



TAXATION AND BUDGET REFORM COMMISSION

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Staff Analysis and Economic Impact Statement

Measure: CP 35

REFERENCE:

ACTION:

Sponsor: Governmental Services
Committee

1. GSC
2. FTC
3. TBRC

Favorable
Favorable
Pre-Meeting

Subject: Allowing for local option taxes to
supplement community college
funding.

Date: March 27, 2008

I. Summary:

Constitutional Proposal 35 proposes an amendment to Section 9 of Article VII of the State Constitution to require the Legislature to authorize local option sales and ad valorem taxes to supplement funding for public community colleges. This measure requires the Legislature to provide a process by law to permit counties to submit a referendum to the voters for a local option sales tax or ad valorem tax to supplement community college funding. The ad valorem tax authorized by the amendment is not subject to the existing county ad valorem tax millage limit. Approved taxes will sunset after five years and may be reauthorized by the voters.

II. Present Situation:

There are twenty-eight community college districts in Florida. At the creation of Florida's community college system over fifty years ago, it was said that there was a community college within 99 miles of every Floridian. Today, the vibrancy of our local communities is reflected in the richly diverse and talented community college student body that is comprised, in part, of more mature, non-traditional, and working taxpayers. The vast array of training programs and degree offerings by community colleges links directly to the demands for a quality workforce by business and industry. According to the U.S. Department of Labor, 80 percent of the new jobs being created today to meet economic market demands require some postsecondary education, if not a two-year degree.

Ad Valorem Taxes

Article VII, s. 9(a), Fla. Const., states that counties, school districts, and municipalities shall, and special districts may, be authorized by law to levy ad valorem taxes. Local governments and districts may be authorized by general law to levy other taxes for their

respective purposes, except ad valorem taxes on intangible personal property and taxes prohibited by Florida's State Constitution.

Article VII, s. 9(b), Fla. Const., establishes maximum millage rates for the constitutionally authorized ad valorem taxes. The maximum millage rates are as follows:

- County Purposes – 10 mills
- Municipal Purposes – 10 mills
- School Purposes – 10 mills
- Northwest Florida Water Management District – .05 mill
- Water Management Purposes for the remainder of Florida – 1 mill
- Special Districts – Millage authorized by law and approved by the electors

The 1992 Miami-Dade Board of County Commissioners allowed for a county-wide ballot referendum authorizing a local sales tax increase to benefit Miami-Dade College. The voters of Miami-Dade passed the measure and the Commissioners implemented the tax increase which was allowed to expire in 1994. Miami-Dade County is a charter county and is authorized to implement local sales taxes.

Community College Funding Policy

General appropriations are provided to each college in a lump sum. The institution is given an amount of money to run various programs and then allowed to determine how to use that money for the designated program. The primary source for these operating funds is state General Revenue, but funds are also provided from Lottery proceeds. The balance of the college operating funds is made up of student tuition, fees, and other local college funds.

Community colleges' local Boards of Trustees are expected to develop priorities for offering programs and meeting local needs. The boards are given the flexibility to develop a budget with available resources which will best meet their college's priorities. They are provided the flexibility and responsibility to set policy on pay, salary increases, most fringe benefits, and job qualifications.

Each year, the Legislature specifies a standard student fee amount per credit hour to be charged. Community colleges' local Boards of Trustees have the flexibility to set fees at their college within ten percent below or fifteen percent above this standard amount.

Categorical funding is provided for certain issues. The Florida Legislature determines the specific amount to be funded for the issue and expenditures of these funds are to be limited in purpose. An example is matching funds for Private Contribution/State Matching Programs.¹

III. Effect of Proposed Changes:

¹ Florida Community College System, The Fact Book January 2007

In light of the fact that community colleges are so integral to the local business and civic fabric of communities across the state, it is proposed that local communities through their county governments be allowed to place a local referendum on the ballot for an ad valorem or a sales tax dedicated to their local community college for a period of up to five years. Community college districts across the state vary as widely as local communities. This proposal assumes that the local community knows what it needs in terms of education and training programs, and should have a right to contribute for the creation and proliferation of such programs.

The Legislature shall provide a process by law for a county to submit a local option sales tax to the electors for approval by referendum. Revenues generated under this subsection must be used to supplement community college funding exclusively. The local option sales tax shall sunset after five years and may be reauthorized by the electors as provided by law.

The Legislature shall provide a process by law for a county to submit a local option ad valorem tax to the electors for approval by referendum. The ad valorem tax shall not be subject to the millage limits in Section 9 of Article VII of the State Constitution. Revenues generated under this subsection must be used to supplement community college funding exclusively. The local option ad valorem tax shall sunset after five years and may be reauthorized by the electors as provided by law.

IV. Constitutional Issues:

A. Constitutional or Legislative Matters:

The Legislature has the authority to provide for local option sales taxes by law. Authorization for a local option ad valorem tax requires a constitutional amendment.

B. Other Constitutional Issues:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The measure requires the Legislature to provide a process by law to permit counties to submit a referendum to the voters for a local option sales tax or ad valorem tax to supplement community college funding. Counties which pass tax referendums by a margin of 2/3 of the voters may levy a local option sales tax or an ad valorem tax not subject to millage limits. The revenues generated and collected by these local option taxes must be used to supplement community college funding exclusively.

B. Private Sector Impact:

Counties which pass favorably through a voter referendum on local tax options may experience an increase in the local millage rate on ad valorem taxes or a county sales tax increase. The impact to the private sector would create a potential increase in taxes.

C. Government Sector Impact:

For those counties which pass either of the proposed local tax options to supplement community colleges, an increase in revenues should be available to enhance community college funding.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The measure does not address the issue of Community Colleges which have campuses located in multiple counties and the distribution of revenues. There may be concerns regarding counties which vote to levy a tax benefiting Community Colleges using the revenues collected in another county. The ballot language could be amended to reflect the intent of the Community Colleges to distribute revenues outside of the counties where the local option tax was approved by voters.