program will be negatively impacted because of the reallocation of the surcharge proceeds, DOT says. Agency staff said they would be forced to either scale back approved projects, or to delete projects identified in the outer years of the work program, in order to compensate.

Second, the corporate offices of the rental car companies collecting the surcharge simply submit the lump sums each month to the Department of Revenue, without any breakdown as to what county or what store location it was collected from. Since the surcharge is not currently collected by county, it is difficult to calculate projected changes in district allocations under the provisions of this bill.

For HB 1421 to be implemented, the Legislature may need to direct the Department of Revenue to create new tax forms for the rental car companies and give it rulemaking authority to implement the bill. Also, the Legislature may need to direct the rental car companies to either remit the surcharge collections on a county-by-county basis, or somehow identify the county of collection.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The mandates provision is not applicable to an analysis of HB 1421 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:

HB 1421 does not reduce the revenue-raising authority of counties or municipalities

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

HB 1421 does not reduce the state tax revenues shared with counties or municipalities

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

HB 1421 raises no apparent constitutional issues.

B. RULE-MAKING AUTHORITY:

DOT has sufficient existing rulemaking authority to implement the provisions of HB 1421. The Department of Revenue, however, may not have sufficient rulemaking authority to implement administrative procedures requiring a county-by-county identification of rental car surcharge collections.

C. OTHER COMMENTS:

DOT and the bill sponsor may draft an amendment to address some of the agency's concerns with HB 1421.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The House Transportation Committee at its February 13, 2002, meeting, adopted without objection one amendment offered by the bill sponsor. The amendment specifies that the allocation of DOT's share of the rental car surcharge to the DOT districts (with the exception of the Turnpike District) takes effect in FY 07-08. Also, the rental car surcharge proceeds are no longer earmarked specifically for CIGP grants, but will fund state transportation projects within the districts where collected.

After adopting the amendment, the committee voted 11-0 in favor of the bill. The amendment is traveling separately.

VII. SIGNATURES:

COMMITTEE ON TRANSPORTATION :

Prepared by:	Staff Director:
Joyce Pugh	Phillip B. Miller

AS REVISED BY THE FISCAL RESPONSIBILITY COUNCIL:

Prepared by:	Staff Director:
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