

TAX: Sales and use  
 ISSUE: PUBLIC WORKS CONTRACTORS - K-12 SCHOOLS  
 BILL NUMBER(S): HB 409  
 SPONSOR(S): REP. BROWN  
 MONTH/YEAR COLLECTION IMPACT BEGINS: 7/1/2003  
 DATE OF ANALYSIS: 3/4/03

**SECTION 1: NARRATIVE**

**a. Current Law:**

Section 212.08(6), F.S., provides an exemption for direct purchases of tangible personal property by governmental entities. That statute specifically provides that it does not extend to purchases by contractors of tangible personal property to be incorporated into public facilities under contracts with the governmental entities that own those facilities.

**b. Proposed Change:**

Bill amends s. 212.08(6), F.S., to provide an exemption for TPP sold to a contractor employed directly by or as an agent of the US Government or state or local government when such property will become part of a public K-12 school owned by the governmental entity if specified conditions are met.

**SECTION 2: DESCRIPTION OF DATA & SOURCES**

1. EDR - value of public permits and value put into place for educational construction expenditures
2. DOR - survey of use of direct purchase by local governments (2001)
3. EDR - estimate of construction spending required by class size reduction

**SECTION 3: ASSUMPTIONS & RATIONALE**

1. Local government component of total public spending on educational construction continues at the 2000 level of 85%.
2. Direct purchase use by local governments continues at the survey level of 50%.
3. Materials are assumed to account for 50% of the construction cost
4. Construction expenditures relating to the class size reduction commence with the construction of 7,832 additional classrooms at a cost of \$2,452.3m in 2003/04.
5. Baseline construction expenditures are expected to grow at an annual rate of 2%.

**SECTION 4: METHODOLOGY**

See attached spreadsheet.

The "low" estimate assumes a one year delay in the construction expenditures related to the class size reduction  
 The recurring impact - reached either in 2011/12 or 2012/13 - amounts to \$20.3m

**SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)**

State Impact - All Funds	FY 2003-2004 Annualized	FY 2003-2004 Cash	FY 2004-2005 Cash
High			
Middle	(\$51.6m)	(\$47.3m)	(\$50.5m)
→ Low	(\$35.9m)	(\$13.6m)	(\$53.6m)

Consensus Estimate Adopted: 3 / 7 / 03	FY 2003-2004 Annualized	FY 2003-2004 Cash	FY 2004-2005 Cash
General Revenue	(31.6)	(12.0)	(47.1)
Solid Waste Management T.F.	(.1)	(insignificant)	(.1)
Total State Impact	(31.7)	(12.0)	(47.2)
Local Tax Impact	(6.3)	(2.4)	(9.5)
Total Impact	(38.0)	(14.4)	(56.7)
Revenue sharing	(1.1)	(.4)	(1.6)
Local Half Cent	(3.1)	(1.2)	(4.7)
Local Option	(2.1)	(.8)	(3.2)

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# Florida Educational Construction

## I. Baseline Expenditures

CY	All Government (Local, State & Federal)		Local Government Only (85%)	
	Value of Public Permits (in \$ m)	Value Put In Place (in \$ m)	Value of Public Permits (in \$ m)	Value Put In Place (in \$ m)
2000 ACT	1,460.0	1,625.0	1,241.0	1,381.3
2001 ACT	1,775.8	1,675.0	1,509.4	1,423.8
2002 ACT	1,387.1	1,832.1	1,179.0	1,557.3
2003 EST		1,132.2		962.4
2004 EST		1,185.0		1,007.3
2005 EST		1,456.6		1,238.1

Source: Office of Economic and Demographic Research (EDR)

## II. Class Size Reduction Expenditures

CY	Capital Outlay - Building	
	Additional Classrooms	Building Cost (in \$ m)
2003-04	7,010	2,452.3
2004-05	7,053	2,244.7
2005-06	6,760	1,919.0
2006-07	4,401	1,166.0
2007-08	2,610	690.7
2008-09	787	212.6
2009-10	355	106.2
2010-11	325	99.0
<b>TOTAL</b>	<b>29,301</b>	<b>8,890.5</b>

Source: Revenue Estimating Conference 6/27/2002 Workpapers

## III. Combined Expenditures and Sales Tax Impact

CY	Baseline (in \$ m)	Size Reduction (in \$ m)	Total (in \$ m)	Materials @ 50% (in \$ m)	Contractor Purchase @ 50% (in \$ m)	Sales Tax Impact (in \$ m)
2003-04	984.8	2,452.3	3,437.1	1,718.6	859.3	51.6
2004-05	1,122.7	2,244.7	3,367.4	1,683.7	841.8	50.5
2005-06	1,200.0	1,919.0	3,119.0	1,559.5	779.8	46.8
2006-07	1,224.0	1,166.0	2,390.0	1,195.0	597.5	35.9
2007-08	1,248.5	690.7	1,939.2	969.6	484.8	29.1
2008-09	1,273.4	212.6	1,486.0	743.0	371.5	22.3
2009-10	1,298.9	106.2	1,405.1	702.6	351.3	21.1
2010-11	1,324.9	99.0	1,423.9	711.9	356.0	21.4
2011-12	1,351.4	0.0	1,351.4	675.7	337.8	20.3