

TAX: Sales and use
ISSUE: PUBLIC WORKS CONTRACTORS - K-12 SCHOOLS
BILL NUMBER(S): SB 568
SPONSOR(S): SEN. BENNETT
MONTH/YEAR COLLECTION IMPACT BEGINS: upon becoming law
DATE OF ANALYSIS: 2/17/04

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 various 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 (6/2002)

SECTION 3: ASSUMPTIONS & RATIONALE

1. Local government component of total public spending on educational construction continues at the 85% survey level.
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. Baseline construction expenditures are expected to grow at an annual rate of 2%.
5. Construction expenditures relating to the class size reduction are expected to be delayed by one year.

SECTION 4: METHODOLOGY

See attached spreadsheet.

The low impact pertains to baseline expenditures only - estimated based on the value of 2003 permits

The "high" estimate assumes a one year delay in the construction expenditures related to the class size reduction

The "middle" estimate assumes class size reduction related construction expenditures of \$500m annually.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2004-2005 Annualized	FY 2004-2005 Cash	FY 2005-2006 Cash
High	(\$62.2m)	(\$62.2m)	(\$59.8m)
Middle	(\$32.9m)	(\$32.9m)	(\$33.6m)
Low	(\$25.4m)	(\$25.4m)	(\$26.1m)

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Consensus Estimate Adopted: 2/20/04	FY 2004-2005 Annualized	FY 2004-2005 Cash	FY 2005-2006 Cash
General Revenue	(29.0)	(29.0)	(29.6)
State Trust	(.1)	(.1)	(.1)
Total State Impact	(29.1)	(29.1)	(29.7)
Revenue Sharing	(1.1)	(1.1)	(1.1)
Local Half Cent	(2.8)	(2.8)	(2.8)
Local Option	(1.8)	(1.8)	(1.9)
Local Tax Impact	(5.7)	(5.7)	(5.8)
Total Impact	(34.8)	(34.8)	(35.5)

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	1,438.9	1,850.7	1,223.1	1,573.1
2003 ACT	1,816.5	1,689.1	1,544.0	1,435.7
2004 ACT		1,948.9		1,656.6
2005 ACT		2,042.9		1,736.5
2006 ACT		2,055.6		1,747.3

Source: Office of Economic and Demographic Research (EDR)

II. Class Size Reduction Expenditures

Capital Outlay - Building		
CY	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
TOTAL	29,301	8,890.5

Source: Revenue Estimating Conference 6/27/2002 Workpapers

III. Sales Tax Impact

SFY	Baseline (in \$ m)	Materials @ 50% (in \$ m)	Cont Purchase @ 50% (in \$ m)	Sales Tax Impact (in \$ m)
2004-05	1,696.5	848.3	424.1	25.4
2005-06	1,741.9	870.9	435.5	26.1
2006-07	1,776.7	888.3	444.2	26.7
2007-08	1,812.2	906.1	453.1	27.2
2008-09	1,848.5	924.2	462.1	27.7
2009-10	1,885.4	942.7	471.4	28.3
2010-11	1,923.2	961.6	480.8	28.8
2011-12	1,961.6	980.8	490.4	29.4

SFY	Class Size Red (in \$ m)	Materials @ 50% (in \$ m)	Cont Purchase @ 50% (in \$ m)	Sales Tax Impact (in \$ m)
2004-05	2,452.3	1,226.2	613.1	36.8
2005-06	2,244.7	1,122.4	561.2	33.7
2006-07	1,919.0	959.5	479.8	28.8
2007-08	1,166.0	583.0	291.5	17.5
2008-09	690.7	345.4	172.7	10.4
2009-10	212.6	106.3	53.2	3.2
2010-11	106.2	53.1	26.6	1.6
2011-12	99.0	49.5	24.8	1.5

SFY	Class Size Red (in \$ m)	Materials @ 50% (in \$ m)	Cont Purchase @ 50% (in \$ m)	Sales Tax Impact (in \$ m)
2004-05	500.0	250.0	125.0	7.5
2005-06	500.0	250.0	125.0	7.5
2006-07	500.0	250.0	125.0	7.5
2007-08	500.0	250.0	125.0	7.5
2008-09	500.0	250.0	125.0	7.5
2009-10	500.0	250.0	125.0	7.5
2010-11	500.0	250.0	125.0	7.5
2011-12	500.0	250.0	125.0	7.5