HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 293 Fiscally Constrained Counties
SPONSOR(S): Pickens and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 1612

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee	9 Y, 0 N	Monroe	Diez-Arguelles
2) Local Government Council			
3) Fiscal Council			
4)			
5)			

SUMMARY ANALYSIS

This bill sets aside 0.0841 percent of available sales tax revenues for distribution to fiscally constrained counties. A "fiscally constrained county" is defined as a county in which a one mill property tax rate will raise no more than $4 million in revenue annually. Twenty-nine counties currently qualify as a fiscally constrained county. 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 by each county. Counties may use the distributions for any public purpose other than to pay debt service on any form of indebtedness. Distributions to counties that cease to qualify as a "fiscally constrained county" will be phased-out over a two-year period.

This bill also changes the criteria by which a county currently qualifies for an additional distribution of sales tax revenues under Section 218.65, F.S., by eliminating criteria under which a county with a population over 65,000 could continue to qualify for a distribution. The bill also provides for a two-year phase out of the distribution to a county which grows beyond the population cap.

This bill amends s. 985.2155(2), F.S., to redefine the term "fiscally constrained counties" as a county in which a one mill property tax rate will raise no more than $4 million in revenue annually. The section provides for state funds to be used to cover the costs of juvenile detention in fiscally constrained counties.

Additionally, the bill appropriates $2 million from the General Revenue Fund for the 2006-2007 fiscal year to the Office of Tourism, Trade, and Economic Development for the implementation of the rural priority recommendation within the statewide strategic economic development plan.

Finally, this bill reduces general revenue funds by a certain percentage and increases the revenues of fiscally constrained counties by the same amount. Based on 2005 sales tax revenue estimates this percentage would have been equal to $15 million.

This bill has an effective date of July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:
The bill does not appear to implicate any of the House Principles.

B. EFFECT OF PROPOSED CHANGES:

Distributions to Fiscally Constrained Counties

Current Situation: Section 212.20(6), F.S., currently provides a formula for distributing the proceeds generated by the state tax on sales, use, and other transactions; communications services taxes other than those classified as gross receipts taxes; and, taxes on the retail sales price of any direct-to-home satellite service. After the required distribution to certain trust funds, the remaining tax proceeds are distributed in accordance with specific statutory standards to the General Revenue Fund, the Ecosystem Management and Restoration Trust Fund, the Local-Government Half-cent Sales Tax Clearing Trust Fund, the Revenue Sharing Trust Fund for Counties, and the Revenue Sharing Trust Fund for Municipalities. After these distributions are made, a specific amount of the remaining proceeds is distributed to each county, to qualified facilities for a new professional sports franchise or facilities for a retained spring training franchise, to professional golf halls of fame, and to International Game Fish Association World Center facilities. Any remaining proceeds remain in the General Revenue Fund.

Effect of Proposed Changes: This bill amends s. 212.20(6), F.S., to provide that, after initial distributions are made to the General Revenue Fund, the Ecosystem Management and Restoration Trust Fund, and the Local-Government Half-cent Sales Tax Clearing Trust Fund, 0.082 percent of the available proceeds is transferred to the Local Government Half-cent Sales Tax Clearing Trust Fund to be distributed to "fiscally constrained counties" pursuant to s. 218.67, F.S.

The bill creates s. 218.67, F.S., to provide distributions of funds to fiscally constrained counties. The term "fiscally constrained county" is defined as each county for which the value of one mill will raise no more than $4 million annually, based on the property valuations and tax data annually published by the Department of Revenue. Twenty-nine counties qualify as a "fiscally constrained county" under this definition: 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. Based upon 2005 taxable values of property, distributions to fiscally constrained counties range from $142,554 to $703,902, with 16 counties receiving over $500,000.

The amount to be distributed to each fiscally constrained county will be determined by the Department of Revenue at the beginning of the fiscal year, using the prior fiscal year property valuations, tax data, population estimates and the previous year's millage rate. The amount distributed must be allocated based upon the following factors:

- The relative revenue-raising-capacity factor is the ability of the eligible county to generate ad valorem revenues from one mill of taxation on a per capita basis. A county that raises no more than $25 per capita from one mill shall be assigned a value of 1; a county that raises more than $25 but no more than $30 per capita from one mill shall be assigned a value of 0.75; and a county that raises more than $30 but no more than $50 per capita from one mill shall be assigned a value of 0.5. No value shall be assigned to counties that raise more than $50 per capita from one mill of ad valorem taxation.

- The local-effort factor is a measure of the relative level of local effort of the eligible county as indicated by the previous year's millage rate. The local-effort factor is the most recently adopted countywide operating millage rate for each eligible county multiplied by 0.1.

- Each eligible county's proportional allocation of the total amount available to be distributed to all of the eligible counties is the same proportion as the sum of the county's two factors is to the sum of the two factors for all eligible counties

For counties that no longer qualify as a "fiscally constrained county" after the effective date of this act, there will be a 2-year phase-out period. Beginning on July 1 of the year following the year in which the value of a mill for that county exceeds $4 million in revenue, the county will receive two-thirds of the amount received in the prior year, and beginning on July 1 of the second year following the year in which the value of a mill for that county exceeds $4 million in revenue, the county will receive one-third of the amount received in the last year that the county qualified as a fiscally constrained county. Following the 2-year phase-out period, the county will no longer be eligible to receive any distributions under this section unless the county can be considered a fiscally constrained county.

Distributions received by fiscally constrained counties may be used by a county for any public purpose, except to pay debt service on bonds, notes, certificates of participation, or any other forms of indebtedness.

Additional Distribution for Small Counties under Section 218.65(2), F.S.

Current Situation: Pursuant to s. 218.65(2), F.S., a county may receive, in addition to its regular distribution of funds from the Local Government Half-cent Sales Tax, and additional distribution if it is receiving less than a prescribed per capita amount. However, if the county has a population over 65,000, it must also meet additional criteria showing that it had minimal increases in their property tax base between 1977 and 1981. Once the county ceases to meet the criteria designated, it ceases to receive any supplemental distribution under this provision.

Effect of Proposed Changes: Under this bill, any county where the population grew to an amount over 65,000 would cease to qualify for a supplemental distribution under Section 218.65(2). However, for counties that no longer qualify under Section 218.65(2), F.S. after the effective date of this act, there will be a 2-year phase-out period. Beginning on July 1 of the year following the year in which the population grows above 65,000, the county will receive two-thirds of the amount received in the prior year, and beginning on July 1 of the second year following the year in which the population exceeds 65,000, the county will receive one-third of the amount received in the last year that the county qualified for such distribution. Following the 2-year phase-out period, the county will no longer be eligible to receive any distributions under this subsection.

Strategic Rural Marketing Program

Current Situation: One of the priority recommendations of the 2003 statewide strategic plan for economic development, "Roadmap to Florida's Future", is the implementation of an economic stimulus strategy for rural areas. To that end Enterprise Florida, Inc. (EFI) convened three forums, one in each of the State's Rural Areas of Critical Economic Concern (RACEC). EFI then coordinated a Rural Summit in Sebring on October 27, 2004. Participants included members of the local and regional economic development organizations, Rural Economic Development Initiative (REDI) members, regional partners, local businesses, utilities, (cooperatives and investor-owned) and interested persons. The outcome was the "7-Point Plan for Rural Florida" that would allow the three regions to speak with one voice, leverage limited resources and reach out to partner agencies and organizations for assistance and advocacy.

Further, the "7-Point Plan" was reviewed and overwhelmingly endorsed by the Rural Issues Working Group, the Enterprise Florida Partners Council, the Statewide Strategic Plan Committee and the Board of Directors for Enterprise Florida and accepted by the Office of Tourism, Trade and Economic Development (OTTED). Systemic issues will be addressed through the "7-Point Plan" developed at the Rural Summit.[1]

Funds allocated for this initiative will be used, but not exclusively, for the following activities:

- Potential site identification
- Industry cluster identification and direct marketing
- Identification of costs and barriers related to site preparation – including permitting and infrastructure availability
- Development of regional memoranda of agreement and interlocal agreements with units of local government and property owners
- Development and implementation of incidental marketing support materials and expenses.

Effect of Proposed Changes: The bill amends s. 288.0656, F.S., to provide that OTTED may accept and administer moneys appropriated to the office to support the implementation of the rural priority recommendation within the statewide strategic economic development plan, including the development of significant regional economic development projects in each of the designated rural areas of critical economic concern. OTTED may contract with Enterprise Florida, Inc., to develop regional project implementation plan components to include the identification of potential sites, direct marketing campaigns within the industry clusters for each area, identification of costs and barriers related to site preparation including permitting and infrastructure availability, development of memoranda of agreement and interlocal agreements with participating property owners and units of local government within each area regarding the parameters of project participation, and the development of incidental marketing support materials and expenses.

The bill appropriates $2 million from the General Revenue Fund for the 2006-2007 fiscal year to the Office of Tourism, Trade, and Economic Development for the implementation of the rural priority recommendation within the statewide strategic economic development plan.

Shared Responsibility for Juvenile Detention

Current Situation: In accordance with s. 985.2155(1), F.S., it is the policy of this state that the state and counties have a joint obligation to contribute to the financial support of detention care provided for juveniles. Therefore, each county or the state must pay the costs incurred by the county in providing detention care for juveniles for the period of time prior to final court disposition. However, the state pays all costs of detention care for juveniles for which a fiscally constrained county would otherwise be billed. The term "fiscally constrained county" is defined as 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.

Effect of Proposed Changes: This bill amends s. 985.2155(2), F.S., to redefine the term "fiscally constrained counties" for purposes of that section. Under the new definition, a county is fiscally constrained if the value of a mill in the county is no more than $4 million. The new definition does not require a county to be classified as a "rural area of critical economic concern." Twenty-nine counties qualify as a "fiscally constrained county" under this definition, including: Baker, Bradford, Calhoun, Columbia, De Soto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam,

[1] Information provided by Bridget Merrill, Director, Rural Competitiveness and Policies, Enterprise Florida

Sumter, Suwannee, Taylor, Union, Wakulla, and Washington. Highlands, Wakulla, and Sumter are the counties which do not currently qualify but will receive funds under this bill.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.20(6), F.S., to provide for 0.082 percent of available sales tax proceeds to be transferred to the Local Government Half-cent Sales Tax Clearing Trust Fund for distribution to fiscally constrained counties. In addition, it makes a number of stylistic changes to promote uniformity in the provisions of the statute, and deletes obsolete language.

Section 2. Amends s. 218.65, F.S., to provide for a transitional emergency distribution from the Local Government Half-cent Sales Tax Clearing Trust Fund to certain fiscally constrained counties and revises criteria for receiving certain funds from the Local Government Half-cent Sales Tax Clearing Trust Fund.

Section 3. Creates s. 218.67, F.S., providing a distribution formula to apportion the funds among fiscally constrained counties.

Section 4. Amends s. 288.0656, F.S., authorizing the Office of Tourism, Trade, and Economic Development to accept and administer moneys appropriated to the office to support the implementation of the rural priority recommendation within the statewide strategic economic development plan, including the development of significant regional economic development projects in each of the designated rural areas of critical economic concern.

Section 5. Amends s. 288.1169(6), F.S., to update a cross reference.

Section 6. Amends s. 985.2155, F.S., revising the definition of "fiscally constrained county".

Section 7. Provides an appropriation of $2 million from the General Revenue Fund for the 2006-2007 fiscal year to the Office of Tourism, Trade, and Economic Development for the implementation of the rural priority recommendation within the statewide strategic economic development plan.

Section 8. Provides that this bill shall take effect July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: This bill will reduce the state's share of sales tax revenues, which the 2005 revenue estimating conference estimated to have a negative impact of $15 million recurring to the General Revenue Fund.

2. Expenditures: This bill appropriates $2 million from the General Revenue Fund for the 2006-2007 fiscal year to OTTED for the implementation of the rural priority recommendation within the statewide strategic economic development plan. In addition, the juvenile detention provision of this bill will result in approximately $825,000 worth of additional expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: This bill will distribute annually to fiscally constrained counties a percentage of the state sales tax, which was estimated to equal $15 million by the 2005 revenue estimating conference.

2. Expenditures: None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: None

D. FISCAL COMMENTS: None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. The bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other: None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES