

# An Overview of Gross Receipts and PECO Bonding

June 11, 2012

Presented by:



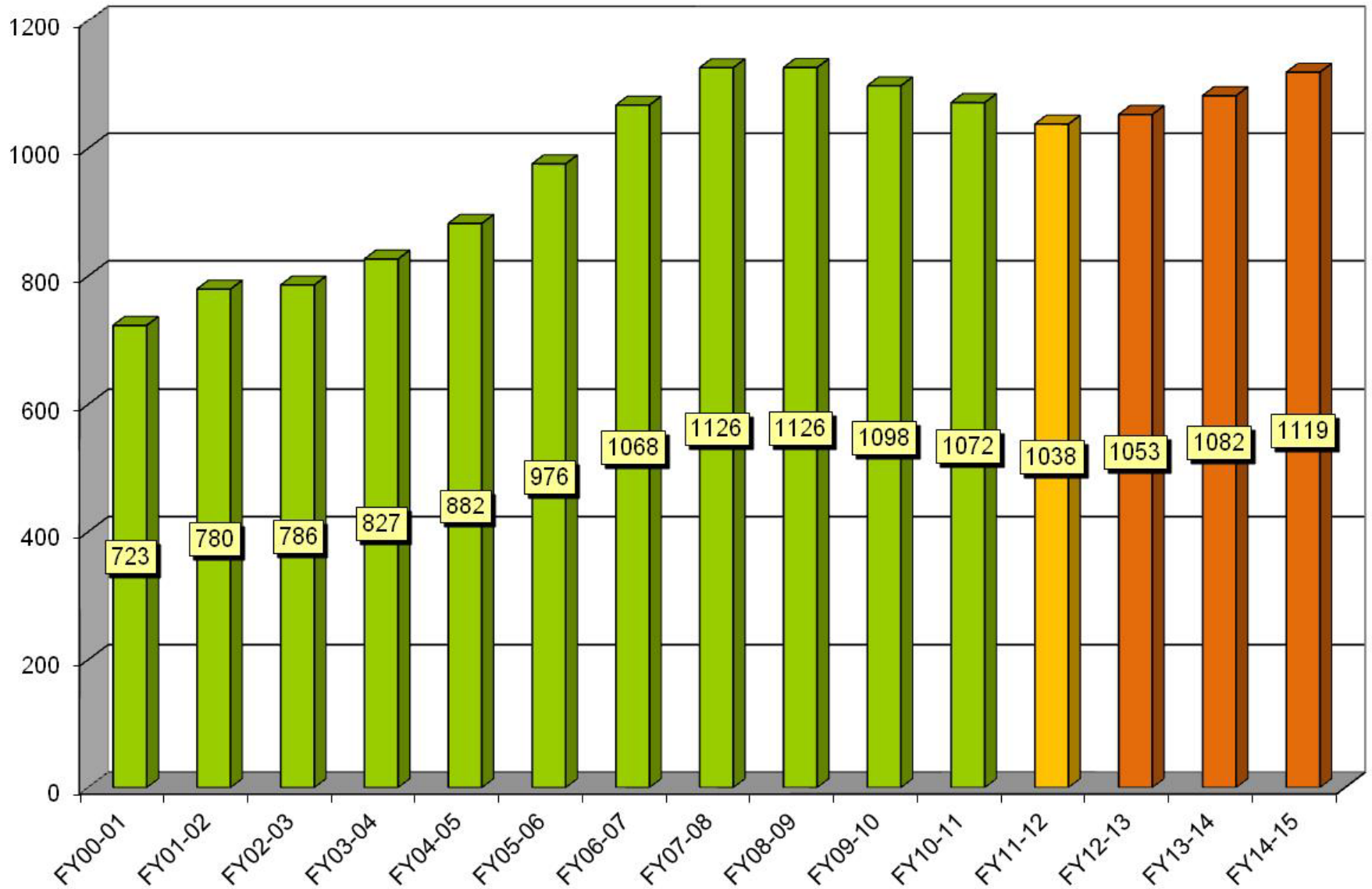
The Florida Legislature  
Office of Economic and  
Demographic Research  
850.487.1402  
<http://edr.state.fl.us>

# Taxable Items

Gross Receipts (CST +++)	Sales Tax CST
<ul style="list-style-type: none"> <li>• Telecommunication Services – residential, commercial and wireless</li> </ul>	<ul style="list-style-type: none"> <li>• Telecommunication Services – commercial and wireless</li> </ul>
<ul style="list-style-type: none"> <li>• Television Services – cable and satellite</li> </ul>	<ul style="list-style-type: none"> <li>• Television Services – cable and satellite</li> </ul>
<ul style="list-style-type: none"> <li>• Electricity</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<ul style="list-style-type: none"> <li>• Gas Fuels</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>2011-12 Total Estimate: \$1,037.91 million</b>	<b>2011-12 Estimate:</b>
<b>CST~ \$418.1 million (40.3% of Total Gross Receipts)</b>	<b>CST~ \$974.32 million (2.33 x Gross Receipts share)</b>



### Gross Receipts Revenues



# Bonding Attributes

- Generally, Section 11 of Article VII of the Florida Constitution authorizes the state to issue general obligation bonds or revenue bonds to finance or refinance fixed capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the state and payable from specified taxes. Revenue bonds are payable solely from specified revenues.
- The Florida Constitution requires the Legislature to appropriate moneys sufficient to pay debt service on bonds pledging the full faith and credit of the State. All state tax revenues, other than trust funds dedicated by the Florida Constitution for other purposes, would be available for such an appropriation if required.
- Education-related bonds are unusual because the state is responsible for the liability while the related assets are owned by local school districts, state colleges and state universities --- meaning that the asset is not included in the state's financial statements while the current-period liability is.
- Public Education Bonds are issued to finance capital outlay projects of local school districts, community colleges, vocational technical schools, and state universities. The bonds, serial and term, are secured by a pledge of the state's **gross receipts tax revenues** and by a pledge of the **full faith and credit of the state**.

# Authorization To Bond Gross Receipts

## Article XII, Section 9(a)(2)

...all of the proceeds of the revenues derived from the **gross receipts taxes** collected from every person...shall, as collected, be placed in a trust fund to be known as the “public education capital outlay and debt service trust fund” in the state treasury (hereinafter referred to as “capital outlay fund”), and used only as provided herein...

The capital outlay fund shall be administered by the **state board of education** ...(hereinafter referred to as “state board”)...

**State bonds pledging the full faith and credit of the state may be issued, without a vote of the electors,** by the state board pursuant to law to finance or refinance capital projects theretofore authorized by the legislature, and any purposes appurtenant or incidental thereto, for the state system of public education provided for in Section 1 of Article IX of this Constitution (hereinafter referred to as “state system”), including but not limited to institutions of higher learning, community colleges, vocational technical schools, or public schools, as now defined or as may hereafter be defined by law.



# Constitutional Requirements...con't

All such bonds shall mature not later than **thirty years** after the date of issuance thereof...

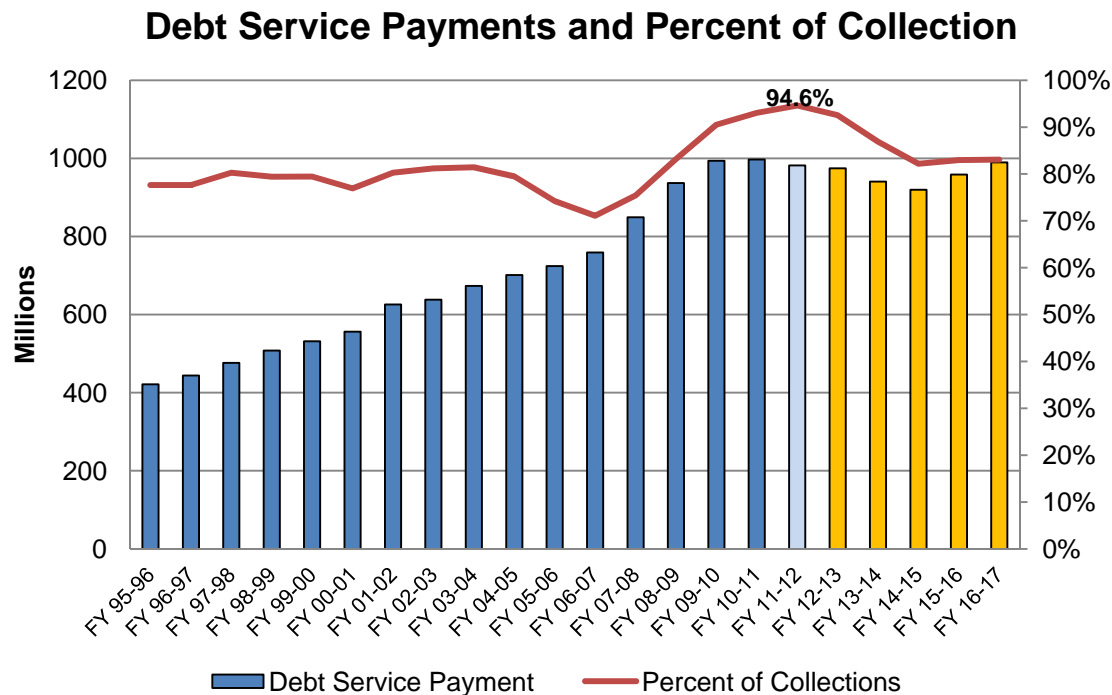
...No such bonds shall ever be issued in an amount exceeding ninety percent of the amount which the state board determines can be serviced by the revenues derived from the gross receipts taxes accruing thereafter under the provisions of this subsection (a)(2), and such determination shall be conclusive.

The moneys in the capital outlay fund in each fiscal year shall be used only for the following purposes and in the following order of priority:

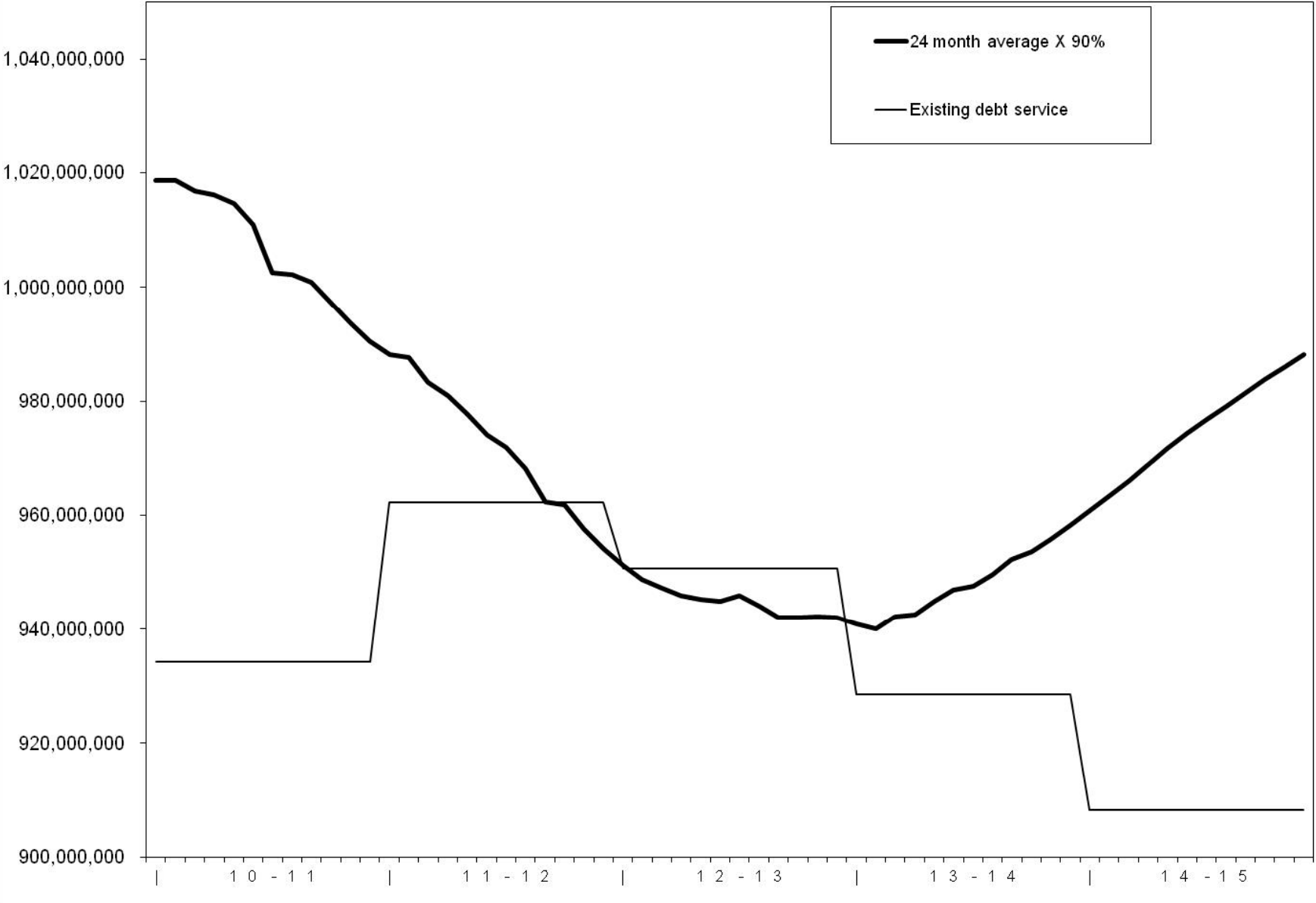
- a. For the payment of the principal of and interest on any bonds due in such fiscal year;
- b. For the deposit into any reserve funds provided for in the proceedings authorizing the issuance of bonds of any amounts required to be deposited in such reserve funds in such fiscal year;
- c. For direct payment of the cost or any part of the cost of any **capital project for the state system** theretofore authorized by the legislature, or for the purchase or redemption of outstanding bonds in accordance with the provisions of the proceedings which authorized the issuance of such bonds, or for the purpose of **maintaining, restoring, or repairing existing public educational facilities**.

# Debt Service

- Each PECO bond sale obligates a portion of the Gross Receipts Tax collection stream into the future. In other words, the state gives up a portion of the future tax collections in order to enjoy the benefit of having a larger amount to spend on projects in the present time. Most of the tax collections are not available for spending on new PECO projects, but instead must be paid out for outstanding bonds. This also means that since the state has typically sold the maximum amount of bonds it can each year, the ability to sell additional bonds in subsequent years is dependent on there being an increase in the tax collections.

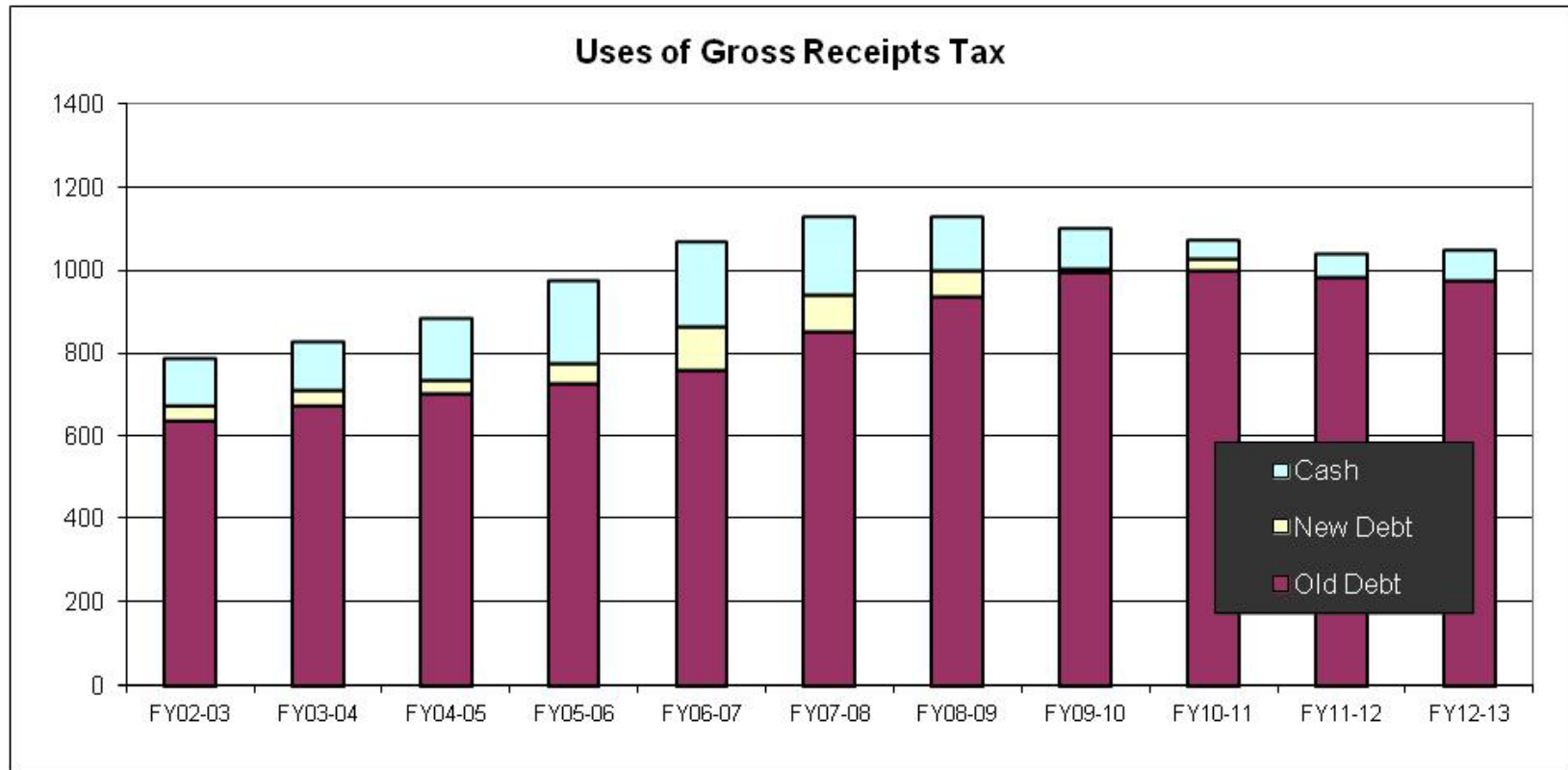


### Debt Service on PECO Bonds



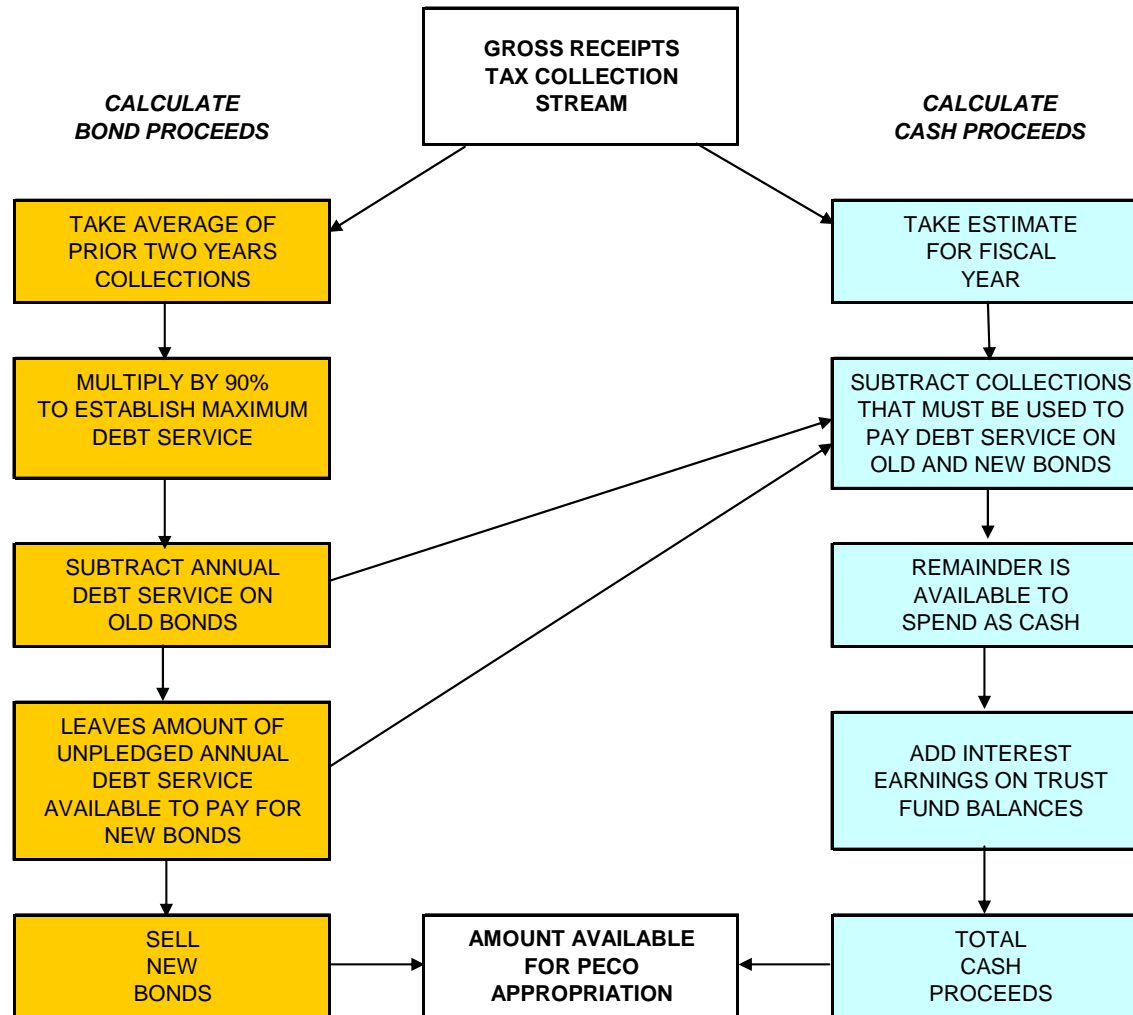


# Total Composition

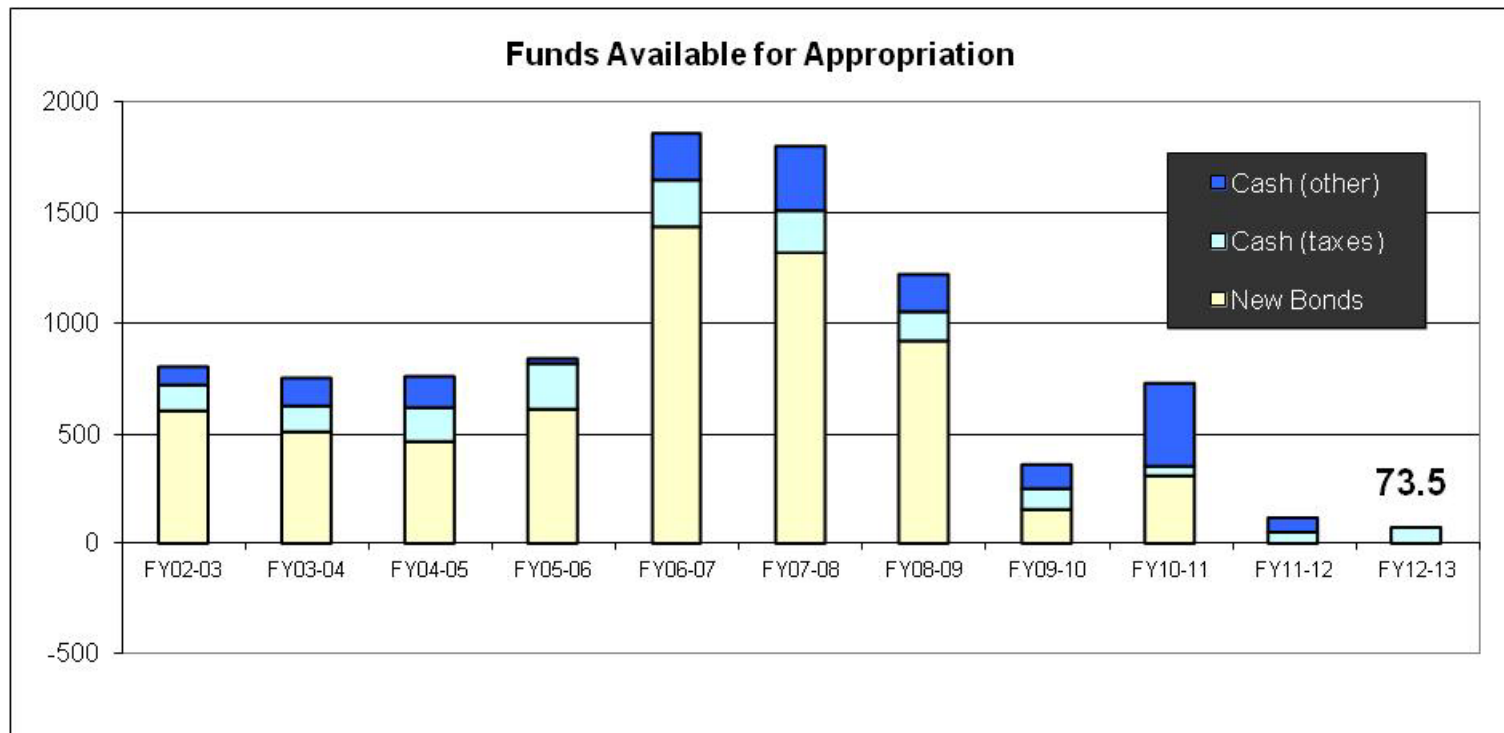


The total PECO estimate is comprised of two kinds of funds, bond proceeds and cash proceeds. Most of the new funding for PECO has come from the sale of bonds, and it is changes in the sizes of the bond sales which are the primary reason for the fluctuation of the PECO appropriation.

# How the Gross Receipts Tax Becomes a PECO Appropriation



# Expenditure Portion



Bonding is the tool that has allowed the state to leverage the amount that can be appropriated each year. Currently, PECO is the State's largest bond program with \$11.3 billion in outstanding debt (40.8% of the total \$27.7 billion in direct debt outstanding).

# Communications Services Tax Shift to Gross Receipts Tax

	Prior To Chapter 2010-149 LOF			Current Law		
	CST Sales Tax	Gross Receipts Tax	Total	CST Sales Tax	Gross Receipts Tax	Total
<b>Telecommunications Services</b>						
<b>Residential</b>	0.00%	2.37%	2.37%	0.00%	2.37%	2.37%
<b>Commercial</b>	6.80%	2.37%	9.17%	6.65%	2.52%	9.17%
<b>Wireless - Cellular</b>	6.80%	2.37%	9.17%	6.65%	2.52%	9.17%
<b>Television Services</b>						
<b>Cable</b>	6.80%	2.37%	9.17%	6.65%	2.52%	9.17%
<b>Satellite</b>	6.80%*	2.37%	9.17%	6.80%*	2.37%	9.17%

	Assuming Old Structure		
2011-12 Revenues (millions \$)	994.1	398.3	1,392.4

	Under New Structure		
	974.3	418.1	1,392.4

Revenue Shift Attributable to Law Change		
Sales Tax	Gross Receipts	Total
(19.8)	19.8	0.0

NOTE: Display does not include the 4% for Sales Tax that is transferred to the Local Government Half-Cent Clearing Trust Fund, bringing the total to 10.8%.