SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Community Affairs Committee

BILL: SB 2132

SPONSOR: Senators Baker and Lawson

SUBJECT: Fiscally Constrained Counties

DATE: March 30, 2005 REVISED: ________ ________ ________ ________

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Vickers	Yeatman	CA	**Favorable**
2.			GE	
3.			WA	
4.				
5.				
6.				

I. Summary:

This bill revises the definition of "fiscally constrained county" from a county where one mill of taxation raises less than $3 million to a county in which one mill of taxation raises less than $4 million. The bill designates 0.0841 percent of the available sales tax revenue for distribution to fiscally constrained counties. These funds (approximately $15 million) will be distributed by the Department of Revenue using a formula that factors in both the revenue raising potential of one mill, measured on a per capita basis, and a local-effort factor based on the county-wide operating millage levied. Counties that cease to qualify for funds under this bill will be granted a two year phase out period in which their distributions under this bill shall be gradually ceased. Finally, the bill provides these funds will be available to the counties for use for any purpose except bonding.

This bill substantially amends sections 212.20, 288.1169, and 985.2155 of the Florida Statutes. This bill creates section 218.67 of the Florida Statutes.

II. Present Situation:

Section 212.20(6), F.S., provides for the distribution of certain tax proceeds generated through ch. 212, F.S., (taxes on sales, use, and other transactions) and s. 202.18, F.S. (taxes on communications services). Currently, this section contains a number of set-asides for specified purposes. This section does not presently authorize the distribution of tax proceeds specifically to fiscally constrained counties.

Section 985.2155, F.S., which provides for shared county and state responsibility for juvenile detention, currently defines "fiscally constrained county" to mean a county designated as a rural area of critical economic concern under s. 288.0656, F.S., for which the value of a mill in the county is no more than $3 million, based on the property valuations and tax data annually published by the Department of Revenue under s.195.052, F.S.

III. Effect of Proposed Changes:

This bill revises the definition of "fiscally constrained county" from a county where one mill of taxation raises less than $3 million to a county in which one mill of taxation raises less than $4 million. Based on 2004 taxable values, Highlands County will be added to the current list of 29 fiscally constrained counties. The other 29 counties are: Baker, Bradford, Calhoun, Columbia, De Soto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Sumter, Suwannee, Taylor, Union, Wakulla, and Washington.

Because this definition is in s. 985.2155, F.S., concerning shared county and state responsibility for juvenile detention, this bill will also change the distribution of funds provided by appropriation for fiscally constrained counties to pay for juvenile detention.

The bill sets aside 0.0841 percent of the available sales tax revenue for distribution to fiscally constrained counties. This set aside will occur after the set asides listed in subparagraphs 1, 2, 3, and 4 of s. 212.20(6)(d), F.S. The Revenue Estimating Conference has estimated that this will be approximately $15 million on an annualized basis.

These funds will be distributed by the Department of Revenue using a formula that factors in both the revenue raising potential of one mill, measured on a per capita basis, and a local-effort factor based on the county wide operating millage levied. Specifically, the bill provides funds will be distributed based on:

- The relative revenue-raising-capacity factor (the ability of the eligible county to generate ad valorem revenues from one mill of taxation on a per capita basis). Provides the values to be assigned to counties based on the county's ability to raise funds on a per capita basis from one mil.

- The local-effort factor (a measure of the relative level of local effort of the eligible county as indicated by the latest available millage rate). The local-effort factor is the most recently adopted countywide operating millage rate for each eligible county multiplied by 0.1.

- Each county's proportional allocation of the total amount available for distribution to all eligible counties. The amount available to each eligible county is to be in the same proportion as the sum of the county's two factors to the sum of the two factors for all eligible counties. Counties participating in the phase-out period for counties who no longer meet the eligibility requirements will not be included in the total of the factors for all eligible counties.

Counties that cease to qualify for funds under this bill will be granted a two year phase out period in which their distributions under this bill shall be gradually ceased. In the first year after the county ceases to qualify it will receive two thirds of the amount received in the prior year and in the second year it will receive an amount equal to one third of the amount received during the last year in which they qualified.

Finally, these funds will be available to the counties for use for any purpose except bonding.

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:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The Revenue Estimating Conference has estimated that this bill will reduce the state's share of sales tax revenues by 0.0841 percent which has an annualized impact of negative $15 million dollars.

The bill will distribute to fiscally constrained counties 0.0841 percent of the state sales tax. This increase has been estimated to increase local government revenues by an annualized $15 million.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.