

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 737 CS

Tax Benefits Related to Catastrophic Emergencies

SPONSOR(S): Grant

TIED BILLS:

IDEN./SIM. BILLS: SB 1018

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|---------------------------------|----------------|----------|----------------|
| 1) Domestic Security Committee | 6 Y, 0 N, w/CS | Wiggins | Newton |
| 2) Local Government Council | 7 Y, 0 N | Camechis | Hamby |
| 3) Finance & Tax Committee | | | |
| 4) State Administration Council | | | |
| 5) _____ | | | |

SUMMARY ANALYSIS

The bill authorizes local governments to expend proceeds from the Local Government Infrastructure Surtax to fund improvements to certain private facilities that are used as public emergency shelters or staging areas for emergency response equipment during officially declared emergencies.

Improvements eligible for funding are limited to those necessary to comply with current standards for public emergency evacuation shelters. The owner of the private facility must enter into a written contract with the local government to make the improved private facility available to the public for purposes of emergency shelter at no cost to the local government for a minimum period of 10 years after completion of the improvement.

The bill does not appear to have a fiscal impact on state or local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Maintain public security - The bill allows local governments to expend proceeds from the Local Government Infrastructure Surtax on improvements to certain private facilities that will be used for purposes of emergency public shelter needs and staging areas for emergency equipment during officially declared emergencies.

B. EFFECT OF PROPOSED CHANGES:

Current Situation

Local Government Infrastructure Surtax

Section 212.055(2), F.S., authorizes the governing authority in each county to levy a discretionary sales surtax of 0.5 percent or 1 percent, also known as the Local Government Infrastructure Surtax. The levy of the surtax must be pursuant to ordinance enacted by a majority of the members of the county governing authority and approved by a majority of the electors of the county voting in a referendum on the surtax. If the governing bodies of the municipalities representing a majority of the county's population adopt uniform resolutions establishing the rate of the surtax and calling for a referendum on the surtax, the levy of the surtax must be placed on the ballot and takes effect if approved by a majority of the electors of the county voting in the referendum on the surtax.

If the surtax was levied pursuant to a referendum held before July 1, 1993, the surtax may not be levied beyond the time established in the ordinance or, if the ordinance did not limit the period of the levy, the surtax may not be levied for more than 15 years. The levy of the surtax may be extended only by approval of a majority of the electors of the county voting in a referendum.

The proceeds of the surtax and any interest accrued thereto must be expended by the school district or within the county and municipalities within the county or, in the case of a negotiated joint county agreement, within another county, to finance, plan, and construct *infrastructure* and to acquire land for public recreation or conservation or protection of natural resources and to finance the closure of county-owned or municipally owned solid waste landfills that are already closed or are required to close by order of the Department of Environmental Protection. Neither the proceeds nor any interest accrued thereto may be used for operational expenses of any infrastructure, except that any county with a population of less than 75,000 that is required to close a landfill by order of the Department of Environmental Protection may use the proceeds or any interest

For purposes of expenditure of surtax proceeds under this section, "infrastructure" means:

- Any fixed capital expenditure or fixed capital outlay associated with the construction, reconstruction, or improvement of public facilities which have a life expectancy of 5 or more years and any land acquisition, land improvement, design, and engineering costs related thereto.
- A fire department vehicle, an emergency medical service vehicle, a sheriff's office vehicle, a police department vehicle, or any other vehicle, and such equipment necessary to outfit the vehicle for its official use or equipment that has a life expectancy of at least 5 years.
- Any expenditure for the construction, lease, or maintenance of, or provision of utilities or security for, facilities as defined in s. 29.008.

Emergency Public Shelters in Florida

The Department of Community Affairs Division of Emergency Management's 2005 Shelter Retrofit Report highlights the deficit of safe public emergency shelter space. While significant progress has reduced the deficit of spaces meeting the American Red Cross standard ARC 4496, the report projects a need of almost 1.3 million public shelter spaces in 2006. The department estimates Florida will have 816,778 spaces meeting the public standard by the 2006 hurricane season.¹ According to the report, under current shelter retrofit and building programs, Florida is projected to meet its estimated emergency public shelter needs by 2011.

Effect of Proposed Changes

This bill amends s. 212.055(2), F.S., to revise the definition of the term "infrastructure" in order to allow expenditure of Local Government Infrastructure Surtax (Surtax) proceeds on improvements to certain private facilities that undergo certain capital improvements and permit local governments to use the facilities as emergency public shelters or as staging areas for emergency response equipment.

Under the revised definition, local governments may expend proceeds from the Surtax to fund any fixed capital expenditure or fixed capital outlay associated with the improvement of private facilities that have a life expectancy of 5 or more years and that the owner agrees to make available for use on a temporary basis as needed by a local government as a public emergency shelter or a staging area for emergency response equipment during an emergency officially declared by the state or by the local government.

Improvements eligible for funding are limited to those necessary to comply with current standards for public emergency evacuation shelters. The owner of the private facility must enter into a written contract with the local government to make the improved private facility available to the public for purposes of emergency shelter at no cost to the local government for a minimum period of 10 years after completion of the improvement, with the provision that the obligation will transfer to any subsequent owner until the end of the minimum period.

C. SECTION DIRECTORY:

Section 1. Amends s. 255.055, F.S., to revise the definition of the term "infrastructure" as it relates to expenditure of Local Government Infrastructure Surtax proceeds.

Section 2. Provides an effective date of July 1, 2006.

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: None
2. Expenditures: Local governments are authorized to expend Local Government Infrastructure Surtax proceeds for improvements to certain private facilities used as emergency public shelters.

¹ Department of Community Affairs Shelter Retrofit Report, September 1, 2005.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Owners of private facilities may wish to contract with a local government in order to obtain funds to make capital improvements to private property which will be used as temporary emergency public shelters. Local building owners may contract with local construction and engineering entities to perform these capitol improvements for a profit. In addition, privately owned and publicly owned entities may compete for the same pool of surtax proceeds needed for capital improvements. In other words, if a county decides that providing adequate emergency shelter space is a priority, the Surtax proceeds may be utilized for capital improvements to privately owned facilities rather than for other public infrastructure projects.

D. FISCAL COMMENTS: None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: Not applicable because this bill does not appear to: require the counties or cities to spend funds or take an action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other: None

B. RULE-MAKING AUTHORITY: None

C. DRAFTING ISSUES OR OTHER COMMENTS: None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 22, 2006, the Domestic Security Committee adopted an amendment that removed the transient rentals tax exemption. The provision would have provided an exemption from the transient rentals tax for individuals displaced due to a hurricane or other catastrophic disaster who could present appropriate proof to the landlord. According to the Revenue Estimating Conference, this exemption would have created a \$19 million local tax revenue deficit and an \$18.2 million state tax revenue deficit for the state in 2006-2007.²

² Revenue Estimating Conference, March 9th, 2006, p.125