

TAX: Sales and Use Tax

ISSUE: PUBLIC WORKS CONTRACTORS – PREKINDERGARTEN AND ELEMENTARY SCHOOLS

BILL NUMBER(S): HB 1225/SB2290/SB2458

SPONSOR(S): REP. GLORIOSO, SEN. BENNETT, SEN. ATWATER

MONTH/YEAR COLLECTION IMPACT BEGINS: upon becoming law

DATE OF ANALYSIS: 3/22/05

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:

Creates subsection (18) of section 212.08 , F.S., to provide an exemption for TPP sold to a contractor employed directly by or as agents of the US Government, state, county, municipality, or political subdivision of the state when such property will become part of a public prekindergarten or elementary school 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. DOE – school district capital outlay projections
4. EDR - public school K-12 student enrollment

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

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. Construction expenditures are prorated to grade levels based on student enrollment.
5. The high estimate is based on construction expenditures predicted by school districts
6. The new PreK program does not require additional construction.
7. The low estimate is based on projections for FL education construction expenditures which do not include expenditures associated by the class size reduction amendment. The middle estimate is based on an exemption for pre-kindergarten through elementary school construction and the high estimate assumes an exemption for all public school construction

SECTION 4: PROPOSED FISCAL IMPACT

State Impact - All Funds	FY 2005-2006 Annualized	FY 2005-2006 Cash	FY 2006-2007 Cash
High	(\$28.0m)	(\$28.0m)	(\$28.0m)
Middle	(\$13.1m)	(\$13.1m)	(\$13.1m)
Low	(\$10.4)	(\$10.4m)	(\$10.9m)

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/25/05) The conference adopted the middle estimate for PreK-5 (HB1225/SB2458), and the high estimate for K-12 (SB2290).

Consensus Estimate HB 1225/SB2458	FY 2005-2006 Annualized	FY 2005-2006 Cash	FY 2006-2007 Cash
General Revenue	(11.7)	(11.7)	(11.7)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(11.7)	(11.7)	(11.7)
Revenue Sharing	(.4)	(.4)	(.4)
Local Gov't Half Cent	(1.0)	(1.0)	(1.0)
Local Option	(1.0)	(1.0)	(1.0)
Total Local Tax Impact	(2.4)	(2.4)	(2.4)
Total Impact	(14.1)	(14.1)	(14.1)

Consensus Estimate SB2290	FY 2005-2006 Annualized	FY 2005-2006 Cash	FY 2006-2007 Cash
General Revenue	(24.9)	(24.9)	(24.9)
State Trust	(.1)	(.1)	(.1)
Total State Impact	(25.0)	(25.0)	(25.0)
Revenue Sharing	(.8)	(.8)	(.8)
Local Gov't Half Cent	(2.2)	(2.2)	(2.2)
Local Option	(2.2)	(2.2)	(2.2)
Total Local Tax Impact	(5.2)	(5.2)	(5.2)
Total Impact	(30.2)	(30.2)	(30.2)

Florida School Construction

FL Construction Expenditure - Educational

SFY	All Gvmnt (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)
2000/01	1,529.8	1,548.8	1,300.3	1,316.5
2001/02	1,875.1	1,879.3	1,593.8	1,597.4
2002/03	1,535.8	1,489.5	1,305.4	1,266.1
2003/04	1,637.6	1,833.9	1,392.0	1,558.8
2004/05		1,598.1		1,358.4
2005/06		1,740.5		1,479.4
2006/07		1,817.0		1,544.5

Source: Office of Economic and Demographic Research (EDR)

School District Capital Outlay Funds

Total Annual Expenditure Projections (in \$ m) 2,200.0
 Construction-related Component 85%

Source: FL Department of Education, Facilities

School Enrollment 2003-04

K - 5th Grade 47% 1,148,188 includes preK programs for disabled children
 K - 12th Grade 2,451,190 and children of teenagers at public schools

Source: Office of Economic and Demographic Research (EDR)

TAX IMPACT

I: based on FL Construction Expenditures

SFY	Value Put In Place (in \$ m)		Materials @ 50%		Cont Purch @ 50%		Sales Tax Impact (in \$ m)	
	K - 12	K - 5	K - 12	K - 5	K - 12	K - 5	K - 12	K - 5
2004/05	1,358.4	636.3	679.2	318.2	339.6	159.1	20.4	9.5
2005/06	1,479.4	693.0	739.7	346.5	369.8	173.2	22.2	10.4
2006/07	1,544.5	723.5	772.2	361.7	386.1	180.9	23.2	10.9

II: based on School District Capital Outlay

Annual Expenditures (in \$ m)	Total		2,200.0
	Construction	85%	1,870.0
	Materials	50%	935.0
	Contractor Purchases	50%	467.5
	Sales Tax		28.05
	K - 5 Component	47%	13.1