

REVENUE ESTIMATING CONFERENCE

TAX: Sales Tax

ISSUE: Public Works Contractors – K-12/Pre-K – elementary school

BILL NUMBER(S): SB 434/HB 689

SPONSOR(S): Senator Bennett/Representative Glorioso

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon Becoming Law

DATE OF ANALYSIS: March 16, 2006

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. The 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:

SB 434 – 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 U.S. Government, state, county, municipality, or political subdivision of the state when such property will become part of a public kindergarten through twelfth grade if various specified conditions are met.

HB 689 – Creates subsection (18) of section 21.08, F.S., to provide an exemption for TPP sold to a contractor employed directly by or as agents of the U.S. Government, state, county, municipality or political subdivision of the state when such property will become part of a public pre-kindergarten or elementary school, Pre-K -5, if various specified conditions are met.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

1. DOR – Appropriations history and estimates
2. EDR - Appropriations history and estimates
3. EDR – Alternative construction cost scenarios for class size reduction
4. EDR – Public school K-12 student enrollment
5. EDR – Historical PECO expenditures
6. DOR - Survey of use of direct purchase by local governments (2001)

SECTION 4: PROPOSED FISCAL IMPACT

1. State and local historical and projected fixed capital appropriations were identified.
2. Eight years of PECO expenditure history was used to establish an expenditure to appropriation ratio of 40%, 29%, 21% and 10% in the 1st through the 4th year following appropriation for all appropriations except class size reduction.
3. Class size reduction construction costs were projected using EDR modeling.
4. Projected expenditures based on historical and projected appropriations were derived.
5. Applied DOR methodology assigning 85% of all expenditures to construction, 50% of that amount to materials, 50% of that amount to Contractor Purchases and then sales tax rate to establish impact amount.
6. Student enrollment figures were applied to determine the pre-K through elementary school impact amount.

SB434 State Impact—All Funds	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
High	(\$68.7 m)	(\$68.7 m)	(\$68.0 m)
Middle	(\$65.5 m)	(\$65.5 m)	(\$68.1 m)
Low	(\$64.8 m)	(\$64.8 m)	(\$63.8 m)

HB 689 State Impact—All Funds	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
High	(\$31.6 m)	(\$31.6 m)	(\$31.3 m)
Middle	(\$30.1 m)	(\$30.1 m)	(\$31.3 m)
Low	(\$29.8 m)	(\$29.8 m)	(\$29.4 m)

REVENUE ESTIMATING CONFERENCE

TAX: Sales Tax

ISSUE: Public Works Contractors – K-12/Pre-K – elementary school

BILL NUMBER(S): SB 434/HB 689

SPONSOR(S): Senator Bennett/Representative Glorioso

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon Becoming Law

DATE OF ANALYSIS: March 16, 2006

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3 / 17 / 06) The conference adopted the low estimate.

SB434	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
General Revenue	(57.3)	(57.3)	(56.4)
State Trust	(.1)	(.1)	(.1)
Total State Impact	(57.4)	(57.4)	(56/5)
Revenue Sharing	(1.9)	(1.9)	(1.9)
Local Gov't Half Cent	(5.5)	(5.5)	(5.4)
Local Option	(5.5)	(5.5)	(5.4)
Total Local Impact	(12.9)	(12.9)	(12.7)
Total Impact	(70.3)	(70.3)	(69.2)

HB689	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
General Revenue	(26.3)	(26.3)	(26.0)
State Trust	(.1)	(.1)	(.1)
Total State Impact	(26.4)	(26.4)	(26.1)
Revenue Sharing	(.9)	(.9)	(.9)
Local Gov't Half Cent	(2.5)	(2.5)	(2.5)
Local Option	(2.5)	(2.5)	(2.5)
Total Local Impact	(5.9)	(5.9)	(5.9)
Total Impact	(26.3)	(26.3)	(32.0)

EDR Middle

	Appropriation 2003-04	Appropriation 2004-05	Appropriation 2005-06	Estimated Appropriation 2006-07	Estimated FC Expenditures FY 2006-07
State Sources					
PECO New Const	\$99,191,081	\$0	\$107,759,414	\$241,458,417	\$137,752,705
PECO Maint	\$132,182,318	\$166,902,648	\$148,889,804	\$186,644,504	\$166,103,633
Special Facil Const Acct	\$55,050,235	\$71,374,645	\$54,970,000	\$27,531,199	\$47,447,479
Charter Schools	\$27,700,000	\$27,700,000	\$25,455,012	\$52,137,069	\$36,823,781
Lab Schools 2mill Equiv	\$2,193,180	\$3,302,252	\$3,341,169	\$3,676,872	\$3,352,479
CO&DS Flow-Thru	\$14,241,993	\$16,322,050	\$17,414,111	\$17,414,111	\$16,867,566
Classrooms for Kids	\$600,000,000	\$100,000,000	\$83,400,000	\$706,000,000	\$811,186,000
High Growth Grants	\$3,400,000	\$0	\$30,000,000	\$0	\$9,040,000
Local Sources					
2-Mill Levy	\$855,695,928	\$1,014,801,571	\$1,296,113,801	\$1,293,507,844	\$1,191,954,062
1/2 Cent & 1 Cent Sales Surtax	\$377,984,644	\$857,142,167	\$611,926,858	\$597,838,406	\$634,392,471
*Proceeds from COP's			\$2,985,938,341	\$2,091,926,367	\$1,702,692,666
Impact Fees	\$172,895,885	\$252,128,889	\$456,966,320	\$435,413,390	\$376,922,244
TOTAL		\$2,509,674,222	\$5,824,419,818	\$5,654,495,057	\$5,134,535,085
K-12					
Construction				85%	\$4,364,354,822.30
Materials				50%	\$2,182,177,411.15
Contractor Purchases				50%	\$1,091,088,705.58
Sales Tax K-12				6%	\$65,465,322.33
Sales Tax K-5				46%	\$30,114,048.27

EDR Low

	Appropriation 2003-04	Appropriation 2004-05	Appropriation 2005-06	Estimated Appropriation 2006-07	Estimated FC Expenditures FY 2006-07
State Sources					
PECO New Const	\$99,191,081	\$0	\$107,759,414	\$241,458,417	\$137,752,705
PECO Maint	\$132,182,318	\$166,902,648	\$148,889,804	\$186,644,504	\$166,103,633
Special Facil Const Acct	\$55,050,235	\$71,374,645	\$54,970,000	\$27,531,199	\$47,447,479
CO&DS Flow-Thru	\$14,241,993	\$16,322,050	\$17,414,111	\$17,414,111	\$16,867,566
Classrooms for Kids	\$600,000,000	\$100,000,000	\$83,400,000	\$551,000,000	\$656,186,000
Class Size Reduction Lottery Bond Proceeds	\$3,400,000	\$200,000,000	\$200,000,000	\$0	\$100,340,000
High Growth Grants	\$3,400,000	\$0	\$30,000,000	\$0	\$9,040,000
Local Sources					
2-Mill Levy	\$855,695,928	\$1,014,801,571	\$1,296,113,801	\$1,293,507,844	\$1,191,954,062
1/2 Cent & 1 Cent Sales Surtax	\$377,984,644	\$857,142,167	\$611,926,858	\$597,838,406	\$634,392,471
*Proceeds from COP's			\$2,985,938,341	\$2,091,926,367	\$1,702,692,666
Impact Fees	\$172,895,885	\$252,128,889	\$456,966,320	\$435,413,390	\$376,922,244
TOTAL		\$2,709,674,222	\$6,024,419,818	\$5,499,495,057	\$5,079,875,085
K-12					
Construction				85%	\$4,317,893,822.30
Materials				50%	\$2,158,946,911.15
Contractor Purchases				50%	\$1,079,473,455.58
Sales Tax K-12				6%	\$64,768,407.33
Sales Tax K-5				46%	\$29,793,467.37

EDR High

	Appropriation 2003-04	Appropriation 2004-05	Appropriation 2005-06	Estimated Appropriation 2006-07	Estimated FC Expenditures FY 2006-07
State Sources					
PECO New Const	\$99,191,081	\$0	\$107,759,414	\$241,458,417	\$137,752,705
PECO Maint	\$132,182,318	\$166,902,648	\$148,889,804	\$186,644,504	\$166,103,633
Special Facil Const Acct	\$55,050,235	\$71,374,645	\$54,970,000	\$27,531,199	\$47,447,479
Charter Schools	\$27,700,000	\$27,700,000	\$27,700,000	\$53,083,947	\$37,853,579
Lab Schools 2mill Equiv	\$2,193,180	\$3,302,252	\$3,341,169	\$3,676,872	\$3,352,479
CO&DS Flow-Thru	\$14,241,993	\$16,322,050	\$17,414,111	\$17,414,111	\$16,867,566
Classrooms for Kids	\$600,000,000	\$100,000,000	\$83,400,000	\$960,000,000	\$1,065,186,000
High Growth Grants	\$3,400,000	\$0	\$30,000,000	\$0	\$9,040,000
Local Sources					
2-Mill Levy	\$855,695,928	\$1,014,801,571	\$1,296,113,801	\$1,293,507,844	\$1,191,954,062
1/2 Cent & 1 Cent Sales Surtax	\$377,984,644	\$857,142,167	\$611,926,858	\$597,838,406	\$634,392,471
*Proceeds from COP's			\$2,985,938,341	\$2,091,926,367	\$1,702,692,666
Impact Fees	\$172,895,885	\$252,128,889	\$456,966,320	\$435,413,390	\$376,922,244
TOTAL		\$2,509,674,222	\$5,826,664,806	\$5,909,441,935	\$5,389,564,883
K-12					
Construction				85%	\$4,581,130,150.37
Materials				50%	\$2,290,565,075.18
Contractor Purchases				50%	\$1,145,282,537.59
Sales Tax K-12				6%	\$68,716,952.26
Sales Tax K-5				46%	\$31,609,798.04

EDR Middle

	Appropriation 2004-05	Appropriation 2005-06	Estimated Appropriation 2006-07	Estimated Appropriation 2007-08	Estimated FC Expenditures FY 2007-08
State Sources					
PECO New Const	\$0	\$107,759,414	\$241,458,417	\$258,726,000	\$196,142,818
PECO Maint	\$166,902,648	\$148,889,804	\$186,644,504	\$170,709,000	\$170,367,630
Special Facil Const Acct	\$71,374,645	\$54,970,000	\$27,531,199	\$27,531,199	\$37,677,692
Charter Schools	\$27,700,000	\$25,455,012	\$52,137,069	\$27,700,000	\$34,315,303
Lab Schools 2mill Equiv	\$3,302,252	\$3,341,169	\$3,676,872	\$4,046,398	\$3,716,723
CO&DS Flow-Thru	\$16,322,050	\$17,414,111	\$17,414,111	\$17,414,111	\$17,304,905
Classrooms for Kids	\$100,000,000	\$83,400,000	\$706,000,000	\$807,000,000	\$834,514,000
High Growth Grants	\$0	\$30,000,000	\$0	\$0	\$6,300,000
Local Sources					\$0
2-Mill Levy	\$1,014,801,571	\$1,296,113,801	\$1,293,507,844	\$1,290,920,828	\$1,265,149,661
1/2 Cent & 1 Cent Sales Surtax	\$857,142,167	\$611,926,858	\$597,838,406	\$584,088,123	\$621,227,244
*Proceeds from COP's		\$2,985,938,341	\$2,091,926,367	\$1,277,330,240	\$1,744,637,794
Impact Fees	\$252,128,889	\$456,966,320	\$435,413,390	\$414,861,878	\$413,390,450
TOTAL	\$2,509,674,222	\$5,824,419,818	\$5,654,495,057	\$4,880,327,776	\$5,344,744,219
K-12					
Construction			85%		\$4,543,032,586
Materials			50%		\$2,271,516,293
Contractor Purchases			50%		\$1,135,758,146
Sales Tax K-12			6%		\$68,145,489
Sales Tax K-5			46%		\$31,346,925

EDR Low

	Appropriation 2004-05	Appropriation 2005-06	Estimated Appropriation 2006-07	Estimated Appropriation 2007-08	Estimated FC Expenditures FY 2006-07
State Sources					
PECO New Const	\$0	\$107,759,414	\$241,458,417	\$258,726,000	\$196,142,818
PECO Maint	\$166,902,648	\$148,889,804	\$186,644,504	\$170,709,000	\$170,367,630
Special Facil Const Acct	\$71,374,645	\$54,970,000	\$27,531,199	\$27,531,199	\$37,677,692
Charter Schools	\$27,700,000	\$25,455,012	\$52,137,069	\$27,700,000	\$34,315,303
Lab Schools 2mill Equiv	\$3,302,252	\$3,341,169	\$3,676,872	\$4,046,398	\$3,716,723
CO&DS Flow-Thru	\$16,322,050	\$17,414,111	\$17,414,111	\$17,414,111	\$17,304,905
Classrooms for Kids	\$100,000,000	\$83,400,000	\$706,000,000	\$467,000,000	\$494,514,000
High Growth Grants	\$0	\$30,000,000	\$0	\$0	\$6,300,000
Local Sources					\$0
2-Mill Levy	\$1,014,801,571	\$1,296,113,801	\$1,293,507,844	\$1,290,920,828	\$1,265,149,661
1/2 Cent & 1 Cent Sales Surtax	\$857,142,167	\$611,926,858	\$597,838,406	\$584,088,123	\$621,227,244
*Proceeds from COP's		\$2,985,938,341	\$2,091,926,367	\$1,277,330,240	\$1,744,637,794
Impact Fees	\$252,128,889	\$456,966,320	\$435,413,390	\$414,861,878	\$413,390,450
TOTAL	\$2,509,674,222	\$5,824,419,818	\$5,654,495,057	\$4,540,327,776	\$5,004,744,219
K-12					
Construction			85%		\$4,254,032,586
Materials			50%		\$2,127,016,293
Contractor Purchases			50%		\$1,063,508,146
Sales Tax K-12			6%		\$63,810,489
Sales Tax K-5			46%		\$29,352,825

EDR High

	Appropriation 2004-05	Appropriation 2005-06	Estimated Appropriation 2006-07	Estimated Appropriation 2007-08	Estimated FC Expenditures FY 2006-07
State Sources					
PECO New Const	\$0	\$107,759,414	\$241,458,417	\$258,726,000	\$196,142,818
PECO Maint	\$166,902,648	\$148,889,804	\$186,644,504	\$170,709,000	\$170,367,630
Special Facil Const Acct	\$71,374,645	\$54,970,000	\$27,531,199	\$27,531,199	\$37,677,692
Charter Schools	\$27,700,000	\$25,455,012	\$52,137,069	\$27,700,000	\$34,315,303
Lab Schools 2mill Equiv	\$3,302,252	\$3,341,169	\$3,676,872	\$4,046,398	\$3,716,723
CO&DS Flow-Thru	\$16,322,050	\$17,414,111	\$17,414,111	\$17,414,111	\$17,304,905
Classrooms for Kids	\$100,000,000	\$83,400,000	\$706,000,000	\$794,000,000	\$821,514,000
High Growth Grants	\$0	\$30,000,000	\$0	\$0	\$6,300,000
Local Sources					\$0
2-Mill Levy	\$1,014,801,571	\$1,296,113,801	\$1,293,507,844	\$1,290,920,828	\$1,265,149,661
1/2 Cent & 1 Cent Sales Surtax	\$857,142,167	\$611,926,858	\$597,838,406	\$584,088,123	\$621,227,244
*Proceeds from COP's		\$2,985,938,341	\$2,091,926,367	\$1,277,330,240	\$1,744,637,794
Impact Fees	\$252,128,889	\$456,966,320	\$435,413,390	\$414,861,878	\$413,390,450
TOTAL	\$2,509,674,222	\$5,824,419,818	\$5,654,495,057	\$4,867,327,776	\$5,331,744,219
K-12					
Construction			85%		\$4,531,982,586
Materials			50%		\$2,265,991,293
Contractor Purchases			50%		\$1,132,995,646
Sales Tax K-12			6%		\$67,979,739
Sales Tax K-5			46%		\$31,270,680

Comparisons of Construction Costs for Class Size

Millions of Dollars

Class-size Construction Costs		EOG-Jan 2006	EDR Match EOG	EDR Estimate-low	EDR Estimate - high
Total 2006-07 Through 2010-11		\$ 4,200	\$ 4,160	\$ 3,608	\$ 6,076
	2006-07	\$ 1,900	\$ 706	\$ 551	\$ 960
	2007-08		\$ 807	\$ 467	\$ 794
	2008-09		\$ 901	\$ 1,497	\$ 2,718
	2009-10		\$ 838	\$ 660	\$ 959
	2010-11		\$ 907	\$ 434	\$ 644
Assumptions	Class Size Costs	Includes Cost of Class size + Growth		Growth Not Included	Growth Not Included
		Includes all classes		Core Classes Only	Includes all classes
		No Relocatables		12% Relocatables	No Relocatables
		District Averages		Classroom Averages	Classroom Averages
		Front-Loaded	Not Front-Loaded	Not Front-Loaded	Not Front-Loaded
	Local Cost	Builds to bring to classroom average		Builds for growth	Builds for growth

3/20/2006

Const Cost Comps Mar 2006.xls