

REVENUE ESTIMATING CONFERENCE

TAX: Motor Vehicle Title Fees

ISSUE: Redirect certain title fees currently deposited in the General Revenue Fund to be deposited in the State Transportation Trust Fund.

BILL NUMBER(S): SB 1998, sections 18 and 19

SPONSOR(S): Budget Committee

MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2012

DATE OF ANALYSIS: 04/16/2012

SECTION 1: NARRATIVE

- a. **Current Law:** Section 319.32, F.S., provides that \$21 of each applicable original certificate of title and each applicable duplicate copy of a certificate of title be deposited into the State Transportation Trust Fund (STTF).
- b. **Proposed Change:** SB 1998 increases the STTF share of the title fee from \$21 to \$68, while reducing the GR share by the same amount. Total receipts from the additional \$47 received by the STTF are not to exceed \$200 million within a fiscal year. Any amount in excess of \$200 million shall be paid into the General Revenue Fund. Also, in the Fiscal Year 2012-13, receipts from the additional \$47, up to \$200 million, shall be transferred to the General Revenue Fund. *\$200 Million Transfer from the State Transportation Trust Fund:* Section 12 authorizes a one-time transfer of \$200 million of the redirected certificate of title receipts (or the actual receipts up to \$200 million) from the State Transportation Trust Fund to the General Revenue Fund in FY 2012-2013.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Highway Safety Fees Forecast (12/2011)

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

For the purposes of this analysis, it is assumed that the \$200 million transfer from the State Transportation Trust Fund in the 2012-13 fiscal year will be treated the same as other trust fund transfers to the General Revenue Fund more typically found in the General Appropriations Act --- that is, shown on the official Outlook Statements for the General Revenue Fund as a transfer from a trust fund.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High					
Middle—STTF	200.0	200.0	200.0	200.0	200.0
GR	(200.0)	(200.0)	(200.0)	(200.0)	(200.0)
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted the proposed estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	(200.0)	(200.0)	(200.0)	(200.0)	(200.0)
State Trust	200.0	200.0	200.0	200.0	200.0
Total State Impact	0	0	0	0	0
Total Local Impact	0	0	0	0	0
Total Impact	0	0	0	0	0

Impact of SB 1998

FORECAST					
	FY 12-13 Total	FY 12-13 Cash	FY 13-14 Total	FY 14-15 Total	FY 15-16 Total
\$21 Title Fee (STTF)	\$ 89,710,945		\$ 92,572,724	\$ 94,859,270	\$ 97,069,491
SB1998 Increased \$47 for STTF*					
\$21+\$47 Title Fee (STTF)	\$ 290,492,583		\$ 299,759,296	\$ 307,163,351	\$ 314,320,257
Difference	\$ 200,781,638		\$ 207,186,572	\$ 212,304,081	\$ 217,250,766
STTF Gain	\$0	\$0	\$200,000,000	\$200,000,000	\$200,000,000
GR Loss	\$0	\$0	-\$200,000,000	-\$200,000,000	-\$200,000,000

* This is in Section 11 of the bill.

REVENUE ESTIMATING CONFERENCE

TAX: Ad Valorem
ISSUE: Insects (Bees)
BILL NUMBER(S): CS/ HB 1197, Enrolled
SPONSOR(S): Rep. Horner
MONTH/YEAR COLLECTION IMPACT BEGINS: 2013
DATE OF ANALYSIS: 4/10/2012

SECTION 1: NARRATIVE

- a. **Current Law: Section 193.461(5), Florida Statutes, provides:** For the purpose of this section, "agricultural purposes" includes, but is not limited to, horticulture; floriculture; viticulture; forestry; dairy; livestock; poultry; bee; pisciculture, when the land is used principally for the production of tropical fish; aquaculture; sod farming; and all forms of farm products as defined in s. 823.14(3) and farm production.

Section 823.14 (3) provides in part: (b)“Farm operation” means all conditions or activities by the owner, lessee, agent, independent contractor, and supplier which occur on a farm in connection with the production of farm products and includes, but is not limited to, the marketing of produce at roadside stands or farm markets; the operation of machinery and irrigation pumps; the generation of noise, odors, dust, and fumes; ground or aerial seeding and spraying; the application of chemical fertilizers, conditioners, insecticides, pesticides, and herbicides; and the employment and use of labor.

(c)“Farm product” means any plant, as defined in s. [581.011](#), or animal useful to humans and includes, but is not limited to, any product derived therefrom.

- b. **Proposed Change:** The bill adds to the definition of “farm operation” in s. 823.14(3)(b) honey bee or apiculture product and the adds the placement and operation of an apiary.

The bill also adds to the meaning of “farm product” any insect useful to humans, including any product derived therefrom

SECTION 2: DESCRIPTION OF DATA AND SOURCES

2012 final taxroll data
 2012 aggregate millage rates
 Conversations with the Property Appraiser’s Association of Florida

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Identified those parcels with use code 67 (Bees, Fish farms, and Poultry) on the 2012 taxroll. Reviewed property specific information on the websites fo the various property appraisers. Removed from analysis those parcels that showed use other than bee related.

Assumed for the low impact that additional property would not be subject to taxation due to use classification equal to half the amount currently benefitting from the use classification. For the middle estimate assumed an amount equal to the current use classification differential and for the high assumed two times the current use classification

For Growth, assumed that change to right to farm statute would result in additional parcels with the equivalent of ten percent of the first year forecast impact in each subsequent year.

SECTION 4: PROPOSED FISCAL IMPACT

School Impact	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High			(.5)	(.5)	(.5)
Middle			(.2)	(.2)	(.3)
Low			(.1)	(.1)	(.1)

Non School Impact	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High			(.6)	(.7)	(.8)
Middle			(.3)	(.3)	(.4)
Low			(.2)	(.2)	(.2)

REVENUE ESTIMATING CONFERENCE

TAX: Ad Valorem

ISSUE: Insects (Bees)

BILL NUMBER(S):CS/ HB 1197, Enrolled

SPONSOR(S): Rep. Horner

MONTH/YEAR COLLECTION IMPACT BEGINS: 2013

DATE OF ANALYSIS: 4/10/2012

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted insignificant negative estimates for both school and non-school revenues.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
School	0	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Non-school	0	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total Impact	0	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)

Bees - Use code 67 - In part			
CO_NO	County	County	Sum - Classified Use Differential
11	Alachua	2	\$44,300
13	Bay	1	\$18,500
15	Brevard	12	\$329,980
16	Broward	9	\$1,595,960
18	Charlotte	28	\$4,065,652
19	Citrus	2	\$118,600
20	Clay	1	\$14,500
24	Desoto	7	\$170,980
25	Dixie	6	\$587,275
26	Duval	1	\$35,055
27	Escambia	7	\$226,829
31	Gilchrist	1	\$19,200
32	Glades	3	\$65,874
33	Gulf	11	\$29,625
35	Hardee	1	\$18,294
37	Hernando	1	\$413,220
38	Highlands	2	\$2,302
39	Hillsborough	10	\$923,777
41	Indian River	7	\$259,220
45	Lake	15	\$287,686
46	Lee	36	\$3,458,852
48	Levy	8	\$273,040
49	Liberty	2	\$92,248
51	Manatee	2	\$28,808
52	Marion	5	\$269,750
53	Martin	48	\$7,819,570
55	Nassau	1	\$2,240
57	Okeechobee	2	\$2,325
58	Orange	1	\$83,917
59	Osceola	6	\$1,163,025
60	Palm Beach	67	\$5,065,749
61	Pasco	1	\$56,803
63	Polk	5	\$44,269
64	Putnam	1	\$2,579
65	St. Johns	8	\$1,279,995
66	St. Lucie	2	\$198,536
67	Santa Rosa	5	\$95,228
68	Sarasota	1	\$80,900
69	Seminole	2	\$97,080
73	Union	1	\$45,136
75	Wakulla	1	\$3,243
76	Walton	1	\$819
Total		333	\$29,390,941

Assumptions

high Impact	Twice the current use differential for properties with bees
Middle impact	An amount equal to the current use differential for properties with bees
Low Impact	Fifty percent of the current use differential for properties with bees
Growth Assumption - the change to the right to farm will increase the number of parcels with beekeeping operations at a rate that results in an increase of classified use differential of ten percent each year	
millage	
School	7.6917
Non-School	10.7356

Impact	2013 School	Non-school
High	\$452,133	\$631,059
Middle	\$226,066	\$315,529
Low	\$113,033	\$157,765
Impact	2014 School	Non-school
High	\$497,346	\$694,165
Middle	\$248,673	\$347,082
Low	\$124,336	\$173,541
Impact	2015 School	Non-school
High	\$547,080	\$763,581
Middle	\$273,540	\$381,791
Low	\$136,770	\$190,895

REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income Tax

ISSUE: Payment Date Change

BILL NUMBER(S): HB5701

SPONSOR(S):

MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2012

DATE OF ANALYSIS: 04/11/2012

SECTION 1: NARRATIVE

- a. **Current Law:** Under 220.33 FS, estimated payments are due before the first day of the fifth month of the entity’s taxable year, before the first day of the seventh month of the entity’s taxable year, before the first day of the tenth month of entity’s taxable year and finally before the first day of the next taxable year of the entity. The department’s current practice and administration maintains that estimated payments otherwise due on a Saturday, Sunday or legal holiday are to be paid on the next succeeding day that is not a Saturday, Sunday or legal holiday.

- b. **Proposed Change:** The legislation revises current law to make any estimated payment due no later than Sunday June 30th, 2013, paid on or before June 28th, 2013. The subsection expires July 1, 2014.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Given that the fiscal year 2012-13 ends on a weekend, General Revenue workpapers assumed that the net result would be a shift of \$100 million from the 2012-13 fiscal year to the 2013-14 fiscal year. This revised legislation prevents that shift from taking place.

SECTION 4: PROPOSED FISCAL IMPACT (TIME SHIFT)

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High					
Middle	\$100m	\$0m	(\$100m)	\$0m	\$0m
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted the proposed estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	100.0	0	(100.0)	0	0
State Trust	0	0	0	0	0
Total State Impact	100.0	0	(100.0)	0	0
Total Local Impact	0	0	0	0	0
Total Impact	100.0	0	(100.0)	0	0

REVENUE ESTIMATING CONFERENCE

TAX: Local Government Fees

ISSUE: Independent special district rate reduction

BILL NUMBER(S): SB 1996, 2nd Engrossed Section 8

SPONSOR(S): Budget

MONTH/YEAR COLLECTION IMPACT BEGINS: 07/01/2012

DATE OF ANALYSIS: April 10, 2012

SECTION 1: NARRATIVE

- a. **Current Law:** Chapter 367, F.S. which provides for regulation of water and wastewater utilities by the Public Service Commission, specifically exempts systems owned, operated, managed, or controlled by governmental authorities from regulation by the commission.

- b. **Proposed Change:** The bill provides that if the governing body of a local governmental entity existing as an independent special district that provides water, wastewater, and sanitation services in a disproportionately affected county determines that a new user or the expansion of an existing user of one or more of its utility systems will provide a significant benefit to the community in terms of increased job opportunities, economies of scale, or economic development in the area, the governing body may authorize a reduction of its rates, fees, or charges for that user for a specified period of time. A governing body that exercises this power must do so by resolution that states the anticipated economic benefit justifying the reduction as well as the period of time that the reduction remains in place. “Disproportionally Affected County” includes Bay County, Escambia County, Franklin County, Gulf County, Okaloosa County, Santa Rosa County, Walton County, and Wakulla County.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

DFS LOGER data
 Florida Stormwater Association 2009 Stormwater Utilities Survey
 Discussion with DEO on special districts that the language would apply to
 Floridajobs.org/officialist

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

See Attached.

The bill allows for the independent district to reduce its rates, the impact can not be determined.

SECTION 4: PROPOSED FISCAL IMPACT

Local Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High					
Middle	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted an indeterminate negative estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	0	0	0	0	0
State Trust	0	0	0	0	0
Total State Impact	0	0	0	0	0
Total Local Impact	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)
Total Impact	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)	(Indeterminate)

REVENUE ESTIMATING CONFERENCE

TAX: Local Government Fees

ISSUE: Independent special district rate reduction

BILL NUMBER(S): SB 1996, 2nd Engrossed Section 8

SPONSOR(S): Budget

MONTH/YEAR COLLECTION IMPACT BEGINS: 07/01/2012

DATE OF ANALYSIS: April 10, 2012

Categories – Independent; Active; Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Wakulla, Walton and MULTI; Functions: Community Development, County Water and Sewer, Infrastructure Development, Regional Water, Solid Waste Disposal, Utility Systems / Services, Water and/or Wastewater Systems

County	Special District	2009 Revenue*	2010 Revenue*
Bay	Bridge Harbor CDD		
	Lake Powell Residential Golf CDD	\$1,307,387	\$1,723,913
	Morningside CDD		
	Pier Park CDD	\$178,653	\$1,080,012
	Towne of Seahaven CDD		
Escambia	Emerald Cost Utilities Authority	\$109,092,443	\$102,219,801
	Franklin Alligator Point Water Resources	\$689,719	\$337,656
Okaloosa	Eastpoint Water and Sewer District	\$1,013,861	
	Seaside Village CDD		
	Freedom Walk CDD		
	Harmony Village CDD		
	Heritage Plantation CDD	\$984,582	\$293,708
Santa Rosa	Riverpark CDD		
	Contrada Hills CDD		
Walton	Shores of Santa Rosa CDD		
	Hammock Bay CDD	\$353,580	\$588,889
Multi	Magnolia Creek CDD		\$188,890
	Naturewalk CDD	\$1,365,596	
	Somerset CDD	\$1,453,575	\$1,315,183
	Walton/Okaloosa/Santa Rosa Regional Utility Authority		

*-Revenue data that is reported to the Department of Financial Services from local governments. This data only includes revenues indicated as either “General Government Taxes”, “Permits, Fees and Licenses”, “Service Charges”, “Ad Valorem Taxes”, and/or “Miscellaneous Revenues”.

REVENUE ESTIMATING CONFERENCE

TAX: Other Taxes and Fees

ISSUE: Boxing Pay Per View

BILL NUMBER(S): part of HB5511

SPONSOR(S): Government Operations Subcommittee; Hooper

MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2012

DATE OF ANALYSIS: April 10, 2012

SECTION 1: NARRATIVE

- a. **Current Law:** S.548.061, F.S., requires that each person or club which shows a boxing match on a closed circuit telecast viewed within this state, whether originating within this state or another state, must file a written report stating the exact number of tickets sold, the amount of gross receipts, and pay a tax of 5 percent of its total gross receipts from the sale of tickets.

- b. **Proposed Change:** S.548.061, F.S., is repealed.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

DPBR staff analysis

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

The department anticipates that all of the revenue collected pursuant to s. 548.061, F.S., would be eliminated. The department collected \$362,079.41 for FY 2009-10 and \$182,383.62 for FY 2010-11. The revenue from pay-per-view varies from month to month (and year to year) due to the number of matches being scheduled by promoters. The department estimates a revenue reduction of approximately \$272,232 per year.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High					
Middle	(.3)	(.3)	(.3)	(.3)	(.3)
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted the proposed estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
State Trust	(.3)	(.3)	(.3)	(.3)	(.3)
Total State Impact	(.3)	(.3)	(.3)	(.3)	(.3)
Total Local Impact	0	0	0	0	0
Total Impact	(.3)	(.3)	(.3)	(.3)	(.3)

REVENUE ESTIMATING CONFERENCE

TAX: Other Taxes and Fees

ISSUE: Reducing and Streamlining Regulations (DBPR)

BILL NUMBER(S): CS/HB517 ENR

SPONSOR(S): Economic Affairs Committee and Representative Grant

MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2012

DATE OF ANALYSIS: April 12, 2012

SECTION 1: NARRATIVE

a. Current Law:

b. Proposed Change: CS/HB517 reduces and streamlines regulations by making the following changes:

- Amends s. 455.02, Florida Statutes, to waive initial license fees for recently discharged military veterans.
- Amends s. 475.6171, Florida Statutes, to remove the 24 month expiration of the national exam for applicants.
- Amends Chapter 499, Florida Statutes, to establish three new exemptions from the permitting process for distribution of prescription drugs and active pharmaceutical ingredients within the state.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Legislative analysis from DBPR

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Using census data, the Department determined Florida working age population, approx 11.7 million. In Fiscal Year 2010-11 the Department received 32,770 initial applications for the affected professions. This represents 0.28% of the working-age population of Florida applying for licensure through the Department. Applying this percentage to the number of Florida former service personnel (15,772), it is anticipated that approximately 44 former service personnel will apply annually (15,772 times 0.0028 equals 44.17).

The fees by profession vary. Using the high end fees (construction related) of \$305 for initial application (\$100), initial license (\$200) and unlicensed activity (\$5), the anticipated revenue loss is \$13,420 (\$305 times 44).

The Department anticipates minimal impact as the number of specialty distributors that would meet the exemption criteria created in s. 499.01(5), F.S., is likely to be small.

The removal of the 24-month expiration for real-estate appraisers may allow for greater reciprocity which may increase the number of applicants in the future. The department anticipates a minimal impact.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High					
Middle	(\$13,420)	(\$13,420)	(\$13,420)	(\$13,420)	(\$13,420)
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted a negative insignificant estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)
Total Local Impact	0	0	0	0	0
Total Impact	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)	(Insignificant)

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: State Universities / Excess Hours Surcharge for Baccalaureate Degrees

BILL NUMBER(S): HB 5201 ENROLLED, Section 24

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O'Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

SECTION 1: NARRATIVE

a. Current Law:

- Section 1009.286 (2), F.S. currently requires university students entering in FY 2011-2012 and thereafter who exceed 115% of hours needed to graduate with a baccalaureate degree pay a 100% per credit hour tuition surcharge.

b. Proposed Changes:

Excess Hours (Section 24, Line 1295):

- HB 5201 (line 1308, s 1009.286 (a)) requires FY 2009-2010 and 2010-2011 entering students in a State University to pay a 50% hourly surcharge for hours in excess of 120% of hours needed to graduate with a baccalaureate degree.
- HB 5201 (line 1311 s1009.286 (b)) requires FY 2011-2012 entering students to State Universities to pay an hourly surcharge of 100% for hours in excess of 115% of hours needed to graduate with a baccalaureate degree (same as current law).
- HB 5201 (line 1314, s 1009.286 (c)) Requires students entering in FY 2012-2013 and thereafter in State Universities, to pay an hourly surcharge of 100% for hours in excess of 110% of hours needed to graduate with a baccalaureate degree.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

State University Data from the BOG, Institutional Research division

OPPAGA Research Memorandum , Excess Hours Fees – 110% Threshold, December 16, 2011

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Excess Hours Surcharge Universities:

Methodology: Data was obtained from universities for numbers of entry level students (actual for 2009-10 and 2010-11 and estimated thereafter) throughout the forecast period. Assumptions were made based on analysis of historical data regarding graduation rates, numbers expected to graduate each year from the initial entry class, numbers of graduates who had excess hours at 110%,115% and 120% of the required levels, and the average number of excess hours at each level. These assumptions were applied to future cohorts of graduation classes and used to calculate estimated surcharge revenues. No assumptions were made regarding student behavior changes as a result of the increased fees for excess hours in the data requested from and received from the universities. The base model was constructed to predict future behavior based on data collected when no surcharge was in effect.

Assumptions/Student Responsiveness to Surcharge: Students will, to varying degrees, be motivated to avoid paying the hourly surcharge or, for various reasons, will be unable to avoid paying the surcharge, in order to graduate. This range of student reactions to the surcharge may be affected by the following:

- Students incur excess hours as a result of withdrawing from classes in order to maintain a certain GPA. For example, students may need to keep their GPA at a certain level to maintain eligibility for financial aid. Withdrawn classes make up a significant component of excess hours.
- Students may take classes for one degree after which they change their degree and are subject to a new set of requirements. For example in 2010-11, the primary class contributing to excess hours was Calculus 1 which students took but ultimately did not need to take for their final degree requirement.
- Pursuant to current law, s.1009.286 (5), F.S., universities are required to establish a notification process regarding the excess hours surcharge. Students must be notified of the surcharge upon the student's initial enrollment. A second notice is provided when the student has earned the credit hours required to complete the baccalaureate degree program in which the student is enrolled. The notices must also advise students exceeding the required credit hours to meet with

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: State Universities / Excess Hours Surcharge for Baccalaureate Degrees

BILL NUMBER(S): HB 5201 ENROLLED, Section 24

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O’Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

their advisor. Universities will likely provide varying degrees of notification to students to comply with this provision. For example, FSU has developed a mechanism that displays an” excess credit counter” on a personal profile page that is specific to a given student. UNF plans to remind students each time they withdraw from a class.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
<u>High</u> 1. For FY 2009-10 and 2010-11 entering Classes (s.1009.286 (2) (a) , F.S.) – (100% no avoidance behavior)	\$1.6M	N/A (revenue impacts of 1009.286 (2) (a) are non-recurring	\$6.9 M	\$10.0 M	\$3.7M
<u>Middle</u> 1. (75% of High)	\$1.2	See above	\$5.2 M	\$7.5 M	\$2.8 M
<u>Low</u> 1. (50% of High)	\$.8 M	See above	\$3.5 M	\$5.0M	\$1.9 M
<u>High</u> 2. FY 2012-2013 entering students and thereafter - surcharge for hours over 110% but less than 115% of current law (s 1009.286 (2)c – (100%)	Zero	\$5 M in 2016-17 /full implementation reached 2018-19	Zero	Zero	\$1.5 M
<u>Middle</u> 3. (75% of High)	Zero	\$3.8M in 2016-17	Zero	Zero	\$1.1 M
<u>Low</u> 3. (50% of High)	Zero	\$2.5 M in 2016-17	Zero	Zero	\$.8 M

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted the low estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	0	0	0	0	0
State Trust	0	0	0	0	0
Total State Impact	0	0	0	0	0
Total Local Impact	.8	2.5	3.5	5.0	2.7
Total Impact	.8	2.5	3.5	5.0	2.7

HB 5201 - Estimated Fiscal Impacts - UNIVERSITIES/Source: BOG/INSTITUTIONAL RESEARCH

A	B	C	D	E	F	G	H	I	J	K	L	
STUDENT TYPE FTIC = First Time in College)	Year of Student Entry Into University System	Surcharge Applies to Hours in Excess of:	Excess Hour Surcharge % of Tuition	Newly Admitted Students in Cohort	Year Graduated	Graduation Rates	Cohort Number Expected to Graduate	% of Students Expected to Exceed Allowable Hours (with exclusions for Foreign Lang., Accel. Credits)	Average Number of Excess Hours	Average Tuition Per Credit Hour	Projected Excess Hour Surcharge Revenues	Estimated Fiscal Impact of HB 5201
1	FTIC	2009-2010	120%	50%	36,716	2011-12	2%	734	0%	0	\$103	\$0
2	FTIC					2012-13	33%	12,116	17%	10	\$111	\$1,140,000
3	FTIC					2013-14	21%	7,710	35%	20	\$120	\$3,240,000
4	FTIC					2014-15	7%	2,570	52%	30	\$130	\$2,610,000
5	FTIC					2015-16	2%	734	70%	60	\$140	\$2,160,000
6	FTIC	2010-2011	120%	50%	38,558	2012-13	2%	771	0%	0	\$111	\$0
7	FTIC					2013-14	33%	12,724	17%	10	\$120	\$1,300,000
8	FTIC					2014-15	21%	8,097	35%	20	\$130	\$3,680,000
9	FTIC					2015-16	7%	2,699	52%	30	\$140	\$2,950,000
10	FTIC					2016-17	2%	771	70%	60	\$151	\$2,450,000
11	FTIC	2011-2012	115%	100%	42,500	2013-14	2%	850	0%	0	\$120	\$0
12	FTIC		current law for SUS			2014-15	33%	14,025	20%	10	\$130	\$3,650,000
13	FTIC					2015-16	21%	8,925	40%	20	\$140	\$10,000,000
14	FTIC					2016-17	7%	2,975	60%	30	\$151	\$8,090,000
15	FTIC					2017-18	2%	850	80%	60	\$163	\$6,650,000
16	FTIC	2012-2013	110%	100%	43,100	2014-15	2%	862	0%	0	\$130	\$0
17	FTIC					2015-16	33%	14,223	25%	10	\$140	\$4,980,000
18	FTIC					2016-17	21%	9,051	50%	20	\$151	\$13,670,000
19	FTIC					2017-18	7%	3,017	75%	30	\$163	\$11,060,000
20	FTIC					2018-19	2%	862	100%	60	\$176	\$9,100,000
21	FTIC	2013-2014	110%	100%	44,300	2015-16	2%	886	0%	0	\$140	\$0
22	FTIC					2016-17	33%	14,619	25%	10	\$151	\$5,520,000
23	FTIC					2017-18	21%	9,303	50%	20	\$163	\$15,160,000
24	FTIC					2018-19	7%	3,101	75%	30	\$176	\$12,280,000
25	FTIC					2019-20	2%	886	100%	60	\$190	\$10,100,000
26	FTIC	2014-2015	110%	100%	46,800	2016-17	2%	936	0%	0	\$151	\$0
27	FTIC					2017-18	33%	15,444	25%	10	\$163	\$6,290,000
28	FTIC					2018-19	21%	9,828	50%	20	\$176	\$17,300,000
29	FTIC					2019-20	7%	3,276	75%	30	\$190	\$14,000,000
30	FTIC					2020-21	2%	936	100%	60	\$205	\$11,510,000
31												
32	AA TRANSFER	2011-12	120%	50%	28,600	2012-13	32%	9,152	0%	6	\$111	\$0
33	AA TRANSFER					2013-14	28%	8,008	11%	12	\$120	\$630,000
34	AA TRANSFER					2014-15	10%	2,860	22%	18	\$130	\$740,000
35	AA TRANSFER					2015-16	4%	1,144	33%	24	\$140	\$630,000
36	AA TRANSFER	2012-13	120%	50%	29,500	2013-14	32%	9,440	0%	6	\$120	\$0
37	AA TRANSFER					2014-15	28%	8,260	11%	12	\$130	\$710,000
38	AA TRANSFER					2015-16	10%	2,950	22%	18	\$140	\$820,000
39	AA TRANSFER					2016-17	4%	1,180	33%	24	\$151	\$710,000
40	AA TRANSFER	2013-14	115%	100%	30,400	2014-15	32%	9,728	10%	6	\$130	\$760,000
41	AA TRANSFER		current law for SUS			2015-16	28%	8,512	20%	12	\$140	\$2,860,000
42	AA TRANSFER					2016-17	10%	3,040	30%	18	\$151	\$2,480,000
43	AA TRANSFER					2017-18	4%	1,216	40%	24	\$163	\$1,900,000

annual increase: 8%

System avg Tuition Per Hour

2011-12	\$103
2012-13	\$111
2013-14	\$120
2014-15	\$130
2015-16	\$140
2016-17	\$151
2017-18	\$163
2018-19	\$176
2019-20	\$190
2020-21	\$205

1. Estimated Impact 1009.286(2) (a) FY 2009-2010 and 2010-2011 entering classes	
Grad Year	Impact
2011-12	
2012-13	\$1,630,000
2013-14	\$6,930,000
2014-15	\$9,960,000
2015-16	\$3,730,000
2016-17	\$3,730,000

3. Estimated Impact 1009.286(2) (c) FY 12-13 entering classes surcharge for excess hours reduced to 110% of excess from 115% of excess			
Grad Year	TOTAL ESTIMATED EXCESS HOUR SURCHARGE REVENUES		ESTIMATED INCREMENTAL IMPACT
	CURRENT LAW PLUS CHANGE	CURRENT LAW	
2011-12	\$0		\$0
2012-13	\$1,140,000	\$1,140,000	\$0
2013-14	\$5,170,000	\$5,170,000	\$0
2014-15	\$12,150,000	\$12,150,000	\$0
2015-16	\$25,650,000	\$24,180,000	\$1,470,000
2016-17	\$38,940,000	\$33,940,000	\$5,000,000
2017-18	\$50,040,000	\$40,170,000	\$9,870,000
* 2018-19	\$45,860,000	\$35,550,000	\$10,310,000

* 2018-19 is missing the 4th year graduates impact of the 2015-16 entering class

HB 5201 - Estimated Fiscal Impacts - UNIVERSITIES/Source: BOG/INSTITUTIONAL RESEARCH

	A	B	C	D	E	F	G	H	I	J	K	L	
	STUDENT TYPE FTIC = First Time in College)	Year of Student Entry Into University System	Surcharge Applies to Hours in Excess of:	Excess Hour Surcharge % of Tuition	Newly Admitted Students in Cohort	Year Graduated	Graduation Rates	Cohort Number Expected to Graduate	% of Students Expected to Exceed Allowable Hours (with exclusions for Foreign Lang., Accel. Credits)	Average Number of Excess Hours	Average Tuition Per Credit Hour	Projected Excess Hour Surcharge Revenues	Estimated Fiscal Impact of HB 5201
44	AA TRANSFER	2014-15	110%	100%	31,400	2015-16	32%	10,048	16%	6	\$130	\$1,250,000	\$470,000
45	AA TRANSFER					2016-17	28%	8,792	32%	12	\$140	\$4,730,000	\$1,780,000
46	AA TRANSFER					2017-18	10%	3,140	48%	18	\$151	\$4,100,000	\$1,540,000
47	AA TRANSFER					2018-19	4%	1,256	60%	24	\$163	\$2,950,000	\$980,000
48	AA TRANSFER	2015-16	110%	100%	32,400	2016-17	32%	10,368	16%	6	\$130	\$1,290,000	\$480,000
49	AA TRANSFER					2017-18	28%	9,072	32%	12	\$140	\$4,880,000	\$1,830,000
50	AA TRANSFER					2018-19	10%	3,240	48%	18	\$151	\$4,230,000	\$1,590,000
51	AA TRANSFER					2019-20	4%	1,296	60%	24	\$163	\$3,040,000	\$1,010,000

annual increase: 8%

System avg Tuition Per Hour

52
53
54

55 NOTES: This model is based on best available data, but does make assumptions when data is not available (ie, Columns I and J are based on the following assumptions).

56 Assumptions for Column I (% Expected to Exceed Allowable Hours):

The percentage of BA graduates with Excess Hours for FTICs (First Time In College) and AA Transfers differs. Based on historical data, the percentage for FTICs is (110%=60%, 115%= 40%, 120%= 35%). These rates are applied to the student's 4th year (since the avg time to degree is 4.3 yrs). The student's 3rd, 5th, and 6th years are increments of that 4th year average. For AA Transfers, the percentages are based on the percentage of BA graduates with Excess Hours (110%=32%, 115%= 20%, 120%= 11%) from historical data.

57

58 Assumptions for Column J (Average Number of Excess Hours):

The avg number of excess hours is more speculative. The only historical data that is readily available pertaining to this metric shows that BA degree graduates who began as FTICs have an average of 20 SCH in excess, and AA Transfers have on average 11 excess hours.

59

60 The model makes no assumptions about future student behavior in response to the increased surcharges. Likely the Model Overestimates Impact Due to Assumption That Student Behavior is Consistent With Past Behavior.

NOTE: Most degree programs are 120 hours so 110% is normally going to result in 132 hours allowed.

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: State Universities / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Sections 22

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O’Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

SECTION 1: NARRATIVE

a. Current Law:

Capital Improvement Fees/Universities: Section 1009.24(8) F.S. establishes a Capital Improvement Fee of \$2.44 and a Building Fee of \$2.32.

b. Proposed Changes:

Capital Improvement Fees/ Universities: Section 22 (line 1175) of the bill increases the Capital Improvement Fee from \$2.44 to \$4.76 and eliminates the Building Fee of \$2.32. A process is established for increasing the fee based on a committee process (half of members will be students appointed by the student body president and half appointed by the university president). Limitations on the fee are also established: 1.) the maximum increase is limited to \$2 annually; 2.) The fee can be no more than 10% of base tuition. The fall term of 2012 is the first allowable increase in the fee.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

State University Data from the Division of Finance and Facilities

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Using data obtained from the Board of Governor’s Division of Finance and Facilities a model was constructed to determine a level of revenue increases which could occur under the provisions of the bill.

- Tuition growth was estimated based on CPI growth from 2012-2013 through the forecast period on a base tuition of \$103.32 established in Section 1009.24(4) (a), F.S.
- Student FTE growth is 1.8% in 2013-14 and 2014-15 and 1.9% in 2015-2016.
- It is assumed that the committee will maximize the fee increases until hitting the statutory cap (10% of tuition). Note that, at the CPI rate of growth for tuition, the increased CIP fee would bump against the cap in 2014-15 with a \$1.97 increase and could only be raised by \$.25 cents in 2015-16.

SECTION 4: PROPOSED FISCAL IMPACT

Two of the major variables needed to calculate the fiscal impact over the forecast period are dependent on decisions that cannot be predicted with any certainty at this time (annual tuition increases and the university committee’s annual fee increase decision). However, using the methodology above a range of possible revenue increases is provided below assuming tuition increases by the CPI percentage and assuming that the university committee will increase the fee at the maximum allowable rate. **(See Attachment A.)**

At the maximum amount of revenues that could be raised under this model an increase in bonding capacity is implied under the difference column below. **(See Attachment B).**

Bonding Capacity Comparison			
Fiscal Year Ending June 30	With HB 5201		
	Current Law	Provisions	Difference
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	40,000,000	300,000,000	260,000,000
2015	40,000,000	150,000,000	110,000,000
2016	-	40,000,000	40,000,000

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: State Universities / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Sections 22

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O’Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

State Impact: Capital Improvement Fee Trust Fund	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
<u>High</u> (Assuming \$2 increases until cap is hit)	16.2		33.0	50.2	53.2
<u>Medium</u> 75% of high	12.2		24.8	37.6	39.9
<u>Low</u> 50% of High	8.1		16.5	25.1	26.6

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/ 12) The conference adopted an indeterminate positive estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	0	0	0	0	0
State Trust	0	0	0	0	0
Total State Impact	0	0	0	0	0
Total Local Impact	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Total Impact	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: State Universities / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Sections 22

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O’Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

STATE UNIVERSITY SYSTEM										
BOARD OF GOVERNORS								Attachment A		
2010-11/2015-16 CAPITAL IMPROVEMENT FEE REVENUE ESTIMATES										
SUMMARY										
1	A	B	C	D	E	F	G	H	I	J
2	With HB 5201 Capital Improvement Fee Provisions									
3	Year	Building Fee Receipts	Cap. Imp. Fee Receipts	Total Receipts	Base Tuition with CPI as Growth Rate	CPI	Stat Cap	FTE Students	Max Growth/ Cap Imp Fee	Building Fee
4	2010-11	18,422,637	19,375,532	37,798,170	95.67		N/A	203,359	2.44	2.32
5	2011-12	18,725,955	19,694,539	38,420,494	103.32		N/A	206,728	2.44	2.32
6	2012-13	-	55,306,014	55,306,014	103.32		10.33	210,261	6.76	0
7	2013-14	-	72,805,247	72,805,247	105.28	1.90%	10.53	213,978	8.76	0
8	2014-15	-	90,725,751	90,725,751	107.28	1.90%	10.73	217,903	10.73	0
9	2015-16	-	94,575,263	94,575,263	109.75	2.30%	10.98	222,070	10.98	0
10										
21	Current Law									
22	Year	Building Fee Receipts	Cap. Imp. Fee Receipts	Total Receipts				FTE Students	Max Cap Imp Fee	Building Fee
23	2010-11	18,422,637	19,375,532	37,798,170				203,359	2.44	2.32
24	2011-12	18,725,955	19,694,539	38,420,494				206,728	2.44	2.32
25	2012-13	19,051,047	20,036,446	39,087,493				210,261	2.44	2.32
26	2013-14	19,399,044	20,402,443	39,801,486				213,978	2.44	2.32
27	2014-15	19,775,527	20,798,399	40,573,926				217,903	2.44	2.32
28	2015-16	20,146,082	21,188,121	41,334,203				222,070	2.44	2.32
29										
31	Difference/ Increased Revenue									
32	Year			Total Receipts						
32	2010-11			-						
33	2011-12			-						
34	2012-13			16,218,521						
35	2013-14			33,003,760						
36	2014-15			50,151,825						
37	2015-16			53,241,060						

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: State Universities / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Sections 22

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O'Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

	Board of Governors										
	State University System of Florida									Attachment B	
	CITF System Revenue Bonds										
	Analysis of estimated future bonding capacity based on \$2.00 increase in CITF fee										
1	A	B	C	D	E	F	G	H	I	J	
2	Current Law/ Bonding Capacity Estimate										
	Fiscal Year	Combined Total Debt Service (All outstanding bonds)	Estimated Annual CITF Revenues*	Coverage Ratio	Minimum revenue to maintain coverage ratio 1.3	Available Cash	Estimated Bonding Capacity	Max Estimated Bonding	Total Fee		
3	Ending June 30										
4	2009	25,658,015	35,438,000	1.38	30,789,618	4,648,382	55,780,584				
5	2010	27,915,838	35,551,000	1.27	36,290,589	-739,589	(8,875,073)	-	\$4.76		
6	2011	26,528,706	37,798,130	1.42	34,487,318	3,310,812	39,729,746	-	\$4.76		
7	2012	27,260,991	38,421,000	1.41	35,439,288	2,981,712	35,780,540	-	\$4.76		
8	2013	27,279,998	39,087,493	1.43	35,463,997	3,623,496	43,481,948	-	\$4.76		
9	2014	25,959,235	39,801,486	1.53	33,747,006	6,054,481	72,653,772	40,000,000	\$4.76		
10	2015	29,959,235	\$ 40,573,926	1.35	38,947,006	1,626,921	19,523,051	40,000,000	\$4.76		
11	2016	30,000,000	41,334,203	1.38	39,000,000	2,334,203	28,010,431	-	\$4.76		
12											
13	HB 5201/ Estimated Bonding Capacity Estimate										
	Fiscal Year	Combined Total Debt Service (All outstanding bonds)	Estimated Annual CITF Revenues*	Coverage Ratio	Minimum revenue to maintain coverage ratio 1.3	Available Cash	Estimated Bonding Capacity	Max Estimated Bonding	Total Fee	Increase	
14	Ending June 30										
15	2009	25,658,015	35,438,000	1.38	30,789,618	4,648,382	55,780,584				
16	2010	27,915,838	35,551,000	1.27	36,290,589	-739,589	(8,875,073)	-	\$4.76		
17	2011	26,528,706	37,798,130	1.42	34,487,318	3,310,812	39,729,746	-	\$4.76	\$0.00	
18	2012	27,260,991	38,421,000	1.41	35,439,288	2,981,712	35,780,540	-	\$4.76	\$0.00	
19	2013	27,279,998	55,306,014	2.02	35,463,997	19,604,453	235,253,441	-	\$6.76	\$2.00	
20	2014	51,959,235	72,805,247	1.40	67,547,006	5,001,378	60,016,536	300,000,000	\$8.76	\$2.00	
21	2015	66,959,235	90,725,751	1.35	87,047,006	3,678,746	44,144,946	150,000,000	\$10.73	\$1.97	
22	2016	70,959,235	94,575,263	1.33	92,247,006	2,328,258	27,939,090	40,000,000	\$10.98	\$0.25	
23											
24		525,033,654	1,500,449,554								
25											
26											
27											
28	Differences/ Revenues and Bonding Capacity										
	Fiscal Year	Combined Total Debt Service (All outstanding bonds)	Estimated Annual CITF Revenues*					Max Estimated Bonding	Diff in Total Fee		
29	Ending June 30										
30	2009		-					-			
27	2010		-					-			
28	2011		-					-			
29	2012		-					-	\$2.00		
30	2013		16,218,521					-	\$4.00		
31	2014		33,003,761					260,000,000	\$5.97		
28	2015		50,151,825					110,000,000	\$6.22		
29	2016		53,241,060					40,000,000			

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: Florida Colleges / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Section 21

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O'Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

SECTION 1: NARRATIVE

a. Current Law:

- **Capital Improvement Fees/Colleges:** Section 1009.23 (11) (a) F.S., authorizes capital improvements fees for Florida Colleges. The fee can be no more than 10% of the college's tuition. The increase in capital improvement fees is capped at \$2 currently for resident students. Fees are established annually by each college board.
- **Tuition/ Colleges:** Tuition for Florida Colleges is established primarily in Section 1009.23, F.S.
 - College Credit Programs (Lower Level) – The Legislature sets a standard tuition rate in the GAA. Colleges can set their individual tuition rates at any rate within a range of 10% below to 15% above that standard. If the Legislature does not provide a standard tuition rate in the GAA, then by statute, the standard rate increases by the CPI each fall semester. A college could choose not to increase its tuition by the CPI as long as they do not go below the 10% minimum threshold. A college can increase tuition above whatever increase the Legislature authorizes as long as they do not exceed the 15% maximum.
 - Baccalaureate Programs (Upper Level) – The Legislature sets standard tuition rate in the GAA. Colleges have no flexibility for baccalaureate tuition rates. If the Legislature does not provide a standard tuition rate in the GAA, then by statute, the standard rate increases by the CPI each fall semester. Colleges are allowed to set their own out-of-state fees for nonresidents as long as the sum of tuition and the out-of-state fee do not exceed 85 percent of the amount for those fees at the nearest state university.
 - Colleges also have adult education and workforce programs. Tuition and fees for these programs is outlined in s. 1009.22, F.S. For these programs, the Legislature sets a standard tuition rate in the GAA. Colleges can set their individual tuition rates at any rate within a range of 5% below to 5% above that standard. If the Legislature does not provide a standard tuition rate in the GAA, then by statute, the standard rate increases by the CPI each fall semester. A college could choose not to increase its tuition by the CPI as long as they do not go below the 5% minimum threshold. A college can increase tuition above whatever increase the Legislature authorizes as long as they do not exceed the 5% maximum.

b. Proposed Changes:

- **Capital Improvement Fees/Colleges:** Section 21 (line 1128) of the bill increases the fee cap from 10% of tuition to 20% of tuition.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Division of Florida Colleges

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Since Colleges have wide latitude in setting tuition within an authorized range and since capital fee increase decisions are made separately by boards at each college, it is not possible to predict an overall fiscal impact with certainty.

However, using data obtained from the Division of Florida Colleges, a model was constructed to determine a level of increased revenues which could occur under the provisions of the bill over and above the level which could be raised under current law (i.e., prior to the provisions of HB 5201 being effective). (See attachment A)

Assumptions:

- Fees for FY 2012-13 were estimated to be maximized under current law. To calculate the impact of HB 5201 this model calculates the difference from the point of maximized fees under current law and the impact if maximized under the provisions of HB 5201 and assuming a tuition growth at the rate of CPI in the out-years.
- Student FTE growth was held flat through the forecast period at 324,435.
- It is assumed that each college's board will maximize their allowable increase in capital improvement fees. Note that, since a number of colleges were not at the maximum CIF allowed by law, it will take longer than the forecast period before they bump into the cap (20% of tuition) since the limit on fee increase is \$2 per year.

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: Florida Colleges / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Section 21

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O’Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

Once a college catches up to the new cap, the ability to raise additional revenues is limited by the increase in tuition and the number of students entering the system.

- It is assumed that total debt service for all colleges contributes to the capacity for a combined bond even though currently only 8 colleges have a history of bonding their capital improvement fee revenue. The remaining 20 colleges have historically funded improvements with cash receipts from fees. The implied level of combined capacities (before and after the provisions of HB 5201 are implemented) is intended to show an overall bonding capacity increase even though it may not reflect historical practice of the separate colleges. (See attachment B)

Bonding Capacity Comparison			
Fiscal Year		With HB 5201	
Ending	Current Law	Provisions	Difference
June 30			
2012	9,960,000	9,960,000	-
2013	125,000,000	250,000,000	125,000,000
2014	125,000,000	250,000,000	125,000,000
2015	125,000,000	250,000,000	125,000,000
2016	125,000,000	250,000,000	125,000,000

Note: In February 2012, a \$9.96M bond was issued for Palm Beach State College for total debt outstanding of \$111,710,000 for all participating Florida Colleges.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: Individual Community College trust funds for fees	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High	25.0		42.6	60.2	77.5
Medium 75% of High	18.8		32.0	45.2	58.2
Low 50% of High	12.5		21.3	30.1	38.8

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/ 12) The conference adopted an indeterminate positive estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	0	0	0	0	0
State Trust	0	0	0	0	0
Total State Impact	0	0	0	0	0
Total Local Impact	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Total Impact	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: Florida Colleges / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Section 21

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O'Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

The Florida College System											
Estimated Capital Improvement Fee Revenue										Attachment A	
A	B	C	D	E	F	G	H	I	J	K	
1 CURRENT LAW (ASSUMES COLLEGES CHARGE MAXIMUM TUITION UNDER LAW THEN TUITION GROWS BY CPI)											
2		Annual Revenue Increase	FTE Enrollment	Maximum Resident Fee	Resident Fee % of Tuition	Maximum Nonresident Fee	Nonresident Fee % of Tuition	Maximum Baccalaureate Fee	Baccalaureate Fee % of Tuition	% of Revenue from 8 Bond Colleges	
3	2011-12	\$ 78,382,397	324,435	\$ 7.88	10.0%	\$ 31.55	10.0%	\$ 8.74	10.0%	35.5%	
4	2012-13	\$ 84,554,645	324,435	\$ 8.27	10.0%	\$ 33.13	10.0%	\$ 9.18	10.0%	36.1%	
5	2013-14	\$ 86,166,734	324,435	\$ 8.43	10.0%	\$ 33.76	10.0%	\$ 9.35	10.0%	36.1%	
6	2014-15	\$ 87,801,227	324,435	\$ 8.59	10.0%	\$ 34.40	10.0%	\$ 9.53	10.0%	36.1%	
7	2015-16	\$ 89,828,820	324,435	\$ 8.79	10.0%	\$ 35.19	10.0%	\$ 9.75	10.0%	36.1%	
8											
9											
10 HB 5201											
11		Maximum Under Current Law	Annual Revenue Increase	FTE Enrollment	Maximum Resident Fee	Resident Fee % of Tuition	Maximum Nonresident Fee	Nonresident Fee % of Tuition	Maximum Baccalaureate Fee	Baccalaureate Fee % of Tuition	% of Revenue from 8 Bond Colleges
12	2011-12	\$ 78,382,397		324,435	\$ 7.88	10.0%	\$ 31.55	10.0%	\$ 8.74	10.0%	35.5%
13	2012-13	\$ 109,562,038	39.8%	324,435	\$ 9.88	11.9%	\$ 66.26	20.0%	\$ 10.74	11.7%	36.6%
14	2013-14	\$ 128,798,509	17.6%	324,435	\$ 11.88	14.1%	\$ 67.52	20.0%	\$ 12.74	13.6%	36.5%
15	2014-15	\$ 148,042,067	14.9%	324,435	\$ 13.88	16.1%	\$ 68.80	20.0%	\$ 14.74	15.5%	36.5%
16	2015-16	\$ 167,373,222	13.1%	324,435	\$ 15.88	18.1%	\$ 70.38	20.0%	\$ 16.74	17.2%	36.5%
17					Resident/\$2 cap on		Non-resident / no annual fee cap		Baccalaureate/ \$2 cap on		
18											
19 DIFFERENCES											
20		Maximum Under Current Law	FTE Enrollment	Maximum Resident Fee		Maximum Nonresident Fee		Maximum Baccalaureate Fee			
21	2011-12	-	-	-		-		-			
22	2012-13	25,007,393	-	1.61		33.13		1.56			
23	2013-14	42,631,775	-	3.45		33.76		3.39			
24	2014-15	60,240,840	-	5.29		34.40		5.21			
25	2015-16	77,544,402	-	7.09		35.19		6.99			
26											
27											
28											
29 Notes and Assumptions:											
30	1. 2011-12 enrollment based on a three-year average fee-paying enrollment for college credit programs.										
31	Excludes dual enrollment. No enrollment growth is assumed for the 12-13 estimate or thereafter.										
32	2. Assumes 5% tuition increase for 2012- 13 and CPI increases thereafter (1.9%, 1.9%, and 2.3%).										
33	3. For current law estimates, assumes all colleges increase actual CIF by the tuition increase										
34	percentage except for nonresidents, where it is assumed all colleges increase to the maximum 10%.										
35	4. For HB 5201 estimate, assumes all colleges increase resident CIF by \$2 per credit hour except										
36	for nonresidents, where it is assumed all colleges increase to the maximum 20%.										
37	5. The eight colleges that have participating in the CIF Bond Program are: Broward, Edison, Gulf										
38	Coast, Palm Beach, Saint Petersburg, Santa Fe, Seminole, and Tallahassee.										

REVENUE ESTIMATING CONFERENCE

TAX: N/A

ISSUE: Florida Colleges / Capital Improvement Fee Increases

BILL NUMBER(S): HB 5201 ENROLLED, Section 21

SPONSOR(S): Higher Education Appropriations Subcommittee and Representative O'Toole

MONTH/YEAR COLLECTION IMPACT BEGINS: N/A

DATE OF ANALYSIS: April 16, 2012

	Florida Collges								
	Analysis of Potential Bonding Capacity								Attachment B
1	A	B	C	D	E	F	G	H	
2	Current Law/ Bonding Capacity Estimate								
3	Fiscal Year	Combined Total Debt Service (All outstanding bonds)	Estimated Annual CITF Revenues*	Coverage Ratio	Minimum revenue to maintain coverage ratio 1.3	Available Cash	Estimated Bonding Capacity	Max Estimated Bonding	
7	2012	9,302,835	78,382,397	8.43	11,163,402	67,218,995	806,627,940	9,960,000	
8	2013	21,802,835	84,554,645	3.88	26,163,402	58,391,243	700,694,916	125,000,000	
9	2014	34,302,835	86,166,734	2.51	41,163,402	45,003,332	540,039,984	125,000,000	
10	2015	46,802,835	87,801,227	1.88	56,163,402	31,637,825	379,653,900	125,000,000	
11	2016	59,302,835	89,828,820	1.51	71,163,402	18,665,418	223,985,016	125,000,000	
12									
13	HB 5201/ Estimated Bonding Capacity Estimate								
14	Fiscal Year	Combined Total Debt Service (All outstanding bonds)	Estimated Annual CITF Revenues*	Coverage Ratio	Minimum revenue to maintain coverage ratio 1.3	Available Cash	Estimated Bonding Capacity	Max Estimated Bonding	
18	2012	9,302,835	78,382,397	8.43	11,163,402	67,218,995	806,627,940	9,960,000	
19	2013	34,302,835	109,562,038	3.19	41,163,402	68,398,636	820,783,632	250,000,000	
20	2014	59,302,835	128,798,509	2.17	71,163,402	57,635,107	691,621,284	250,000,000	
21	2015	84,302,835	148,042,067	1.76	101,163,402	46,878,665	562,543,980	250,000,000	
22	2016	109,302,835	167,373,222	1.53	131,163,402	36,209,820	434,517,840	250,000,000	
23								-	
24									
25									
26									
27									
28	Differences/ Revenues and Bonding Capacity								
29	Fiscal Year	Combined Total Debt Service (All outstanding bonds)	Estimated Annual CITF Revenues*					Max Estimated Bonding	
29	2012		-					-	
30	2013		25,007,393					125,000,000	
31	2014		42,631,775					125,000,000	
28	2015		60,240,840					125,000,000	
29	2016		77,544,402					125,000,000	

REVENUE ESTIMATING CONFERENCE

TAX: Educational Enhancement Trust Fund (EETF)

ISSUE: EETF Impact of FY 2012-13 Funding Authorization for Lottery Paid Advertising and Promotions

BILL NUMBER(S): HB 5001, Section 6, Line 2731

SPONSOR(S):

MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2012

DATE OF ANALYSIS: April 16, 2012

SECTION 1: NARRATIVE

- a. **Current Law:** The Lottery's Paid Advertising and Promotion Appropriation for FY 2011-12 was \$30,593,508.
- b. **Proposed Change:** The 2012 General Appropriations Act (HB 5001), awaiting signature by the Governor, increased this appropriation by \$4,000,000 to \$34,593,508.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Since 2003, a number of studies have addressed the relationship between Lottery advertising spending and the generation of proceeds for the Educational Enhancement Trust Fund (EETF). These studies have been conducted by Battle Memorial Institute (Columbus, Ohio) under contract to the Lottery, by the Office of Program Policy Analysis and Government Accountability (OPPAGA), and by the Lottery itself.

Consistently, these studies have found a net positive return to education funding from additional dollars spent on Lottery advertising. In other words, when the Lottery spends money on advertising, the additional EETF generated from the resulting increase in ticket sales is not only enough to recoup the advertising dollar spent, it actually yields additional education funding.

The findings of the studies, including relevant, past REC impact estimates, are summarized in the attached Table 1. As an example, the latest REC Impact Conference on Lottery advertising (February 2008) found that, on average, each dollar spent on Lottery advertising would generate a net gain in EETF of \$3.25—even after the additional cost of the advertising was considered.

The key data used in the present analysis focuses on what past studies have shown about the relationship between additional advertising spending, on the one hand, and changes in Lottery sales on the other. This analysis also uses appropriations figures from the General Appropriations Act; sales, EETF and input data from the November 30, 2011 Lottery Revenue Estimating Conference; and data from a recent Lottery analysis of the relationship between monthly media spending on Scratch-off Game promotions and monthly Scratch-off Game sales.

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

The FY 2012-13 spending plans for the full Lottery Paid Advertising and Promotions appropriation are still being refined as the Lottery considers opportunities for new games, brand promotion, education funding messaging, sponsorships and so on. The Lottery has been working to maximize its advertising effectiveness by increasing the proportion of its advertising funding devoted to media rather than production. The Lottery also is moving toward a greater emphasis on paid media in support of the Scratch-off Game product line as opposed to the "terminal game" or "drawing game" line (e.g., Florida Lotto, Powerball and Cash 3). Finally, the Lottery has gradually increased its Spanish-language portion of its advertising budget in recognition of the growing strength of that market.

In essence, the methodology employed in what follows applies lottery advertising impact study results to FY 2012-13 appropriations and to baseline sales or EETF forecasts from the November 30, 2011 Lottery Revenue Estimating Conference. The High Estimate is based on the findings of the 2003-04 study by the Battelle Memorial Institute, adjusted to the latest REC forecast and discounted by 10% as a reflection of the age of the data. The Battelle Study examined the annual advertising spending from Florida and nineteen other lotteries with similar annual sales and game offerings. The study presented a multiple regression formula that accurately replicated Florida's annual sales over an eight-year period, based on adult population, advertising spending, the number of lottery retailers and the size of the lottery sales force. This model was applied to the increase in the advertising appropriation.

In a similar manner, the Low Estimate was based on the findings of the OPPAGA Report No. 10-17 (January 2010)--"Lottery Jackpots, Retailer Density, and Advertising Drive Transfers to Education." That study analyzed monthly lottery sales, advertising expenditures and other economic data from the 2006-2009 period, with adjustments for jackpots and market conditions. Here too, this study used regression analysis to quantify the relationship between advertising spending and sales. The OPPAGA report acknowledged the possibility of adverse impacts of the economic recession on the advertising ROI: ". . . Since the three years we examined include the worst economic downturn in recent Florida history, our return on investment estimates may understate

REVENUE ESTIMATING CONFERENCE

TAX: Educational Enhancement Trust Fund (EETF)

ISSUE: EETF Impact of FY 2012-13 Funding Authorization for Lottery Paid Advertising and Promotions

BILL NUMBER(S): HB 5001, Section 6, Line 2731

SPONSOR(S):

MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2012

DATE OF ANALYSIS: April 16, 2012

future

returns on advertising spending."

The **Middle Estimate** was calculated merely by taking the mid-point between the high and low estimates.

The sales forecasts for FY 2012-13 then were reconciled to the model the REC routinely uses in its estimating conferences to calculate the amount of EETF to be generated from forecasted sales. Table 2 shows this model for a FY 2012-13 in two ways: first, reflecting baseline without the additional advertising funding, and second, showing the model as it would appear with the additional \$4,000,000 in Paid Advertising and Promotions appropriation but without any change in sales from the November 2011 REC forecast. **NOTE: For this analysis, the gaming vendor fees used in the adoption of the November 11 forecast have been maintained and do not include additional fees for equipment being included in the final FY 12-13 General Appropriation Act.**

The EETF estimates for the years beyond FY 2012-13 were calculated simply by applying the year-to-year growth in EETF generated directly from sales as forecasted in the November 30, 2011 Lottery REC. Because advertising spending can be implemented relatively quickly and since there is considerable lead time before the start of the next fiscal year, no "phase-in factor" was used in the calculations.

In order for the \$4,000,000 increase in paid advertising and promotions to **break even**, i.e., generate additional education funding to match the increased cost of the advertising, this additional spending will have to generate an increment of \$13,400,000 in sales. That would be an increase of 0.31% over the November 2011 REC forecast for FY 2012-13.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High	14.7	14.7	14.9	15.1	15.3
Middle	7.7	7.7	7.8	7.9	8.0
Low	2.3	2.3	2.3	2.3	2.3

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted the low estimate.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	0	0	0	0	0
State Trust	2.3	2.3	2.3	2.3	2.3
Total State Impact	2.3	2.3	2.3	2.3	2.3
Total Local Impact	0	0	0	0	0
Total Impact	2.3	2.3	2.3	2.3	2.3

TABLE 1
Overview of Estimates of the Return on Investment for for Every Dollar Spent on Florida Lottery
10-Apr-12

Note: Dollar estimates are average rates of return for \$1 spent on advertising

	Gain or (Loss) in Lottery Sales	EETF Return on Investment	EETF Net Return After Considering Advertising Cost or Savings
Florida Lottery Analysis: Advertised vs Non-advertised Games (March 2003)	\$ 7.71	\$ 2.11	\$ 1.11
<i>Compared the first 13 weeks of sales for two nearly identical Scratch-off Games launched under similar conditions. One of the games was advertised; the other was not.</i>			
Florida Lottery Analysis: Comparing Lottery Spending by Players Recalling and Those Not Recalling Advertising (March 2003)	\$ 5.49	\$ 1.97	\$ 0.97
<i>Based on tracking survey data of past-month playership percentages and monthly spending. Compared spending by players who could recall Lottery advertising to spending by players who could not recall Lottery advertising. Expanded results to adult population and annualized sales difference.</i>			
Battelle Memorial Institute Study, Columbus, Ohio (2003-04)			
<i>Analyzed the relationship between advertising spending and sales over time in Florida and 19 similar lottery states. Developed regression equation for predicting sales and education funding based on advertising spending and several other variables.</i>	\$ 15.00	\$ 5.00	\$ 4.00
Florida Revenue Estimating Conference (REC) Impact Conference (March 2007)	\$ (16.28)	\$ (4.62)	\$ (3.62)
<i>Analyzed proposed elimination of Lottery's advertising budget. Considered results of Battelle Memorial Study noted above and two other approaches. Adopted a "middle forecast" based on the Battelle Study.</i>			
Florida Revenue Estimating Conference (REC) Impact Conference (April 2007)	\$ (13.00)	\$ (4.67)	\$ (3.67)
<i>Analyzed proposed prohibition against the Lottery spending advertising money on sponsorship events and an associated reduction in the Lottery's advertising budget by \$3.0 million. Again used "middle forecast" from March 19, 2007, impact conference (based on Battelle Study regression formula). Applied the percentage rate of advertising funding reduction (9%) to the previously estimated impact of elimination of advertising funding.</i>			
Florida Revenue Estimating Conference (REC) Impact Conference (February 2008)	\$ 11.54	\$ 4.25	\$ 3.25
<i>Analyzed a proposed \$5.14 million increase to the Lottery's advertising budget. Considered the Battelle memorial Institute Study noted above. Reduced the EETF impacts by 10%.</i>			
OPPAGA Report No. 10-17 (January 2010)--"Lottery Jackpots, Retailer Density, and Advertising Drive Transfers to Education"*			
OPPAGA Results for <u>All</u> Lottery Advertising Costs	\$ 3.68	\$ 1.15	\$ 0.15
OPPAGA Results for Lottery Advertising <u>Media</u> Costs Only	\$ 5.03	\$ 1.57	\$ 0.57
<i>Analyzed Lottery monthly sales (July 2006-June 2009) and monthly expenditures on advertising (March 2006-March 2009), along with other economic data for ten market areas in Florida. Developed a least squares time series regression to predict monthly sales per capita. Differentiated among the production spending, media spending and ad agency fees.</i>			
April 2012 Florida Lottery analysis of monthly media spending promoting Scratch-off Games	\$ 12.95	\$ 2.46	\$ 1.46

TABLE 2
Lottery EETF Calculations
13-Apr-12

No Increase in Paid Advertising and Promotion Funding

	11/30/11 Adopted REC		
	Transfer Rate Model FY 12/13		Total
	Scratch-off	On-line	
Prize Exp. %	71.75%	50.59%	
Sales Forecast	2,499,100,000	1,838,200,000	4,337,300,000
Prize Exp	1,793,104,250	929,945,380	
Commissions (5.6%)	139,949,600	102,939,200	
Vendor Fees (Adj to Total EETF)	41,871,588	27,153,645	<u>Admin. Funding</u>
Oper. Exp.	<u>41,160,757</u>	<u>30,275,580</u>	<u>71,436,337</u>
EETF from Sales	483,013,805	747,886,195	1,230,900,000
	19.33%	40.69%	28.38%
80% Unclaimed	45,200,000.0		
Other Revenue	15,000,000.0		
Total EETF Trans.	1,291,100,000		
Total Transfer Rate	29.77%		

\$4 Million Increase in Paid Advertising and Promotion Funding--No Impact on Sales

	11/30/11 Adopted REC		
	Transfer Rate Model FY 12/13		Total
	Scratch-off	On-line	
Prize Exp. %	71.75%	50.59%	
Sales Forecast	2,499,100,000	1,838,200,000	4,337,300,000
Prize Exp	1,793,104,250	929,945,380	
Commissions (5.6%)	139,949,600	102,939,200	
Vendor Fees (Adj to Total EETF)	41,871,588	27,153,645	<u>Admin. Funding</u>
Oper. Exp.	<u>43,465,508</u>	<u>31,970,829</u>	<u>75,436,337</u>
EETF from Sales	480,709,054	746,190,946	1,226,900,000
	19.24%	40.59%	28.29%
80% Unclaimed	45,200,000.0		
Other Revenue	15,000,000.0		
Total EETF Trans.	1,287,100,000		
Total Transfer Rate	29.68%		

TABLE 3

Estimate of Change in FY 2012-13 EETF Funding from Increased Spending on Lottery Paid Advertising and Promotions

NOTE: Advertising-Sales Relationship Based on Battelle Memorial Institute Studies for the Florida Lottery, 2003 and 2004

	Baseline	With Additional Ad/Promo Funding	Change		EETF Return on Ad/Promotion Dollar Spent:	
			\$	%	Gross	Net of Ad Cost
ASSUMPTIONS						
Paid Ad/Promotions Appropriation	\$ 30,593,508	\$ 34,593,508	\$ 4,000,000	13.07%		
Number of Retailers	13,300	13,300	\$ -	0.00%		
Number of Sales Reps	120	120	\$ -	0.00%		
SALES						
Battelle Model Prediction Lottery Sales	\$ 2,785,390,829	\$ 2,829,388,771	\$ 43,997,942	1.58%		
Nov 30 11 REC	\$ 4,337,300,000					
Projected FY 2012-13 Sales with Additional Paid Ad/Promotions Funding		\$ 4,405,811,848	\$ 68,511,848	1.58%		\$ 17.13
<i>Battelle Projection Converted to Nov 2011 REC Levels for FY 2012-13</i>						
EETF INCREASE						
Blended EETF Contribution Rate	28.38%	28.31%	NA	-0.07% point		
EETF Nov 30 11 REC for FY 2012-13 With Additional Funding (Battelle Projection Converted to Nov 2011 REC Levels)	\$ 1,230,900,000	\$ 1,247,285,334	\$ 16,385,334	1.33%	\$ 4.10	\$ 3.10
With 10% Discount as in Feb 2008 Impact Conference			\$ 14,746,801	1.20%	\$ 3.69	\$ 2.69

TABLE 4

Estimate of Change in FY 2012-13 EETF Funding from Increased Spending on Lottery Paid Advertising and Promotions--REVISED POST CONFERENCE

NOTE: Advertising-EETF Relationship Based on OPPAGA Report: "Lottery Jackpots, Retailer Density, and Advertising Drive Transfers to Education" (January 2010)

	Baseline	With Additional Ad/Promo Funding	Change		EETF Return on Ad/Promotion Dollar Spent:	
			\$	%	Gross	Net of Ad Cost
ASSUMPTIONS						
Paid Ad/Promotions Appropriation	\$ 30,593,508	\$ 34,593,508	\$ 4,000,000	13.07%		
EETF Contribution Rate from Sales Based on Standard REC Sales/Revenue Model						
OPPAGA Findings						
Lottery Sales Increase Per \$1 in Media Expenditures	\$ 5.03					
Lottery Sales Increase Per \$1 in Total Advertising Expenditures	\$ 3.67					
Transfers to Educational Enhancement Trust Fund (Per \$1 of Total Advertising Spending)	\$ 1.15					
Transfers to Educational Enhancement Trust Fund (Per \$1 of Advertising Funding Spent on Direct Media Buys)	\$ 1.57					
SALES						
FY 2012-13 Lottery Sales Nov 30 11 REC	\$ 4,337,300,000					
Projected FY 2012-13 Sales with Additional Paid Ad/Promotions Funding		\$ 4,352,501,429	\$ 15,201,429	0.35%		\$ 3.80
<i>Based on sales needed to generate predicted EETF, given blended EETF contribution rate</i>						
EETF INCREASE						
Blended EETF Contribution Rate	28.38%	28.33%	NA	-0.08% point		
EETF Nov 30 11 REC for FY 2012-13	\$ 1,230,900,000					
With Additional Funding		\$ 1,233,180,000	\$ 2,280,000	0.19%	\$ 1.57	\$ 0.57

REVENUE ESTIMATING CONFERENCE

TAX: Medical Hospital Fees (General Revenue)

ISSUE: Medical Hospital Fee Collections --- Backlog at 85% with Challenge

BILL NUMBER(S): HB 5301 (Enrolled)

SPONSOR(S): Senate Budget Subcommittee on Health and Human Services Appropriations

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon Becoming Law (First Collection Impact beginning May 2012)

DATE OF ANALYSIS: April 16, 2012 (Narrative Revised)

SECTION 1: NARRATIVE

- a. **Current Law:** Current law (Chapter 409.915, F.S.) specifies the method by which Medical Hospital Fees (also known as county contributions to Medicaid) are determined. The Agency for Health Care Administration is responsible for calculating each county’s financial obligation to share in the funding of the state Medicaid program, as well as for collecting the payments. All payments accrue to the General Revenue Fund.

Section 409.915(3), F.S., requires that each county set aside sufficient funds to pay for items of care and service provided to the county’s eligible recipients for which county contributions are required. Section 409.915(5), F.S., specifies actions that should be taken when the county share has not been remitted within 60 days after billing. However, a significant backlog of payments has developed over time that is continuing to build. As of 12/31/2011, the distribution of total uncollected billings was as follows:

12/31/2011		Of Total
0 - 1 YEAR	112,050,745.67	34.4%
1 - 2 YEARS	47,835,790.99	14.7%
2 - 3 YEARS	33,591,236.08	10.3%
3 - 4 YEARS	23,692,136.88	7.3%
OVER 4 YEARS	108,313,878.41	33.3%
	<u>325,483,788.03</u>	100.0%

Source: Data Provided by the Agency for Health Care Administration

- b. **Proposed Changes:** The bill revises current law to address the process for attributing costs to counties; create a new collection method for billings that are outstanding as of April 30, 2012; and establish a new payment method for future billings beginning May 1, 2012. The language addressing future billings also provides a refund process.

Process for attributing costs to counties: Establishes that each county’s eligible recipients be determined by recipient address information contained in the federally approved Medicaid eligibility system within the Department of Children and Families. Reference is made to a new refund process to be developed by the Agency for Health Care Administration (AHCA), the Department of Revenue and the Florida Association of Counties for review of those instances in which the county determines that the monthly statement contains errors.

Collection method for billings that are outstanding as of April 30, 2012: Requires that AHCA certify to each county by August 1, 2012 the amount of the county’s billings from November 1, 2001 through April 30, 2012 which remain unpaid. The county is given the option of contesting the amount certified under the provisions of chapter 120 on or before September 1, 2012. To be successful in the challenge, the county must show by a preponderance of the evidence that a recipient was not an eligible recipient of the county or that the amount certified was otherwise in error. Based on each county’s election as to whether to challenge the certification, AHCA must certify to the Department of Revenue by September 15, 2012:

1. 100% of the amount certified to the county for those counties that elect to pursue a challenge, and
2. 85% of the amount certified to the county for those counties that do not pursue a challenge. While the language is not specific, the result is that the remaining 15% is forgiven.

Beginning with the October 2012 revenue sharing distribution, the Department of Revenue shall reduce each county's distributions pursuant to s. 218.26 by one thirty-sixths of the amount certified by the agency for that county. Beginning with the October 1, 2013 distribution, the Department of Revenue shall reduce each county's distributions pursuant to s. 218.26 by one forty-eighth of two-thirds of the amount certified by the agency for that county. However, the amount of the reduction may not exceed fifty percent of that county's distribution. If a challenging county is successful, the Department of Revenue shall adjust all future monthly distribution reductions in a manner that results in the remaining total distribution reduction being applied in equal monthly amounts. If after sixty months, the reductions for each county do not equal the total amount initially certified by the agency, the Department of Revenue shall continue to reduce each distribution by up to fifty percent until the total amount certified is reached. The amounts by which the distributions are reduced shall be deposited in the General Revenue Fund.

REVENUE ESTIMATING CONFERENCE

TAX: Medical Hospital Fees (General Revenue)

ISSUE: Medical Hospital Fee Collections --- Backlog at 85% with Challenge

BILL NUMBER(S): HB 5301 (Enrolled)

SPONSOR(S): Senate Budget Subcommittee on Health and Human Services Appropriations

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon Becoming Law (First Collection Impact beginning May 2012)

DATE OF ANALYSIS: April 16, 2012 (Narrative Revised)

Payment method for future billings: Beginning May 1, 2012, and each month thereafter, the agency shall certify to the Department of Revenue, for each county, the amount of the monthly statement for the county's share of inpatient hospitalization, nursing home and intermediate facility care. The Department of Revenue shall reduce each county's distributions pursuant to s. 218.61 by the amount certified. However, the county's distribution may not be reduced below the amount necessary for the payment of any principal, interest and reserves required under bond covenants. The amounts by which the distributions are reduced shall be deposited in the General Revenue Fund.

Repayment of Lawton Chiles Endowment Fund Loan: Section 132 of the General Appropriations Act transfers \$350 million from the Lawton Chiles Endowment Fund (LCEF) to the General Revenue Fund. Section 12 of HB 5301 directs the Chief Financial Officer to transfer an amount equal to the increase in Medical Hospital Fees in the prior year over the official estimate adopted January 12, 2012 for that year from the General Revenue Fund to the LCEF beginning in FY 2013-14 and continuing through FY 2020-2021. These transfers must take place by July 31 of each year and continue until the total transfers equal \$350 million. If the total transfers do not total \$350 million by July 1, 2021, the Legislature must provide for the transfer of amounts necessary to total \$350 million.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Schedules of billings and back due amounts by county provided by the Agency for Health Care Administration
Revenue Estimating Conference Forecast and Workpapers for Medical Hospital Fees (adopted January 12, 2012)
State Revenue Sharing Payments by County for FY 2010-11 (and 2012-13 estimates developed by EDR)
State Half-Cent Distribution by County for FY 2010-11 (and 2012-13 estimates developed by EDR)

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

The underlying estimate is developed by using three methodologies. The first is related to the *collection method for billings that are outstanding as of April 30, 2012* and is referred to as the Backlog on the accompanying worksheet. For the first 12-month period beginning October 1, 2012, eighty-five percent of the total outstanding payments by county is divided by 36 payment cycles, cumulated into twelve-month groupings, applied to the estimated 2012-13 revenue share payments by county, and constrained to 50 percent of the total to calculate maximum annual payments. The last quarter crosses into the 2013-14 fiscal year. For all remaining 12-month periods beginning October 1, 2013, eighty-five percent of the remaining outstanding payments by county (two-thirds of the original certification) is divided by 48 payment cycles, cumulated into twelve-month groupings, applied to the estimated revenue share payments by county, and constrained to 50 percent of the total to calculate maximum annual payments. The last quarter crosses into the 2017-18 fiscal year.

The second methodology relates to the challenge process for the backlog. Because, a priori, it is unknown which counties will challenge and their degree of success, only a separate statewide adjustment could feasibly be made for this portion of the estimate. Using two different methods (MIN / MAX / PROF JUDGMENT TO EXCLUDE OUTLIERS --- and --- 9-YEAR AVERAGE) to look at nine years of individual county billings by fiscal year, several counties that could challenge were identified and the incremental adjustment beyond 85% was calculated. The suggested impact of the challenge provision using these methodologies was:

High: (-\$13.5) million

Low: (-\$5.5) million

The average is (-\$9.5) million.

Further clouding the potential impact, there is nothing in the language to preclude a county from showing that a class of billings is incorrect --- rather than individual by individual. Given the inability to predict a probable outcome, an impact of negative indeterminate was selected for this provision.

The third methodology is used for the process for attributing costs to counties and the payment method for future billings. It is assumed that the combined effect of the new statutory language (including a new process for updating a recipient's address) increases the ratio of collections to billings in all forecast years to 95%. A 5% buffer is set-aside for

REVENUE ESTIMATING CONFERENCE

TAX: Medical Hospital Fees (General Revenue)

ISSUE: Medical Hospital Fee Collections --- Backlog at 85% with Challenge

BILL NUMBER(S): HB 5301 (Enrolled)

SPONSOR(S): Senate Budget Subcommittee on Health and Human Services Appropriations

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon Becoming Law (First Collection Impact beginning May 2012)

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payment movement between fiscal years related to the revenue-sharing portion, refunds and errors in the various estimates.

The greatest sources of potential leakage are the number of counties ultimately bound by the 50% constraint and the payment schedule used by the Department of Revenue for the distribution of revenue sharing payments. In the latter case, the Department distributes 95% of the forecasted level of revenue sharing payments in 12 equal payments over the course of the fiscal year, with a 13th payment in the subsequent fiscal year to serve as the true-up. Relative to the other 12 payments, the 13th payment is much smaller --- and a one thirty-sixths payment will exceed 50% of that amount in a larger number of counties than will be the case during the course of the fiscal year. In this regard, the analysis identifies five counties most likely to be constrained within the confines of the fiscal year: Alachua, Hendry, Liberty, Pinellas, and St. Lucie.

Special treatment is provided for the current year (FY 2011-12) to address behavioral changes to minimize monthly payments. It is assumed that 2 months of anticipated current payments and 4 months of past due payments will not be made, allowing these amounts to fall into the Backlog payments beginning in FY 2012-13. The total lost from FY 2011-12 is spread over the 60 months and thereby recaptured.

For the purposes of this analysis, it is also assumed that:

- Each county’s share of actual billings made in FY 2010-11 will be maintained throughout each year of the forecast.
- The repayment of the Lawton Chiles Endowment Fund (\$350 million) beginning in the 2013-14 fiscal year will be treated the same as payments to the Budget Stabilization Fund --- that is, shown on the official Outlook Statements for the General Revenue Fund as effective appropriations.
- The annual gain related to the change to 95% is recurring in nature. Larger amounts in the first years of the forecast are the result of a non-recurring speed-up and the one-time benefit of receiving more of the backlog payments than currently forecast.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact: All Funds	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
High					
Middle	\$75.2 [2011-12: (\$29.8)]	\$21.5	\$34.8	\$2.1	\$35.2
Low					

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/16/12) The conference adopted the proposed estimate. In addition, the bill has a 2012-13 General Revenue impact of -\$29.8 million.

	FY 2012-13 Cash	FY 2012-13 Annualized	FY 2013-14 Cash	FY 2014-15 Cash	FY 2015-16 Cash
General Revenue	75.2	21.5	34.8	2.1	35.2
Total Local Impact					
Total Impact	75.2	21.5	34.8	2.1	35.2

MEDICAL HOSPITAL FEES

SUMMARY DATA	Summary	OVER 4 YEARS	3 - 4 YEARS	2 - 3 YEARS	1 - 2 YEARS	0 - 1 YEAR	TOTALS							
	7/31/2011	101,045,883.53	26,823,585.02	33,428,693.55	45,914,407.35	97,488,185.07	304,700,754.52							
9/30/2011	103,055,198.64	2,009,315.11	27,126,078.22	302,493.20	33,299,290.65	(129,402.90)	46,336,285.75	421,878.40	109,158,189.93	11,670,004.86	318,975,043.19	14,274,288.67		
12/31/2011	108,313,878.41	5,258,679.77	23,692,136.88	(3,433,941.34)	33,591,236.08	291,945.43	47,835,790.99	1,499,505.24	112,050,745.67	2,892,555.74	325,483,788.03	6,508,744.84		
12/31/2011		Of Total	9/30/2011	Of Total	7/31/2011									
0 - 1 YEAR	112,050,745.67	34.4%	0 - 1 YEAR	109,158,189.93	34.2%	0 - 1 YEAR	97,488,185.07	32.0%						
1 - 2 YEARS	47,835,790.99	14.7%	1 - 2 YEARS	46,336,285.75	14.5%	1 - 2 YEARS	45,914,407.35	15.1%						
2 - 3 YEARS	33,591,236.08	10.3%	2 - 3 YEARS	33,299,290.65	10.4%	2 - 3 YEARS	33,428,693.55	11.0%						
3 - 4 YEARS	23,692,136.88	7.3%	3 - 4 YEARS	27,126,078.22	8.5%	3 - 4 YEARS	26,823,585.02	8.8%						
OVER 4 YEARS	<u>108,313,878.41</u>	33.3%	OVER 4 YEARS	<u>103,055,198.64</u>	32.3%	OVER 4 YEARS	<u>101,045,883.53</u>	33.2%						
	325,483,788.03	100.0%		318,975,043.19	100.0%		304,700,754.52	100.0%						
6 Months														
Inflow	14,562,560.60	0 - 1 YEAR	Out / In	1,921,383.64	1 - 2 YEARS	Out / In	162,542.53	2 - 3 YEARS	Out / In	(3,131,448.14)	3 - 4 YEARS	Out / In	7,267,994.88	OVER 4 YEARS
		Growing			Modest Growth			Stable					Declining	
		More Billing											Greater Delinquency	

Backlog

Backlog Schedule At Flat 85%		Backlog in current forecast period:	
OVER 4 YEARS	0.85	92,066,796.65	178.3
3 - 4 YEARS	0.85	20,138,316.35	276.2 (With Slippage)
2 - 3 YEARS	0.85	28,552,550.67	Difference (Backlog Gain) 98.0
1 - 2 YEARS	0.85	40,660,422.34	Gain from change to 95% 179.0
0 - 1 YEAR	0.85	95,243,133.82	TOTAL GAIN 277.0 (See NOTE)
276,661,219.83 Total Backlog Repayment		95% for Other Changes(as opposed to 100%) is used to address:	
Total Backlog	325,483,788.03	---Payment movement between fiscal years	
Diff from Backlog	48,822,568.20	---Refunds	
Forgiveness	15.0%	---Errors in the various estimates	
		Slippage in Current Year (2011-12):	
		---Behavioral change to minimize payments	
		---Loss is made up in Backlog over subsequent 36 MOS	

PROPOSED CHANGE

	Current Billings at 90%	Current Billings at 100%	Other Changes	50% Constraint	TOTAL	Challenge Adjustment	Current Estimate	DIFF
FY 2011-12			0.95	Backlog (36 & 48 M)			222.8	(29.8)
FY 2012-13	274.1	304.6	289.4	72.6	362.0	(**)	286.8	75.2
FY 2013-14	285.8	317.5	301.6	62.2	363.8	(**)	328.9	34.8
FY 2014-15	297.0	330.0	313.5	50.6	364.1	(**)	362.0	2.1
FY 2015-16	308.7	343.0	325.9	50.6	376.5	(**)	341.2	35.2
FY 2016-17	323.2	359.1	341.1	50.6	391.8	(**)	332.3	59.4
FY 2017-18	338.2	375.8	357.0	16.0	373.0	(**)	338.2	34.8
FY 2018-19	354.2	393.5	373.8	2.5	376.3	-	354.2	22.1
FY 2019-20	370.8	412.0	391.4	1.0	392.4	-	370.8	21.6
FY 2020-21	388.2	431.3	409.7	-	409.7	-	388.2	21.5

NOTE: Different from aggregated numbers due to removal of unknown, the 50% constraint, slippage and rounding.

277.0

Slippage Estimate
(29.8)
(9.9) 12 of 36 months
(19.9) 48 of 48 months

Slippage →

FY 2011-12	Year	1 Month	
Current Billings	161.7	13.5	
Past Due Paid	61.1	5.1	
Total	222.8		
Full Billings	280.7	23.4	(=1.0)
0.576	161.7	13.5	(=.64 x .90)
Billings at 95%	266.7	22.2	(=.95)
Difference	105.0	8.7	
	<u>Months</u>	<u>Total</u>	
Lost Current	2	-27.0	March & April
Lost Past Due	4	-20.4	March thru June
Gain at 95%	2	17.5	
Total		-29.8	