REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Sales Tax on Boat Repair Cap, $36,000
Bill Number(s): Proposed Language

☑ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s):
Month/Year Impact Begins: July 1, 2013 (One month delay to Collections)
Date of Analysis: April 11, 2013

Section 1: Narrative

a. **Current Law**: Section 212.05 (5) F.S., states: "Notwithstanding any other provision of this chapter, the maximum amount of tax imposed under this chapter and collected on each sale or use of boat in this state may not exceed $18,000."
b. **Proposed Change**: The proposed language changes section 212.05 (5) F.S., to read: "Notwithstanding any other provision of this chapter, the maximum amount of tax imposed under this chapter and collected on each sale or use of boat in this state may not exceed $18,000 and for each repair of a boat in this state may not exceed $36,000."

Section 2: Description of Data and Sources

Department of Revenue Annual Sales Data

Section 3: Methodology (Include Assumptions and Attach Details)

It is assumed that certain coastal businesses in specific NAICS codes are engaged primarily in the repair of boats. The number of transaction occurring at these locations that are currently over the limit set by the proposed language is unknown. The sales and use tax due in this industry in 2012 was $87 million. The middle estimate assumes that 10 percent of the tax remitted from these entities comes from tax due on transactions above this limit. The High is 12.5 percent and the low is 5% of tax due. The impact is grown at the other consumer durables growth rate. The 2012 values for these percentages are $21.8 million in the high estimate, $8.7 million in the middle estimate and $4.4 million in the low estimate. Cash impact is 11/12 for FY13/14.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	$(10. 6 M)	$(11. 6 M)	$(8. 5 M)	$(9. 3 M)	$(4. 2 M)	$(4. 6 M)
2014-15	$(12. 4 M)	$(12. 4 M)	$(9. 9 M)	$(9. 9 M)	$(4. 9 M)	$(4. 9 M)
2015-16	$(13. 2 M)	$(13. 2 M)	$(10. 5 M)	$(10. 5 M)	$(5. 3 M)	$(5. 3 M)
2016-17	$(14. 0 M)	$(14. 0 M)	$(11. 2 M)	$(11. 2 M)	$(5. 6 M)	$(5. 6 M)
2017-18	$(14. 7 M)	$(14. 7 M)	$(11. 8 M)	$(11. 8 M)	$(5. 9 M)	$(5. 9 M)

List of affected Trust Funds: Sales Tax Trust Fund Grouping

Section 5: Consensus Estimate (Adopted: 04/19/2013) The conference adopted the low estimate.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	(3.7)	(4.1)	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.4)	(0.4)
2014-15	(4.3)	(4.3)	(Insignificant)	(Insignificant)	(0.1)	(0.1)	(0.4)	(0.4)
2015-16	(4.7)	(4.7)	(Insignificant)	(Insignificant)	(0.2)	(0.2)	(0.4)	(0.4)
2016-17	(5.0)	(5.0)	(Insignificant)	(Insignificant)	(0.2)	(0.2)	(0.5)	(0.5)
2017-18	(5.2)	(5.2)	(Insignificant)	(Insignificant)	(0.2)	(0.2)	(0.5)	(0.5)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	0.0	0.0	(0.4)	(0.5)	(4.1)	(4.6)
2014-15	0.0	0.0	(0.6)	(0.6)	(4.9)	(4.9)
2015-16	0.0	0.0	(0.6)	(0.6)	(5.3)	(5.3)
2016-17	0.0	0.0	(0.6)	(0.6)	(5.6)	(5.6)
2017-18	0.0	0.0	(0.7)	(0.7)	(5.9)	(5.9)

	A	B	C	D	E	F	G
1	Total sales tax collections for identified industries 2012						
2	$ 87,028,570						
3							
4	Other Consumer durables growth rates						
5	2013-14	6.3%					
6	2014-15	6.9%					
7	2015-16	6.6%					
8	2016-17	5.9%					
9	2017-18	5.4%					
10							
11	Part 5	High-12.5%		Middle-10%		Low-5%	
12		Cash	Recurring	Cash	Recurring	Cash	Recurring
13	2013-14	$ (10. 6 M)	$ (11. 6 M)	$ (8. 5 M)	$ (9. 3 M)	$ (4. 2 M)	$ (4. 6 M)
14	2014-15	$ (12. 4 M)	$ (12. 4 M)	$ (9. 9 M)	$ (9. 9 M)	$ (4. 9 M)	$ (4. 9 M)
15	2015-16	$ (13. 2 M)	$ (13. 2 M)	$ (10. 5 M)	$ (10. 5 M)	$ (5. 3 M)	$ (5. 3 M)
16	2016-17	$ (14. 0 M)	$ (14. 0 M)	$ (11. 2 M)	$ (11. 2 M)	$ (5. 6 M)	$ (5. 6 M)
17	2017-18	$ (14. 7 M)	$ (14. 7 M)	$ (11. 8 M)	$ (11. 8 M)	$ (5. 9 M)	$ (5. 9 M)

REVENUE ESTIMATING CONFERENCE

Tax: Medical and Hospital Fees
Issue: County Contributions to Medicaid/Total Annual Contribution
Bill Number(s): SB 1884 (Initially Proposed Committee Bill SPB 7156)

- [x] **Entire Bill**
- [ ] **Partial Bill**:

Sponsor(s): Senate Committee on Health Policy
Month/Year Impact Begins: July 2013
Date of Analysis 04/17/2013

Section 1: Narrative

a. Current Law: Section 409.915, F.S., provides that the state shall charge counties for certain items of care and service. Counties are required to reimburse the state for:

- 35 percent of the cost of inpatient hospitalization in excess of 10 days, not to exceed 45 days, with the exception of pregnant women and children whose income is in excess of the federal poverty level and who do not participate in the Medicaid medically needy program, and for adult lung transplant services; and
- 35 percent of the cost of nursing home or intermediate facilities in excess of $170 per month, limited to $55 per resident per month, with the exception of skilled nursing care for children under age 21.

The Agency for Health Care Administration (AHCA) provides each county with a monthly bill based on payments made on behalf of the county's residents. The amount collected from the counties is deposited into the General Revenue Fund.

For the period from state fiscal year 1994-1995 through fiscal year 2006-2007, county contributions to Medicaid collections were approximately 93 percent of total billings in any fiscal year. For fiscal year 2007-2008 through fiscal year 2011-12, county contributions to Medicaid collections dropped to less than 90 percent of total billings, with only 64.7 percent of billings billed in fiscal year 2010-2011 being paid in that year. The decline in collections was caused mainly by the inability of the AHCA and individual counties to reach agreement on whether certain Medicaid recipients were residents of the county. The decline in the amount of billings collected resulted in a large backlog of past due billings.

In 2012, the Legislature reacted to this situation by enacting Chapter 2012-33, L.O.F. That law provided specific processes whereby the Agency for Health Care Administration (AHCA) worked with the counties and the Department of Revenue to address payment backlog, prospective billings, and an administrative review and appeal for the billing and refund process.

b. Proposed Change: The bill amends s. 409.915, F.S., to revise the current process for county Medicaid billings. Instead of the current practice based on expenditures incurred on behalf of a county's residents, the bill provides for an annual contribution for Medicaid. The bill establishes a total contribution of $269.6 million for state fiscal year 2013-2014. (This amount reflects the consensus amount for prospective billings from the March 15, 2013 Revenue Estimating Conference for General Revenue.) For each year thereafter, the total annual amount of the counties' contribution is adjusted by the percentage change in state Medicaid expenditures over the two most recently completed State Fiscal Years.

Each county's annual contribution is determined by multiplying the total annual contribution for all counties by the county's proportion of Medicaid enrollees as of March 1 of each year. The AHCA is responsible for calculating the amount of each county's annual contribution and providing that information to the DOR by May 15 of each year.

By June 1 of each year, DOR must notify each county of its annual contribution. Counties must pay, via check or electronic transfer, 1/12th of the total, by the 5th of each month. If a county fails to remit payment by the 5th of the month, DOR is directed to reduce the county's monthly distribution from the Local Government Half-Cent Sales Tax Trust Fund by the amount of the monthly installment. The payments and the amounts by which the distributions are reduced are transferred to the General Revenue Fund.

The amount of each county's contribution for fiscal year 2013-2014 must be determined and provided by the AHCA to the DOR by June 15, 2013. The DOR will notify each county of its annual contribution by June 20, 2013.

Section 2: Description of Data and Sources

Two sources of data:

(1) Long Term Medicaid Forecast, as adopted by the Social Services Estimating Conference (SSEC) on March 7, 2013
(2) Estimates related to Federal Affordable Care Act: Tile XIX (Medicaid) & Title XXI (CHIP) Programs as adopted by the SSEC on March 7, 2013

REVENUE ESTIMATING CONFERENCE

Tax: Medical and Hospital Fees
Issue: County Contributions to Medicaid/Total Annual Contribution
Bill Number(s): SB 1884 (Initially Proposed Committee Bill SPB 7156)

The details of these two adopted forecasts are available at: http://edr.state.fl.us/Content/conferences/medicaid/index.cfm

Section 3: Methodology (Include Assumptions and Attach Details)
The Long Term Medicaid Forecast is the source for historical and projected Medicaid expenditures by fund source over the impact estimation period.

The Affordable Care Act estimates are the source of potential fiscal impact specific to the two elements of current federal policy which will impact future costs of the Florida Medicaid program: the enrollment into the program of those persons who are currently eligible but not enrolled—typically referred to as the "woodworking effect"—and the impact of the Health Insurance Tax on those managed care entities contracted with the Florida Medicaid program, the added costs of which are to be reimbursed by Medicaid.

It should be noted that the figures used in the estimates provided for this issue are derived from SSEC consensus documents. The ACA estimates differ from estimates previously available because the Revenue Estimating Conference met on March 15, prior to the finalization of the results from the March 7, 2013 meeting of the SSEC at which the ACA impact was modified to reflect the estimates provided here.

The adopted forecast costs of the two ACA federal policy requirements have been included as identical figures by the Senate and House of Representatives in their respective proposed budgets. For these reasons, the estimates provided below only reflect the "middle" scenario.

It should also be noted that for purposes of this analysis, Conference Principals requested that the focus be on the statewide impact of the bill, not on county level detail.

See attached worksheet for details of how the estimates below were derived.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14			$0.0 m	$0.0 m		
2014-15			($11.3 m)	($11.3 m)		
2015-16			($12.9 m)	($12.9 m)		
2016-17			($16.4 m)	($16.4 m)		
2017-18			($20.4 m)	($20.4 m)		

List of affected Trust Funds:
General Revenue

Section 5: Consensus Estimate (Adopted:04/19/2013) The conference adopted the proposed estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	0.0	(11.3)	0.0	0.0	0.0	0.0	0.0	(11.3)
2014-15	(11.3)	(11.3)	0.0	0.0	0.0	0.0	(11.3)	(11.3)
2015-16	(12.9)	(12.9)	0.0	0.0	0.0	0.0	(12.9)	(12.9)
2016-17	(16.4)	(16.4)	0.0	0.0	0.0	0.0	(16.4)	(16.4)
2017-18	(20.4)	(20.4)	0.0	0.0	0.0	0.0	(20.4)	(20.4)

Medicaid County Billing Estimate per SPB 7156

Regular FMAP	55.94%	57.73%	58.67%	58.93%	59.22%	59.31%	
	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
<u>TOTAL ALL MEDICAID SERVICES</u>							
TOTAL COST	$19,633,197,594	$20,694,396,668	$22,009,792,180	$23,077,083,112	$24,153,920,785	$25,278,869,327	
TOTAL GENERAL REVENUE	4,155,192,022	4,772,074,235	4,952,622,184	5,305,527,588	5,664,111,621	6,074,915,602	
TOTAL MEDICAL CARE TRUST FUND	10,376,691,159	11,272,608,737	12,110,172,663	12,815,844,980	13,455,299,549	14,083,131,493	
TOTAL REFUGEE ASSISTANCE TF	25,082,270	32,774,245	41,914,830	44,683,301	47,565,155	50,589,557	
TOTAL PUBLIC MEDICAL ASSIST TF	1,169,700,000	561,410,000	607,660,000	622,851,500	638,422,788	654,383,357	
TOTAL OTHER STATE FUNDS	721,060,555	710,367,238	696,973,455	693,587,678	689,673,406	689,137,565	
TOTAL GRANTS & DONATIONS TF	2,293,847,343	2,463,123,883	2,653,810,718	2,714,449,736	2,780,809,935	2,851,473,423	
TOTAL HEALTH CARE TF	832,885,915	823,300,000	887,900,000	821,400,000	819,300,000	816,500,000	
TOTAL TOBACCO SETTLEMENT TF	58,738,330	58,738,330	58,738,330	58,738,329	58,738,330	58,738,330	
FEDERAL SHARE	$10,401,773,429	$11,305,382,982	$12,152,087,493	$12,860,528,281	$13,502,864,704	$14,133,721,050	
STATE SHARE	$9,231,424,165	$9,389,013,686	$9,857,704,687	$10,216,554,830	$10,651,056,081	$11,145,148,277	
PPACA Impact on Medicaid Enrollment--Federal Policy							
State	N/A	N/A	$7,193,795	$29,649,449	$34,712,470	$42,745,626	
Federal	N/A	N/A	$13,192,246	$54,936,823	$96,905,587	$139,323,682	
Total	N/A	N/A	$20,386,041	$84,586,272	$131,618,057	$182,069,308	
PPACA Impact of Health Insurance Tax on Managed Care Rates--Federal Policy							
State	N/A	N/A	$16,436,955	$91,326,810	$122,508,804	$129,613,016	
Federal	N/A	N/A	$23,333,079	$130,501,731	$176,804,179	$187,599,455	
Total	N/A	N/A	$39,770,034	$221,828,541	$299,312,983	$317,212,471	
Grand Total Services and Federal Policy from PPACA							
State	$9,231,424,165	$9,389,013,686	$9,881,335,437	$10,337,531,089	$10,808,277,355	$11,317,506,919	
Percentage change from prior year		1.71%	5.2%	4.6%	4.6%	4.7%	
Federal	$10,401,773,429	$11,305,382,982	$12,188,612,818	$13,045,966,835	$13,776,574,470	$14,460,644,187	
Total	$19,633,197,594	$20,694,396,668	$22,069,948,255	$23,383,497,925	$24,584,851,825	$25,778,151,106	
SPB 7156 (in millions)			$ 269.6	$ 274.2	$ 288.6	$ 301.9	$ 315.7
				1.71%	5.24%	4.62%	4.55%
Current estimate (March 2013 REC) (in millions)			269.6	285.5	301.5	318.3	336.1
				5.90%	5.60%	5.57%	5.59%
Impact (in millions)			0.0	(11.3)	(12.9)	(16.4)	(20.4)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Exemption for Purchases of Machinery and Equipment
Bill Number(s): CS/HB391

☑ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s): Representative Magar
Month/Year Impact Begins: June 1, 2013 (with one month lag to collections)
Date of Analysis: April 17, 2013

Section 1: Narrative

a. Current Law: Section 212.08(5)(b), F.S., Current law provides a sales tax exemption on machinery and equipment purchased by a business engaged in spaceport activities or for use in a new business engaged in manufacturing. There is also an exemption for expanding manufacturers, provided they show a 5% increase in productive output. New or expanding businesses must affirmatively show that the machinery and equipment purchased is to be used in a new business in this state, or an expanding business in this state. Section 212.08(5)(d), F.S., Provides an exemption with the a 10% productive output requirement for purchases of machinery and equipment made pursuant to a federal procurement contract.

Section 212.08(5)(b)6 a, F.S., "Industrial machinery and equipment" means tangible personal property or other property that has a depreciable life of 3 years or more and that is used as an integral part in the manufacturing, processing, compounding, or production of tangible personal property for sale or is exclusively used in spaceport activities.

Florida administrative code 12A-1.096 provides:

"Manufacture, process, compound, or produce for sale" means the various industrial operations of a business where raw materials will be put through a series of steps to make an item of tangible personal property that will be sold. The industrial operations must bring about a change in the composition or physical nature of the raw materials. Where materials are merely repackaged or redistributed, those operations are not manufacturing, processing, compounding, or producing for sale. The item of tangible personal property may be sold to another manufacturer for further processing or for inclusion as a part in another item of tangible personal property that will be sold, or the item may be sold as a finished product to a wholesaler or an end consumer. The business performing the manufacturing, processing, compounding, or production process may or may not own the raw materials. However, the phrase "manufacture, process, compound, or produce for sale" does not include fabrication, alteration, modification, cleaning, or repair services performed on items of tangible personal property belonging to others where such items of tangible personal property are not for sale.

"Production process" or "production line" means those industrial activities beginning when raw materials are delivered to the new or expanding business' fixed location and generally ending when the items of tangible personal property have been packaged for sale, or are in saleable form if packaging is not done. However, the production process may include quality control activities after the items have been packaged (or are in salable form if packaging is normally not done), such as good manufacturing practices as mandated by the Federal Food and Drug Administration to detect adulterated food or food that has been prepared, packaged, or held under unsanitary conditions.

The exemption for industrial machinery and equipment ends at that stage of the production process where the product produced is placed in a package (or is in salable form if packaging is normally not done) to be sold to the wholesaler, retailer, or other purchaser. Machinery and equipment for the refrigerated, frozen, heated, or otherwise temperature-controlled storage or warehousing of packaged finished goods inventory, solely for preservation purposes, prior to shipment or delivery to customers, is not a part of the production process.

b. Proposed Change: Businesses will no longer have a requirement to affirmatively demonstrate that they have increased their productive output by no less than 5%. There is no distinction between new and expanding businesses.

Section 2: Description of Data and Sources

Department of Revenue Annual Sales Tax Files
March 2013 Revenue Estimating Conference Business Investment Growth Rates

Section 3: Methodology (Include Assumptions and Attach Details)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Exemption for Purchases of Machinery and Equipment
Bill Number(s): CS/HB391

The analysis for this bill consists of four parts. The first part is use tax paid on purchases for manufacturing. The available data on taxable purchases comes from a time period when the criterion for qualification as an expanding business was 10% growth in production. The previously adopted estimates for the change from 10% to 5% and the complete removal of the productive increase requirement were used to reduce the impact amount for the first part of the analysis.

The previously adopted estimate for the elimination of the productive output requirement was equal to the taxable purchases with an additional 25% added to account for similarity in size and distribution of those manufacturers with taxable purchases and those without. The previous estimate for the change from a 10% production increase requirement to a 5% production increase was equal to 75% of half of the taxable purchases to account for potentially unequal distribution of purchases between the 10% to 5%, and the 5% to zero brackets.

The first part has a high estimate equal to the average dollar value of taxable purchases made by manufacturers from 2003 to 2011 grown by the business investment growth rate plus the additional 25% for purchase distribution. The middle estimate is equal to 70% of the high amount per the previously adopted numbers. The low estimate is half of the high estimate.

The second part of the analysis is from use tax paid by other types of businesses, excluding manufacturing, construction, and utilities. Under current law and administrative code the exemption is not restricted solely to manufacturing activity. This portion of additional potential impact is 15% of the use tax paid in the high, 10% in the middle, and 5% in the low estimate.

The third part of this analysis comes from the inclusion of more general parts and accessories in this exemption. It is expected that for a given purchase of depreciable equipment some percentage of the total purchase price will be spent over time replacing items consumed as part of eligible manufacturing processes. It is expected that the most common depreciable life for this machinery and equipment is seven years. With this in mind, it makes sense that instead of using the one year value for the average use tax paid a seven year stock of use tax paid should be used. Seven years of use tax paid for the manufacturing group and seven years of use tax paid for the select group of other industries, consistent with the percentages from part two, are combined to generate the pool of total dollars spent on depreciable tangible personal property. The low estimate uses one percent of this stock to approximate some amount for the potential additional spending on parts and accessories. The middle estimate uses two percent and the high estimate uses three percent, both percentages are applied to the same seven year stock of use tax paid on purchases.

The fourth part of this analysis is based on the potential behavioral change that could occur with the use of an attestation that the tax should not be collected given by the purchaser to the seller. It is expected that there is a higher certainty that the purchases made by manufacturers would correctly qualify for the exemption under the new language, and for this reason we are using only 50% of the total manufacturing use tax as the base for the behavioral changes. It is expected that there is less certainty that purchase made by the select group of industries will correctly qualify, as their purchases are more varied. For this reason we are using 100% of use tax for the select group of other industries as the base for the potential behavioral changes. The low value for the behavioral change is 10% of the combined amounts of 50% of the use tax paid by manufacturing and 100% of use tax paid by the select group of other industries. The same combined use tax paid amount is used to prepare the middle and high estimates. The middle and high estimates use twenty and thirty percent, respectively.

The proposed changes do not come into effect until June 1, 2013, and there is a full year of impact for 2013-14.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	$(252. 5 M)	$(252. 5 M)	$(174. 0 M)	$(174. 0 M)	$(112. 4 M)	$(112. 4 M)
2014-15	$(248. 9 M)	$(263. 6 M)	$(171. 3 M)	$(181. 7 M)	$(110. 0 M)	$(117. 4 M)
2015-16	$(276. 3 M)	$(276. 3 M)	$(190. 4 M)	$(190. 4 M)	$(123. 0 M)	$(123. 0 M)
2016-17	$(290. 1 M)	$(290. 1 M)	$(199. 9 M)	$(199. 9 M)	$(129. 2 M)	$(129. 2 M)
2017-18	$(304. 3 M)	$(304. 3 M)	$(209. 7 M)	$(209. 7 M)	$(135. 5 M)	$(135. 5 M)

List of affected Trust Funds: Sales Tax Fund Grouping

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Exemption for Purchases of Machinery and Equipment
Bill Number(s): CS/HB391

Section 5: Consensus Estimate (Adopted: 04/19/2013) The conference adopted part 1 from the 3/16/2013 REC Impact, the low for part 2, ½ the low for part 3 and the low for part 4.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	(133.2)	(133.2)	(Insignificant)	(Insignificant)	(4.4)	(4.4)	(12.7)	(12.7)
2014-15	(138.0)	(138.0)	(Insignificant)	(Insignificant)	(4.6)	(4.6)	(13.1)	(13.1)
2015-16	(144.3)	(144.3)	(Insignificant)	(Insignificant)	(4.8)	(4.8)	(13.7)	(13.7)
2016-17	(150.7)	(150.7)	(Insignificant)	(Insignificant)	(5.0)	(5.0)	(14.3)	(14.3)
2017-18	(157.6)	(157.6)	(Insignificant)	(Insignificant)	(5.2)	(5.2)	(15.0)	(15.0)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	(13.0)	(13.0)	(30.0)	(30.0)	(163.2)	(163.2)
2014-15	(13.4)	(13.4)	(31.1)	(31.1)	(169.1)	(169.1)
2015-16	(14.0)	(14.0)	(32.5)	(32.5)	(176.8)	(176.8)
2016-17	(14.7)	(14.7)	(34.0)	(34.0)	(184.7)	(184.7)
2017-18	(15.3)	(15.3)	(35.5)	(35.5)	(193.1)	(193.1)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Exemption for Purchases of Machinery and Equipment
Bill Number(s): CS/SB518

☑ **Entire Bill**
☐ **Partial Bill**:
Sponsor(s): Senator Hukill
Month/Year Impact Begins: January 1, 2014(One month lag to collections)
Date of Analysis: April 17, 2013

Section 1: Narrative

a. Current Law: Section 212.08(5)(b), F.S., Current law provides a sales tax exemption on machinery and equipment purchased by a business engaged in spaceport activities or for use in a new business engaged in manufacturing. There is also an exemption for expanding manufacturers, provided they show a 5% increase in productive output. New or expanding businesses must affirmatively show that the machinery and equipment purchased is to be used in a new business in this state, or an expanding business in this state. Section 212.08(5)(d), F.S., Provides an exemption with the a 10% productive output requirement for purchases of machinery and equipment made pursuant to a federal procurement contract.

Section 212.08(5)(b)6 a, F.S., "Industrial machinery and equipment" means tangible personal property or other property that has a depreciable life of 3 years or more and that is used as an integral part in the manufacturing, processing, compounding, or production of tangible personal property for sale or is exclusively used in spaceport activities.

Florida administrative code 12A-1.096 provides:

"Manufacture, process, compound, or produce for sale" means the various industrial operations of a business where raw materials will be put through a series of steps to make an item of tangible personal property that will be sold. The industrial operations must bring about a change in the composition or physical nature of the raw materials. Where materials are merely repackaged or redistributed, those operations are not manufacturing, processing, compounding, or producing for sale. The item of tangible personal property may be sold to another manufacturer for further processing or for inclusion as a part in another item of tangible personal property that will be sold, or the item may be sold as a finished product to a wholesaler or an end consumer. The business performing the manufacturing, processing, compounding, or production process may or may not own the raw materials. However, the phrase "manufacture, process, compound, or produce for sale" does not include fabrication, alteration, modification, cleaning, or repair services performed on items of tangible personal property belonging to others where such items of tangible personal property are not for sale.

"Production process" or "production line" means those industrial activities beginning when raw materials are delivered to the new or expanding business' fixed location and generally ending when the items of tangible personal property have been packaged for sale, or are in saleable form if packaging is not done. However, the production process may include quality control activities after the items have been packaged (or are in salable form if packaging is normally not done), such as good manufacturing practices as mandated by the Federal Food and Drug Administration to detect adulterated food or food that has been prepared, packaged, or held under unsanitary conditions.

The exemption for industrial machinery and equipment ends at that stage of the production process where the product produced is placed in a package (or is in salable form if packaging is normally not done) to be sold to the wholesaler, retailer, or other purchaser. Machinery and equipment for the refrigerated, frozen, heated, or otherwise temperature-controlled storage or warehousing of packaged finished goods inventory, solely for preservation purposes, prior to shipment or delivery to customers, is not a part of the production process.

b. Proposed Change: Businesses will no longer have a requirement to affirmatively demonstrate that they have increased their productive output by no less than 5%. There is no distinction between new and expanding businesses. The exemption is expanded to include parts and accessories for industrial machinery and equipment. The seller of any exempt machinery and equipment will be relieved of the responsibility for collecting the tax on the sale if the purchaser furnishes the seller with a signed certificate stating that the items to be exempted are for exclusive use as provided under 212.08(5)(b).

Section 2: Description of Data and Sources

Department of Revenue Annual Sales Tax Files
March 2013 Revenue Estimating Conference Business Investment Growth Rates

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Exemption for Purchases of Machinery and Equipment
Bill Number(s): CS/SB518

Section 3: Methodology (Include Assumptions and Attach Details)

The analysis for this bill consists of four parts. The first part is use tax paid on purchases for manufacturing. The available data on taxable purchases comes from a time period when the criterion for qualification as an expanding business was 10% growth in production. The previously adopted estimates for the change from 10% to 5% and the complete removal of the productive increase requirement were used to reduce the impact amount for the first part of the analysis.

The previously adopted estimate for the elimination of the productive output requirement was equal to the taxable purchases with an additional 25% added to account for similarity in size and distribution of those manufacturers with taxable purchases and those without. The previous estimate for the change from a 10% production increase requirement to a 5% production increase was equal to 75% of half of the taxable purchases to account for potentially unequal distribution of purchases between the 10% to 5%, and the 5% to zero brackets.

The first part has a high estimate equal to the average dollar value of taxable purchases made by manufacturers from 2003 to 2011 grown by the business investment growth rate plus the additional 25% for purchase distribution. The middle estimate is equal to 70% of the high amount per the previously adopted numbers. The low estimate is half of the high estimate.

The second part of the analysis is from use tax paid by other types of businesses, excluding manufacturing, construction, and utilities. Under current law and administrative code the exemption is not restricted solely to manufacturing activity. This portion of additional potential impact is 15% of the use tax paid in the high, 10% in the middle, and 5% in the low estimate.

The third part of this analysis comes from the inclusion of more general parts and accessories in this exemption. It is expected that for a given purchase of depreciable equipment some percentage of the total purchase price will be spent over time replacing items consumed as part of eligible manufacturing processes. It is expected that the most common depreciable life for this machinery and equipment is seven years. With this in mind, it makes sense that instead of using the one year value for the average use tax paid a seven year stock of use tax paid should be used. Seven years of use tax paid for the manufacturing group and seven years of use tax paid for the select group of other industries, consistent with the percentages from part two, are combined to generate the pool of total dollars spent on depreciable tangible personal property. The low estimate uses one percent of this stock to approximate some amount for the potential additional spending on parts and accessories. The middle estimate uses two percent and the high estimate uses three percent, both percentages are applied to the same seven year stock of use tax paid on purchases.

The fourth part of this analysis is based on the potential behavioral change that could occur with the use of an attestation that the tax should not be collected given by the purchaser to the seller. It is expected that there is a higher certainty that the purchases made by manufacturers would correctly qualify for the exemption under the new language, and for this reason we are using only 50% of the total manufacturing use tax as the base for the behavioral changes. It is expected that there is less certainty that purchase made by the select group of industries will correctly qualify, as their purchases are more varied. For this reason we are using 100% of use tax for the select group of other industries as the base for the potential behavioral changes. The low value for the behavioral change is 10% of the combined amounts of 50% of the use tax paid by manufacturing and 100% of use tax paid by the select group of other industries. The same combined use tax paid amount is used to prepare the middle and high estimates. The middle and high estimates use twenty and thirty percent, respectively.

The proposed changes do not come into effect until January 1, 2014. State fiscal year 2013-14 is equal to five months of collections.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	$(105. 2 M)	$(252. 5 M)	$(72. 5 M)	$(174. 0 M)	$(46. 9 M)	$(112. 4 M)
2014-15	$(248. 9 M)	$(263. 6 M)	$(171. 3 M)	$(181. 7 M)	$(110. 0 M)	$(117. 4 M)
2015-16	$(276. 3 M)	$(276. 3 M)	$(190. 4 M)	$(190. 4 M)	$(123. 0 M)	$(123. 0 M)
2016-17	$(290. 1 M)	$(290. 1 M)	$(199. 9 M)	$(199. 9 M)	$(129. 2 M)	$(129. 2 M)
2017-18	$(304. 3 M)	$(304. 3 M)	$(209. 7 M)	$(209. 7 M)	$(135. 5 M)	$(135. 5 M)

REVENUE ESTIMATING CONFERENCE

Tax: Sales and Use Tax
Issue: Exemption for Purchases of Machinery and Equipment
Bill Number(s): CS/SB518

List of affected Trust Funds: Sales Tax Fund Grouping

Section 5: Consensus Estimate (Adopted: 04/19/2013) The conference adopted part 1 from the 3/16/2013 REC Impact, the low for part 2, ½ the low for part 3 and the low for part 4.

	GR		Trust		Revenue Sharing		Local Half Cent	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	(55.5)	(133.2)	(Insignificant)	(Insignificant)	(1.8)	(4.4)	(5.3)	(12.7)
2014-15	(138.0)	(138.0)	(Insignificant)	(Insignificant)	(4.6)	(4.6)	(13.1)	(13.1)
2015-16	(144.3)	(144.3)	(Insignificant)	(Insignificant)	(4.8)	(4.8)	(13.7)	(13.7)
2016-17	(150.7)	(150.7)	(Insignificant)	(Insignificant)	(5.0)	(5.0)	(14.3)	(14.3)
2017-18	(157.6)	(157.6)	(Insignificant)	(Insignificant)	(5.2)	(5.2)	(15.0)	(15.0)

	Local Option		Total Local		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	(5.4)	(13.0)	(12.5)	(30.0)	(68.0)	(163.2)
2014-15	(13.4)	(13.4)	(31.1)	(31.1)	(169.1)	(169.1)
2015-16	(14.0)	(14.0)	(32.5)	(32.5)	(176.8)	(176.8)
2016-17	(14.7)	(14.7)	(34.0)	(34.0)	(184.7)	(184.7)
2017-18	(15.3)	(15.3)	(35.5)	(35.5)	(193.1)	(193.1)

	A	B	C	D	E	F	G	H
1		Numbers for manufacturing NAICS Codes only						
2		**CY**	**Taxable Purchase**	**Tax on Purchases**	**Gross Sales**	**Taxable Sales**	**Tax Due**	
3		2003	$ 1,716.0	$ 111.0	$ 41,021.6	$ 7,466.2	$ 485.1	
4		2004	$ 1,775.2	$ 116.5	$ 41,743.5	$ 8,119.6	$ 529.8	
5		2005	$ 1,852.2	$ 123.1	$ 46,656.8	$ 8,547.8	$ 560.0	
6		2006	$ 2,294.8	$ 153.0	$ 56,452.7	$ 10,497.2	$ 700.8	
7		2007	$ 2,241.4	$ 147.9	$ 59,032.9	$ 9,293.5	$ 612.5	
8		2008	$ 2,036.2	$ 133.3	$ 55,460.0	$ 8,007.3	$ 525.2	
9		2009	$ 1,523.6	$ 100.2	$ 44,834.0	$ 6,132.6	$ 400.7	
10		2010	$ 1,463.0	$ 96.4	$ 46,277.4	$ 5,564.3	$ 364.3	
11		2011	$ 1,622.8	$ 106.6	$ 50,019.6	$ 5,994.3	$ 391.1	
12		Conversion from Calendar Year to Fiscal Year						
13		**CY to FY**	**Taxable Purchase**	**Tax on Purchases**	**Gross Sales**	**Taxable Sales**	**Tax Due**	
14		2003-04	$ 1,745.6	$ 113.7	$ 41,382.6	$ 7,792.9	$ 507.4	
15		2004-05	$ 1,813.7	$ 119.8	$ 44,200.2	$ 8,333.7	$ 544.9	
16		2005-06	$ 2,073.5	$ 138.1	$ 51,554.7	$ 9,522.5	$ 630.4	
17		2006-07	$ 2,268.1	$ 150.5	$ 57,742.8	$ 9,895.4	$ 656.6	
18		2007-08	$ 2,138.8	$ 140.6	$ 57,246.5	$ 8,650.4	$ 568.9	
19		2008-09	$ 1,779.9	$ 116.8	$ 50,147.0	$ 7,070.0	$ 463.0	
20		2009-10	$ 1,493.3	$ 98.3	$ 45,555.7	$ 5,848.5	$ 382.5	
21		2010-11	$ 1,542.9	$ 101.5	$ 48,148.5	$ 5,779.3	$ 377.7	
22		avg		$ 122.4				
23								
24		Numbers for Select NAICS Codes Excluding Manufacturing and industries where the exemption is unlikely to apply						
25		**CY**	**Taxable Purchase**	**Tax on Purchases**	**Gross Sales**	**Taxable Sales**	**Tax Due**	
26		2003	$ 3,312.2	$ 217.1	$ 243,551.7	$ 100,977.5	$ 6,588.7	
27		2004	$ 4,312.0	$ 284.5	$ 263,932.9	$ 108,671.6	$ 7,092.7	
28		2005	$ 3,661.4	$ 240.9	$ 262,690.0	$ 103,779.6	$ 6,816.2	
29		2006	$ 4,149.7	$ 273.7	$ 324,364.9	$ 126,547.5	$ 8,346.1	
30		2007	$ 3,849.9	$ 254.3	$ 329,458.8	$ 120,172.6	$ 7,944.1	
31		2008	$ 4,825.2	$ 314.0	$ 330,456.0	$ 110,418.2	$ 7,297.2	
32		2009	$ 2,885.3	$ 190.9	$ 288,692.9	$ 98,743.1	$ 6,523.7	
33		2010	$ 3,111.4	$ 205.8	$ 322,139.0	$ 104,078.0	$ 6,864.8	
34		2011	$ 3,282.4	$ 215.2	$ 336,112.4	$ 111,236.3	$ 7,298.0	
35		Conversion from Calendar Year to Fiscal Year						
36		**CY to FY**	**Taxable Purchase**	**Tax on Purchases**	**Gross Sales**	**Taxable Sales**	**Tax Due**	
37		2003-04	$ 3,812.1	$ 250.8	$ 253,742.3	$ 104,824.6	$ 6,840.7	
38		2004-05	$ 3,986.7	$ 262.7	$ 263,311.4	$ 106,225.6	$ 6,954.4	
39		2005-06	$ 3,905.5	$ 257.3	$ 293,527.4	$ 115,163.5	$ 7,581.2	
40		2006-07	$ 3,999.8	$ 264.0	$ 326,911.9	$ 123,360.0	$ 8,145.1	
41		2007-08	$ 4,337.5	$ 284.2	$ 329,957.4	$ 115,295.4	$ 7,620.7	
42		2008-09	$ 3,855.3	$ 252.4	$ 309,574.4	$ 104,580.7	$ 6,910.5	
43		2009-10	$ 2,998.3	$ 198.3	$ 305,415.9	$ 101,410.6	$ 6,694.3	
44		2010-11	$ 3,196.9	$ 210.5	$ 329,125.7	$ 107,657.1	$ 7,081.4	
45		avg		$ 247.5				
46								

	A	B	C	D	E	F	G	H
47		Business Investment Growth Rates					2012-13	
48		2011-12	3.0%		Previous 10% to 5%		$ 51.92	
49		2012-13	3.8%		Previous 10% to 0%		$ 173.10	
50		2013-14	3.7%		% of total left for 5% to 0%		70.0%	
51		2014-15	4.4%					
52		2015-16	4.8%					
53		2016-17	5.0%					
54		2017-18	4.9%					
55								
56		Impact for Manufacturing only using average manufacturing use tax						
57		Part 1	High		Middle		Low	
58			Cash	Recurring	Cash	Recurring	Cash	Recurring
59		2011-12		$ (157. 6 M)		$ (110. 3 M)		$ (78. 8 M)
60		2012-13		$ (163. 6 M)		$ (114. 5 M)		$ (81. 8 M)
61		2013-14	$ (70. 7 M)	$ (169. 7 M)	$ (49. 5 M)	$ (118. 8 M)	$ (35. 3 M)	$ (84. 8 M)
62		2014-15	$ (162. 4 M)	$ (177. 1 M)	$ (113. 7 M)	$ (124. 0 M)	$ (81. 2 M)	$ (88. 6 M)
63		2015-16	$ (185. 6 M)	$ (185. 6 M)	$ (129. 9 M)	$ (129. 9 M)	$ (92. 8 M)	$ (92. 8 M)
64		2016-17	$ (194. 9 M)	$ (194. 9 M)	$ (136. 4 M)	$ (136. 4 M)	$ (97. 5 M)	$ (97. 5 M)
65		2017-18	$ (204. 5 M)	$ (204. 5 M)	$ (143. 1 M)	$ (143. 1 M)	$ (102. 2 M)	$ (102. 2 M)
66								
67		Impact for Select NAICS Codes (21,42,44,45,48,49,51,54,99,blank)						
68		Part 2	High-15%		Middle-10%		Low-5%	
69			Cash	Recurring	Cash	Recurring	Cash	Recurring
70				$ (38. 2 M)		$ (25. 5 M)		$ (12. 7 M)
71		2012-13		$ (39. 7 M)		$ (26. 5 M)		$ (13. 2 M)
72		2013-14	$ (17. 2 M)	$ (41. 2 M)	$ (11. 4 M)	$ (27. 4 M)	$ (5. 7 M)	$ (13. 7 M)
73		2014-15	$ (43. 0 M)	$ (43. 0 M)	$ (28. 7 M)	$ (28. 7 M)	$ (14. 3 M)	$ (14. 3 M)
74		2015-16	$ (45. 0 M)	$ (45. 0 M)	$ (30. 0 M)	$ (30. 0 M)	$ (15. 0 M)	$ (15. 0 M)
75		2016-17	$ (47. 3 M)	$ (47. 3 M)	$ (31. 5 M)	$ (31. 5 M)	$ (15. 8 M)	$ (15. 8 M)
76		2017-18	$ (49. 6 M)	$ (49. 6 M)	$ (33. 1 M)	$ (33. 1 M)	$ (16. 5 M)	$ (16. 5 M)
77								

	A	B	C	D	E	F	G	H
78		Impact for Expansion in Parts and Accessories based on 7 year stock of combined values for Manufacturing Group and Select Group						
79		Part 3	High-3%		Middle-2%		Low-1%	
80			Cash	Recurring	Cash	Recurring	Cash	Recurring
81				$ (29. 4 M)		$ (19. 6 M)		$ (9. 8 M)
82		2012-13		$ (30. 5 M)		$ (20. 4 M)		$ (10. 2 M)
83		2013-14	$ (13. 2 M)	$ (31. 7 M)	$ (8. 8 M)	$ (21. 1 M)	$ (4. 4 M)	$ (10. 6 M)
84		2014-15	$ (33. 1 M)	$ (33. 1 M)	$ (22. 0 M)	$ (22. 0 M)	$ (11. 0 M)	$ (11. 0 M)
85		2015-16	$ (34. 6 M)	$ (34. 6 M)	$ (23. 1 M)	$ (23. 1 M)	$ (11. 5 M)	$ (11. 5 M)
86		2016-17	$ (36. 4 M)	$ (36. 4 M)	$ (24. 3 M)	$ (24. 3 M)	$ (12. 1 M)	$ (12. 1 M)
87		2017-18	$ (38. 2 M)	$ (38. 2 M)	$ (25. 4 M)	$ (25. 4 M)	$ (12. 7 M)	$ (12. 7 M)
88								
89		Impact for Changes in compliance behavior based on combined value of the average use tax for the Select group and 50% of the average use tax for the Manufacturing Group						
90		Part 4	High-3%		Middle-2%		Low-1%	
91			Cash	Recurring	Cash	Recurring	Cash	Recurring
92				$ (9. 3 M)		$ (6. 2 M)		$ (3. 1 M)
93		2012-13		$ (9. 7 M)		$ (6. 4 M)		$ (3. 2 M)
94		2013-14	$ (4. 2 M)	$ (10. 0 M)	$ (2. 8 M)	$ (6. 7 M)	$ (1. 4 M)	$ (3. 3 M)
95		2014-15	$ (10. 5 M)	$ (10. 5 M)	$ (7. 0 M)	$ (7. 0 M)	$ (3. 5 M)	$ (3. 5 M)
96		2015-16	$ (11. 0 M)	$ (11. 0 M)	$ (7. 3 M)	$ (7. 3 M)	$ (3. 7 M)	$ (3. 7 M)
97		2016-17	$ (11. 5 M)	$ (11. 5 M)	$ (7. 7 M)	$ (7. 7 M)	$ (3. 8 M)	$ (3. 8 M)
98		2017-18	$ (12. 1 M)	$ (12. 1 M)	$ (8. 1 M)	$ (8. 1 M)	$ (4. 0 M)	$ (4. 0 M)

	A	B	C	G	H	I	J	K	L
1		Distribution of Use Tax paid by NAICS code (Highlighted Codes are part of the Selected group)							
2		Description	Naics	2006	2007	2008	2009	2010	2011
3		Agriculture, Forestry, Fishing and Hunting	11	2.9%	2.3%	1.7%	1.6%	1.6%	1.6%
4		Mining, Quarrying, and Oil and Gas Extraction	21	0.9%	0.9%	0.6%	0.6%	0.5%	0.6%
5		Utilities	22	8.1%	8.7%	7.1%	9.4%	10.1%	10.9%
6		Construction	23	9.2%	8.2%	6.7%	8.2%	8.3%	7.2%
7		Manufacturing	31	11.7%	8.5%	5.8%	5.9%	5.3%	5.2%
8		Manufacturing	32	3.8%	6.8%	6.0%	7.1%	5.5%	6.0%
9		Manufacturing	33	6.5%	7.3%	6.6%	7.0%	7.5%	8.0%
10		Wholesale Trade	42	4.5%	4.4%	4.1%	4.7%	4.8%	5.0%
11		Retail Trade	44	18.0%	15.9%	13.0%	15.1%	14.0%	14.3%
12		Retail Trade	45	5.2%	6.7%	17.3%	6.1%	6.6%	6.3%
13		Transportation and Warehousing	48	1.9%	2.2%	1.8%	2.8%	4.9%	3.7%
14		Transportation and Warehousing	49	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
15		Information	51	7.1%	6.5%	5.0%	6.0%	5.1%	6.5%
16		Finance and Insurance	52	1.4%	1.5%	1.2%	1.3%	0.8%	0.8%
17		Real Estate and Rental and Leasing	53	3.5%	3.5%	2.5%	3.0%	2.9%	3.2%
18		Professional, Scientific, and Technical Services	54	1.4%	1.6%	1.3%	1.9%	1.8%	1.6%
19		Management of Companies and Enterprises	55	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20		Administrative and Support and Waste Management	56	1.4%	1.6%	1.5%	2.1%	2.8%	2.2%
21		Educational Services	61	0.2%	0.2%	0.3%	0.5%	0.3%	0.3%
22		Health Care and Social Assistance	62	1.4%	1.7%	1.4%	1.7%	1.8%	1.9%
23		Arts, Entertainment, and Recreation	71	6.7%	7.0%	6.1%	9.6%	9.5%	8.5%
24		Accommodationa and Food Services	72	2.3%	2.8%	2.7%	3.3%	3.2%	3.6%
25		Other Services (except Public Administration)	81	0.8%	0.9%	6.9%	1.2%	1.4%	1.6%
26		Public Administration	92	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
27		Invalid	99	0.6%	0.5%	0.4%	0.7%	0.4%	0.5%
28		Blank	(blank)	0.2%	0.2%	0.0%	0.0%	0.6%	0.0%

REVENUE ESTIMATING CONFERENCE

Tax: Florida College Fee Revenue
Issue: Section 56 Authorizes fee waivers for $10,000 baccalaureate programs
Bill Number(s): CS/CS/SB 1076 Enrolled, Section 56

☐ **Entire Bill**
☒ **Partial Bill**: Sections 56
Sponsor(s): by Education, Senator Legg and others
Month/Year Impact Begins: Sec 56: Revenues from waived fees would be lost as term begins in the Fall of 2013-14 fiscal year.
Date of Analysis: 4/19/2013

Section 1: Narrative

a. **Current Law**: Section 1009.26, F.S. establishes authority for universities and colleges to waive various fees. There currently are no upper level tuition or fee waivers authorized for baccalaureate degree programs costing $10,000 or less.
b. **Proposed Change**: Section 56 amends s.1009.26, F.S., to provide authority for the Florida College system to waive portions of upper-level tuition and fees provided those tuition/fees are associated with baccalaureate programs costing no more than $10,000. Each college determines what programs would be designated for waivers.

Section 2: Description of Data and Sources:
Data was provided from the Department of Education, Florida Colleges System Budget Office

Section 3: Methodology (Include Assumptions and Attach Details)
All Florida colleges (except Daytona, Fl Gateway, FSC Jacksonville, Lake-Sumter, Pensacola, and St. Johns River) provided anticipated enrollment capacity specifically for the provisions in this bill.

1. An estimate of the maximum total amount of waived tuition and fees possible was calculated for each college assuming all colleges chose to waive fees and tuition for all upper level students seeking a baccalaureate degree as proposed when surveyed. (See Chart on last page)
2. For those not providing enrollment estimates, a percentage of 38.6% participation was calculated based on data for those that did submit capacity data (anticipated enrollment of 3,585 / 2012-13 FTE-2A enrollment of 9,278 for only colleges providing anticipated enrollment capacity).
3. Assumes no increase over 2012-13 tuition and fee rates for a baccalaureate degree throughout the forecast period; assumes tuition total grows by CPI; and no enrollment increases.

If the maximum amount of waived tuition and fees occurs based on surveyed responses the resulting loss of revenue is less than 1% of total tuition and fees. See table below.

Section 4: Proposed Fiscal Impact Section 56 Establishing waiver of fees and tuition for $10,000 baccalaureate degrees - Impact to Florida College System Revenues:

	High		Middle 75%		Low 50%	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14		(7.5 M)		(5.7 M)		(3.8 M)
2014-15		(7.7 M)		(5.8 M)		(3.9 M)
2015-16		(7.9 M)		(5.9 M)		(3.9 M)
2016-17		(8.0 M)		(6.0 M)		(4.0 M)
2017-18		(8.1 M)		(6.1 M)		(4.1 M)

List of affected Trust Funds:
None. Funds from fee and tuition revenue are maintained locally by each College and are not included in a state trust fund.

Section 5: Consensus Estimate (Adopted: 04/19/2013) The conference adopted the middle estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	0.0	0.0	0.0	0.0	(5.7)	(5.7)	(5.7)	(5.7)
2014-15	0.0	0.0	0.0	0.0	(5.8)	(5.8)	(5.8)	(5.8)
2015-16	0.0	0.0	0.0	0.0	(5.9)	(5.9)	(5.9)	(5.9)
2016-17	0.0	0.0	0.0	0.0	(6.0)	(6.0)	(6.0)	(6.0)
2017-18	0.0	0.0	0.0	0.0	(6.1)	(6.1)	(6.1)	(6.1)

REVENUE ESTIMATING CONFERENCE

Tax: Florida College Fee Revenue
Issue: Section 56 Authorizes fee waivers for $10,000 baccalaureate programs
Bill Number(s): CS/CS/SB 1076 Enrolled, Section 56

The Florida College System
Potential Revenue Loss to Implement $10,000 Baccalaureate Degree Programs

College	Anticipated Enrollment Capacity	4-Year Degree Cost (Based on 2012-13 Tuition and Fees)	$10,000 Degree Savings	Potential Revenue Loss	Annual Potential Revenue Loss	2011-12 Total Tuition and Fee Collections	% of Annual Collections
Eastern Florida	150	$13,202	-$3,202	-$480,312	-$240,156	$33,831,261	0.71%
Broward	420	$13,247	-$3,247	-$1,363,908	-$681,954	$95,642,078	0.71%
Chipola	10	$13,020	-$3,020	-$30,200	-$15,100	$4,281,527	0.35%
Central Florida	50	$13,559	-$3,559	-$177,970	-$88,985	$19,565,849	0.45%
Daytona	330	$13,522	-$3,522	-$1,162,326	-$581,163	$42,116,063	1.38%
Edison	15	$12,967	-$2,967	-$44,508	-$22,254	$36,705,934	0.06%
Florida Gateway	3	$13,299	-$3,299	-$9,897	-$4,949	$6,055,587	0.08%
FSC Jacksonville	455	$13,014	-$3,014	-$1,371,370	-$685,685	$70,998,528	0.97%
Gulf Coast	50	$12,506	-$2,506	-$125,320	-$62,660	$13,076,703	0.48%
Indian River	50	$13,256	-$3,256	-$162,790	-$81,395	$34,051,814	0.24%
Lake-Sumter	3	$14,105	-$4,105	-$12,314	-$6,157	$8,461,235	0.07%
Miami Dade	800	$13,807	-$3,807	-$3,045,280	-$1,522,640	$181,896,745	0.84%
Northwest Florida	200	$13,123	-$3,123	-$624,560	-$312,280	$15,231,038	2.05%
Palm Beach	100	$13,146	-$3,146	-$314,600	-$157,300	$62,461,158	0.25%
Pensacola	87	$13,528	-$3,528	-$306,953	-$153,477	$24,249,239	0.63%
Polk	500	$13,802	-$3,802	-$1,900,900	-$950,450	$21,880,532	4.34%
Santa Fe	50	$13,061	-$3,061	-$153,070	-$76,535	$39,690,972	0.19%
Seminole	400	$13,229	-$3,229	-$1,291,760	-$645,880	$46,457,782	1.39%
St. Johns River	53	$13,485	-$3,485	-$184,705	-$92,353	$14,026,866	0.66%
St. Petersburg	90	$13,347	-$3,347	-$301,230	-$150,615	$73,636,709	0.20%
South Florida	50	$13,431	-$3,431	-$171,550	-$85,775	$4,867,356	1.76%
SCF Manatee-Sarasota	300	$12,967	-$2,967	-$890,160	-$445,080	$25,957,174	1.71%
Valencia	350	$12,762	-$2,762	-$966,700	-$483,350	$97,539,295	0.50%
Total	**4,516**	**$13,264**	**-$3,264**	**-$15,092,384**	**-$7,546,192**	**$972,681,445**	**0.78%**

Assumptions/Methodology

1. Anticipated enrollment capacity based on college submissions except highlighted figures for Daytona, Fla Gateway, FSC Jacksonville, Lake-Sumter, Pensacola, and St. Johns River. These colleges have not submitted capacity estimates. The estimates used in the analysis are based on statewide percentage of 38.6% participation (anticipated enrollment of 3,585 / 2012-13 FTE-2A of 9,278 (includes only colleges providing anticipated enrollment capacity).

2. Assumes no increase over 2012-13 tuition and fee rates.

REVENUE ESTIMATING CONFERENCE

Tax: University Fee Revenue
Issue: Sec 46 Creates online baccalaureate degree program
Bill Number(s): CS/CS/SB 1076 Enrolled

☐ **Entire Bill**
☒ **Partial Bill**: Online Institute Provisions of Sections 46/ s. 1001.7065, (4) , F.S. /(lines 3429-3566)
Sponsor(s): by Education, Senator Legg and others
Month/Year Impact Begins: Sec 46: Revenues from January 2014 course offerings would likely begin as the courses begin – January 2014.
Date of Analysis: 4/19/2013

Section 1: Narrative

a. **Current Law**: C**urrent Online Course Offerings:** Currently, almost all of Florida's 12 state universities offer online courses and online degree programs. Each institution has its own, independent online strategy, with its own marketing, course design, instruction, support services, and IT capabilities. System-wide, state universities offer a total of 389 online programs for undergraduate and graduate certificates, bachelor's degrees, master's degrees, and doctorate degrees. Of the 389 online programs currently offered by state universities, only 46 are baccalaureate programs. The majority of these consist of only upper-division courses.

b. **Proposed Change**: **University System/Online Institute:** Section 46 creates s.1001.7065, F.S which establishes the "Preeminent state research universities program". One of the components of the program is the "Preeminent State Research University Institute for Online Learning" to be established by a designated state research university that meets certain required criteria on July 1, 2013. The Institute is required to offer high-quality, fully online baccalaureate degree programs starting January 2014, contingent on the approval (by the Board of Governors or BOG) of a comprehensive plan, submittal of which is required by September 1, 2013, for the proposed online baccalaureate degree programs. Currently, the **University of Florida (UF)** is the only state university that would be required to establish an online institute.

Funding is provided for the online institute subject to an appropriation in the General Appropriations Act (GAA) and is contingent on plan approval by the BOG. The House proposed GAA contains $15M for the online institute (Specific Line Item 142); the Senate proposed GAA has no funding.

Major provisions relating to tuition and fees for the online programs are as follows:

- Resident tuition shall be 75% of the rate in the GAA and 75% of the tuition differential
- Non-residents tuition may be set at market rates
- Tuition shall recover all costs associated with instruction, materials and enrollment
- Tuition may be differentiated by degree program
- Certain fees are excluded; others required; proposals for additional fees may be submitted

Section 2: Description of Data and Sources

Based on communications with agency and legislative staff (see below), there appear to be no data available (including out of state) for comparable fully on-line, high quality baccalaureate degree programs which could be used to estimate the level of enrollment (resident and non-resident) and the potential fee/tuitions levels for residents and non-residents for the online institute.

Board of Governors
House Education Appropriations Subcommittee
House Higher Education & Workforce Subcommittee

Section 3: Methodology (Include Assumptions and Attach Details)

It is assumed that enrollees to the new online program that are diverted from the traditional campus experience or the existing online programs would be quickly filled from the university's waiting list. Therefore the revenue impact from Section 46 would be limited to the tuition and fees from the new online institute at UF.

In order to calculate the online institute's potential revenue, it is necessary to know the specific programs to be offered, the tuition and fee levels for each program offered (for residents and non-residents), and the numbers of resident and non-resident enrollees for the forecast period. Since the majority of variables needed to estimate revenues will not be known until there is an approved comprehensive business plan (approval will occur sometime after September 1, 2013), <u>it is not possible at this time to calculate the total revenue impact from implementation of the Section 46 provisions.</u> Also, funding for the program is subject to appropriation in

REVENUE ESTIMATING CONFERENCE

Tax: University Fee Revenue
Issue: Sec 46 Creates online baccalaureate degree program
Bill Number(s): CS/CS/SB 1076 Enrolled

the GAA and approval of the submitted plan by the BOG. Without funding or plan approval for the online institute, UF would likely not proceed with the program.

Current resident/non-resident statewide average tuition and fees provided for reference:

- Universities - Average resident tuition and fees: $202.29*30 = $6,068.70
- Universities - Average non-resident tuition and fees: $686.35*30 = $20,590.50 (only some graduate programs are approved by the BOG, per s.1009.15 F.S., to be offered at market rates – market rates for the proposed online baccalaureate degrees could be vary considerably from the current non-resident average)

Hypothetical online institute resident/non-resident tuition and fees:

- Resident tuition/fees at UF: $3,831 (75% of tuition and tuition differential plus certain fees)
- Non-resident tuition/fees: Cannot be calculated at this time since market rates for specific programs will not be determined until Fall 2013. Since the high quality online program is likely to draw heavily from non-state enrollees, the non-resident related revenue is likely to be a significant portion of revenue in total from the new online programs.

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	Indeterminate					
2014-15						
2015-16						
2016-17						
2017-18						

List of affected Trust Funds:
None. Funds from fee and tuition revenue are maintained locally by each University and are not included in a state trust fund.

Section 5: Consensus Estimate (Adopted: 04/19/2013) The conference adopted a positive indeterminate impact.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14					Indeter.	Indeter.	Indeter.	Indeter.
2014-15					Indeter.	Indeter.	Indeter.	Indeter.
2015-16					Indeter.	Indeter.	Indeter.	Indeter.
2016-17					Indeter.	Indeter.	Indeter.	Indeter.
2017-18					Indeter.	Indeter.	Indeter.	Indeter.

REVENUE ESTIMATING CONFERENCE

Tax: Unclaimed property
Issue: Revises method of filing claim for unclaimed property
Bill Number(s): CS/S464, CS/H263

- [x] **Entire Bill**
- [ ] **Partial Bill**:

Sponsor(s): Senate Committee on Governmental Oversight and Accountability and Senator Flores; House State Affairs Committee/ Governmental Operations Subcommittee and Representative Mayfield
Month/Year Impact Begins: July 1, 2013
Date of Analysis: April 18, 2013

Section 1: Narrative

a. **Current Law**: Claimants of unclaimed property must submit a legible copy of a driver's license, government issued photographic identity, or a notarized sworn statement of identity when submitting a claim to recover unclaimed property.

b. **Proposed Change**: The Department of Financial Service is authorized to allow electronic submission of claims for unclaimed property. For property under $1,000 in value the Department is authorized to use an unspecified alternative method of identity verification.

Section 2: Description of Data and Sources
Unclaimed property database

Section 3: Methodology (Include Assumptions and Attach Details)
It is not known to what degree electronic submission will be utilized in lieu of current practice. The use of electronic submission would likely expedite the claim process, resulting in a speed up of refunds to claimants, assumed to take place over a two year period. Such a speedup could result in a nonrecurring reduction in transfers to the State School Trust Fund. There would also be a recurring increase in the number of low value claims being awarded if electronic submission reduces the burden of filing a claim (see attached details).

Section 4: Proposed Fiscal Impact

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	(**)	($2.5 m.)	(**)	($0.5 m.)		
2014-15	(**)	($2.5 m.)	(**)	($0.5 m.)		
2015-16	($2.5 m.)	($2.5 m.)	($0.5 m.)	($0.5 m.)		
2016-17	($2.5 m.)	($2.5 m.)	($0.5 m.)	($0.5 m.)		
2017-18	($2.5 m.)	($2.5 m.)	($0.5 m.)	($0.5 m.)		

List of affected Trust Funds: State School Trust Fund

Section 5: Consensus Estimate (Adopted: 04/19/2013) The conference adopted 50% of under $25 claims and 50% of $25-$50 claims.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2013-14	0.0	0.0	(Indeterminate)	(1.0)	0.0	0.0	(Indeterminate)	(1.0)
2014-15	0.0	0.0	(Indeterminate)	(1.0)	0.0	0.0	(Indeterminate)	(1.0)
2015-16	0.0	0.0	(1.0)	(1.0)	0.0	0.0	(1.0)	(1.0)
2016-17	0.0	0.0	(1.0)	(1.0)	0.0	0.0	(1.0)	(1.0)
2017-18	0.0	0.0	(1.0)	(1.0)	0.0	0.0	(1.0)	(1.0)

S464/H263
Unclaimed Property Activity (combined FY 2010-11 and FY 2011-12)

	RECEIVED		PAID		Percent Paid	
	# accounts	amount	# accounts	amount	# accounts	percent
Under $25	1,972,170	$ 14,592,066	116,553	$ 1,042,707	5.9%	7.1%
$25 to $50	457,111	$ 17,463,167	74,586	$ 2,818,237	16.3%	16.1%
$50 to $100	411,084	$ 30,529,170	95,454	$ 7,163,545	23.2%	23.5%
Over $100	567,494	$ 500,417,336	291,521	$ 385,916,517	51.4%	77.1%

ADDITIONAL REFUNDS OF UNCLAIMED PROPERTY

	Percent Paid	annualized amount
High Impact		
Under $25 (+100%)	14.3%	$ 521,354
$25 to $50 (+50%)	24.2%	$ 704,559
TOTAL		$ 1,225,913
Middle Impact		
Under $25 (+50%)	10.7%	$ 260,677
TOTAL		$ 260,677