

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 583 w/CS Indigent Care Surtax/Small Counties

**SPONSOR(S):** Kendrick

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 2186

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Local Affairs (Sub)</u>	<u>8 Y, 0 N</u>	<u>Grayson</u>	<u>Highsmith-Smith</u>
2) <u>Local Government &amp; Veterans' Affairs</u>	<u>18 Y, 0 N w/CS</u>	<u>Grayson</u>	<u>Highsmith-Smith</u>
3) <u>Health Care</u>	<u>16 Y, 0 N</u>	<u>Rawlins</u>	<u>Collins</u>
4) <u>Finance &amp; Taxation</u>	<u>23 Y, 0 N w/CS</u>	<u>Overton</u>	<u>Diez-Arguelles</u>
5) <u>Health App.</u>	<u></u>	<u></u>	<u></u>
6) <u>Appropriations</u>	<u></u>	<u></u>	<u></u>

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### SUMMARY ANALYSIS

This bill authorizes counties with a population of fewer than 30,000 residents to levy an indigent care surtax of up to 1 percent pursuant to an ordinance conditioned to take effect only upon approval by a majority vote of the electors of the county voting in a referendum. Currently, nineteen Florida counties could exercise this authority

The bill expands the use of the tax in counties with fewer than 30,000 residents to include issuing bonds to finance, plan, construct, or reconstruct a public or not-for-profit hospital in the county and any land acquisition, land improvement, design, or engineering costs related to such hospital, if the governing body determines that a hospital in existence at the time of the issuance of the bonds would, more likely than not, otherwise cease to operate. The bill requires the clerk of the circuit court, as the ex officio custodian of the funds of the authorizing county, to disburse the funds to service bond indebtedness upon a directive from the authorizing county. The directive from the authorizing county may be irrevocably given at the time the bond indebtedness is incurred.

The economic impact is indeterminate as it is unknown how many of the nineteen counties might exercise this authority.

The bill is effective upon becoming a law.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

**STORAGE NAME:** h0583f.ft.doc  
**DATE:** April 22, 2003

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |                              |                                        |                                         |
|--------------------------------------|------------------------------|----------------------------------------|-----------------------------------------|
| 1. Reduce government?                | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes?                      | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/>            |
| 3. Expand individual freedom?        | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 5. Empower families?                 | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |

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

This bill provides additional taxing authority in certain small counties.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Background**

According to the Florida Hospital Association, in 2000, there were 2.6 million uninsured Floridians. While it is difficult to determine how many of the uninsured are indigent, Florida's hospitals spend millions of dollars each year to support the care of indigent patients. For example, Florida Hospital, Inc., posted \$17 million in uncompensated care<sup>1</sup> charges in January 2002 – the highest amount ever in the hospital's 84-year history.

Rural and smaller counties face an even more difficult challenge of caring for the health care needs of the indigent. Rural hospitals typically suffer financial hardships due to small community sizes, lack of health insurance in their communities, overall lower incomes in their communities, lower levels of Medicare reimbursement, outdated/aging physical plants, and constantly increasing costs due to technological innovations and costs of pharmaceuticals and other supplies. Often rural hospitals are the only source of care for the indigent given the relative immobility of the poor, the need to go to a hospital outside of their neighborhood limits their access to basic care.

##### **Voter-Approved Indigent Care Surtax**

Nationally, indigent surtaxes have been used to subsidize safety-net health care providers. In Florida, Chapter 2000-316, L.O.F., created s. 212.055(7), F.S., to authorize counties with less than 800,000 residents to impose, with referendum approval, the Voter-Approved Indigent Care Surtax. The rate of the levy is capped at 0.5 percent, or 1 percent if a publicly supported medical school is located in the county. Counties levying the tax must develop a plan, by ordinance, for providing health care services to "qualified" indigent or medically poor residents.

Tax proceeds must be used to fund health care services for indigent and medically poor persons, including, but not limited to, primary care, preventive care, and hospital care. Indigent persons are defined as persons certified as indigent by the authorizing county. Persons defined as medically poor are those who:

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<sup>1</sup> Uncompensated care is a total of: Charity care – treatment for which the hospital does not expect to be reimbursed. Bad debt – treatment for which a hospital cannot obtain reimbursement for the care provided – because people are unable or unwilling to pay their bills. Uncompensated care does not include voluntary or involuntary "reductions in revenue," such as underpayment from Medicare or Medicaid, or discounts to insurers.

- have 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;
- are not eligible for any other state or federal program or having medical needs that are not covered by any such program; or
- have insufficient third-party insurance coverage.

Persons participating in innovative, cost-effective programs approved by the authorizing county are also included as “qualified” residents.

DOR is required to collect and remit the tax proceeds to the Clerk of Court, who must deposit the funds in an indigent health care trust fund, invest the deposits as prescribed in general law, and disburse the funds to qualified providers of health care services.

The maximum rate for any combination of the Infrastructure Surtax, the Small County Surtax, and the Voter-Approved Indigent Care Surtax, is one percent, or 1.5 percent in counties with a publicly supported medical school.

While sixty-one counties are authorized to levy the Voter-Approved Indigent Care Surtax, to date no county has done so.

According to the 2000 census (04/01/2000), the following 19 counties had a population below 30,000: Baker, Bradford, Calhoun, Dixie, Franklin, Gilchrist, Glades, Gulf, Hamilton, Hardee, Holmes, Jefferson, Lafayette, Liberty, Madison, Taylor, Union, Wakulla, and Washington Counties.

### **County Taxing Authority**

Section 212.055, F.S., authorizes counties to impose seven local discretionary sales surtaxes (taxes) on all transactions occurring in the county subject to the state tax imposed on sales, use, services, rental, and admissions. The sales amount is not subject to the tax if the property or service is delivered within a county that does not impose a surtax. In addition, the tax is not subject to any sales amount above \$5,000 on any item of tangible personal property and on long distance telephone service. This \$5,000 cap does not apply to the sale of any other service. The Department of Revenue (DOR) is responsible for administering, collecting, and enforcing all sales taxes. Collections received by the department are returned monthly to the county imposing the tax.

The tax rates, duration levied, method of imposition, and proceed uses are individually specified in s. 212.055, F.S. TABLE 1 identifies the seven taxes, the rate limits, and the number of counties authorized to impose and the number imposing the tax. The maximum combined rate for the Local Government Infrastructure Surtax, the Small County Surtax, the Indigent Care and Trauma Center Surtax, and the County Public Hospital Surtax, is 1 percent. In counties with a publicly supported medical school levying the Voter-Approved Indigent Care Surtax, the combined rate is 1.5 percent. The maximum combined rate for counties authorized to levy the Charter County Transit System Surtax is 2.5 percent. The School Capital Outlay Surtax is capped at 0.5 percent, and is not included in these tax rate caps.

<b>TABLE 1</b>			
<b>Local Discretionary Sales Surtaxes</b>			
<b>TAX</b>	<b>AUTHORIZED LEVY (%)</b>	<b>NUMBER OF COUNTIES AUTHORIZED TO LEVY TAX</b>	<b>NUMBER OF COUNTIES LEVYING TAX</b>
Charter County Transit System	up to 1%	7	1

Surtax			
Local Government Infrastructure Surtax	0.5% or 1%	67	28
Small County Surtax	0.5% or 1%	31	17
Indigent Care & Trauma Center Surtax	up to 0.5%	5	1
County Public Hospital Surtax	0.5% (Miami-Dade County)	1	1
School Capital Outlay Surtax	up to 0.5%	67	9
Voter-Approved Indigent Care Surtax	0.5% or 1%	61	0

(Source: Legislative Committee on Intergovernmental Relations, 9/2002)

### **HB 583**

This bill authorizes the imposition and collection an additional half cent sales tax of the indigent care surtax in any county with a population of fewer than 30,000 residents. The nineteen Florida counties that meet this criterion are: Baker, Bradford, Calhoun, Dixie, Franklin, Gilchrist, Glades, Gulf, Hamilton, Hardee, Holmes, Jefferson, Lafayette, Liberty, Madison, Taylor, Union, Wakulla, and Washington.<sup>2</sup> The combined rate of all surtaxes for these small counties is 1.5 percent.

The bill provides that the surtax may be imposed and collected upon approval by a majority vote of the electors of the county voting in a referendum.

The bill provides that if the surtax is conditioned upon referendum approval, then the ballot language of s. 212.055(7)(b), F.S., shall be used.

The bill provides authority to pledge the surtax proceeds to service new or existing bond indebtedness incurred to finance, plan, construct, or reconstruct a public or not-for-profit hospital. Additionally, the bill authorizes the use of the surtax proceeds to acquire or improve land, or for the design or engineering costs related to such a hospital. Both of the foregoing authorities are conditioned upon a determination that the hospital existing at the time of bond issuance would, more likely than not, otherwise cease to operate.

The bill provides that by an extraordinary vote, the governing body of the county may provide that some or all of the surtax revenues and earned interest must be expended for the purpose of servicing the bond indebtedness.

The bill provides that such a county may utilize the bond issuance services of the State Board of Administration pursuant to the State Bond Act. Bond issuance is limited to no more than once per year.

The bill provides that any county meeting the requirements of this bill and that issues bonds, retains the bond authority throughout the life of the bonds, including any refinancing bonds, regardless of subsequent increases in population, and regardless of amendments to or repeal of s. 212.055(7)(c)2, F.S.

The bill authorizes the clerk of the circuit court of the affected county to disburse the funds, including any earned interest, to service any bond indebtedness authorized under s. 212.055(7)(e), F.S., upon

<sup>2</sup> 2000 Census Counts, Florida Counties, Office of Economic & Demographic Research, <http://www.state.fl.us/edr/Population/census2000.htm> , 3/17/03.

from the authorizing county. Such authorization may be irrevocably given at the time that the bond indebtedness is incurred.

The bill provides authority to impose local option sales surtaxes [including ss. 212.055(2) and (3), F.S., relating to the Local Government Infrastructure Surtax and the Small County Surtax, respectively] up to 1.5 percent where a publicly supported medical school is located in the county or the county has a population of fewer than 30,000 residents. These respective taxes must have voter approval.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.055(7), F.S., to provide the authority to impose and collect an additional half cent for the Indigent Care Surtax in any county with a population of fewer than 30,000 residents; provides bond indebtedness; provides utilization of Division of Bond Finance to issue bonds; restricts bond issuance to once a year; continues authority of county under certain circumstances predicated on population growth; requires county clerk to disburse funds to service bond indebtedness by county irrevocable directive given at the time indebtedness is incurred; and provides authority to impose local option sales surtaxes up to 1.5 percent under certain circumstances.

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

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Indeterminate. The bill provides a discretionary authority to impose and collect a surtax in counties with a population of fewer than 30,000 residents. Currently, nineteen counties meet this criterion. The Revenue Estimating Conference has estimated that if all eligible counties enacted the surtax, the total revenue for all counties would be \$8.9 million for FY 2003-2004, and \$9.5 million for FY 2004-2005.

2. Expenditures:

Unknown.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Counties imposing the surtax authorized in this bill will increase individuals' tax burden by one half cent on sales.

D. FISCAL COMMENTS:

See above.

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

##### 1. Applicability of Municipality/County Mandates Provision:

The bill does not require a city or county to expend funds or to take any action requiring the expenditure of funds.

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

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

##### 2. Other:

The final sentence of s. 212.055(7)(c)2, F.S., provides that the bond financing terms of the bill will survive amendments to or repeal of the subparagraph. The acts of one legislature cannot bind subsequent legislatures.

#### B. RULE-MAKING AUTHORITY:

None.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

##### Drafting Issues

There appear to be no technical drafting issues in the bill as amended.

##### Other Comments

The Madison County Board of County Commissioners support the amendment to the Indigent Care Surtax to provide the option for smaller counties to levy a local sales tax for the purpose of servicing bond indebtedness incurred for construction, renovation, land acquisition or land improvements for public or private not-for-profit hospitals. "We support the proposed amendment because we realize the difficulty of rural hospitals in obtaining capital for facility and equipment upgrades. We recognize rural hospitals as being the "healthcare safety-net" for the poor and elderly in their communities, as well as their significant value to their local economy."<sup>3</sup>

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The Local Affair Subcommittee, at its meeting on March 20, 2003, recommended one amendment (Amendment No. 2) which resolves technical drafting issues and removes language authorizing approval by unanimous vote of the governing body.

The Committee on Local Government & Veterans' Affairs, at its meeting on March 27, 2003, adopted one amendment as discussed above.

On April 22, 2003, the Committee on Finance & Taxation adopted a clarifying amendment to delete unnecessary language in s. 212.055(7)(b), F.S.

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<sup>3</sup> Ronnie Moore, Chairman, Madison County Board of County Commissioners, letter to Sens. Argenziano and Lawson, and Rep. Kendrick, 1/13/03.

