Finance and Tax Committee

Thursday, January 14, 2016

1:00 p.m. – 3:30 p.m.

Morris Hall

MEETING PACKET

Steve Crisafulli
Speaker

Matt Gaetz
Chair

The Florida House of Representatives

Finance and Tax Committee

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AGENDA

January 14, 2016
1:00 p.m. – 3:30 p.m.
Morris Hall

I. Call to Order/Roll Call

II. Chair's Opening Remarks

III. ***Consideration on the following bills:***
HB 37 Direct Primary Care by Costello
HB 301 Property Prepared for Tax-Exempt Use by Burton
CS/HB 467 Insurance Guaranty Association Assessments by Insurance & Banking Subcommittee, Broxson
HB 565 Redevelopment Trust Fund by Spano

IV. Update Regarding Potential Issues for 2016-17 House Tax Cut Plan

V. Closing Remarks and Adjournment

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HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 37 Direct Primary Care
SPONSOR(S): Costello
TIED BILLS: **IDEN./SIM. BILLS:** SB 132

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Select Committee on Affordable Healthcare Access	13 Y, 1 N	Poche	Calamas
2) Finance & Tax Committee		Pewitt	Langston
3) Health & Human Services Committee			

SUMMARY ANALYSIS

Direct primary care (DPC) is a primary care medical practice model that eliminates third party payers from the primary care provider-patient relationship. Through a contractual agreement, a patient pays a monthly fee, usually between $25 and $100 per individual, to the primary care provider for defined primary care services. After paying the fee, a patient can utilize all services under the agreement at no extra charge. Some DPC practices also include routine preventative services, women's health services, pediatric care, urgent care, wellness education, chronic disease management, and home visits. The Office of Insurance Regulation does not currently regulate DPC agreements.

HB 37 provides that a direct primary care agreement (agreement) and the act of entering into such an agreement are not insurance and not subject to regulation under the Florida Insurance Code (Code), including chapter 636, F.S. The bill also exempts a primary care provider, which includes a primary care group practice, or his or her agent, from any certification or licensure requirements in the Code for marketing, selling, or offering to sell an agreement. An agreement must:

- Be in writing;
- Be signed by the primary care provider, or his or her agent, and the patient, or the patient's legal representative;
- Allow either party to terminate the agreement by written notice followed by a waiting period;
- Describe the scope of services that are covered by the monthly fee;
- Specify the monthly fee and any fees for services not covered under the agreement;
- Specify the duration of the agreement and any automatic renewal provisions;
- Provide for a refund to the patient of monthly fees paid in advance if the primary care provider stops offering primary care services for any reason;
- State that the agreement is not health insurance and that the primary care provider will not file any claims against the patient's health insurance policy or plan for reimbursement for any primary care services covered by the agreement; and
- State that the agreement does not qualify as minimum essential coverage to satisfy the individual responsibility provision of the Patient Protection and Affordable Care Act.

The Revenue Estimating Conference has determined that the bill may have either no impact or a negative indeterminate impact on state General Revenue, reflecting uncertainty about whether DPC agreements would be subject to insurance premiums tax in the future under current law.

The bill provides an effective date of July 1, 2016.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

Florida Office of Insurance Regulation

The Florida Office of Insurance Regulation (OIR) regulates the business of insurance in the state, in accordance with the Florida Insurance Code (Code). The specific chapters under the Code are:

Chapter 624, F.S. – Insurance Code: Administration and General Provisions
Chapter 625, F.S. – Accounting, Investments, and Deposits by Insurers
Chapter 626, F.S. – Insurance Field Representatives and Operations
Chapter 627, F.S. – Insurance Rates and Contracts
Chapter 628, F.S. – Stock and Mutual Insurers; Holding Companies
Chapter 629, F.S. – Reciprocal Insurers
Chapter 630, F.S. – Alien Insurers: Trusteed Assets; Domestication
Chapter 631, F.S. – Insurer Insolvency; Guaranty of Payment
Chapter 632, F.S. – Fraternal Benefit Societies
Chapter 634, F.S. – Warranty Associations
Chapter 635, F.S. – Mortgage Guaranty Insurance
Chapter 636, F.S. – Prepaid Limited Health Service Organizations and Discount Medical Plan Organizations
Chapter 641, F.S. – Health Care Service Programs
Chapter 648, F.S. – Bail Bond Agents
Chapter 651, F.S. – Continuing Care Contracts

The Life and Health Unit (Unit) of OIR provides financial oversight of health insurers, health maintenance organizations, and other regulated entities providing health care coverage. The Unit also reviews and approves some health care coverage products offered in the state. The following chart shows the type and number of each entity in the state:[1]

Authority Category	Authorities
Health Insurers	442
Third Party Administrators	299
Continuing Care Retirement Communities	63
Discount Medical Plan Organizations	42
Health Maintenance Organizations	35
Fraternal Benefit Societies	36
Prepaid Limited Health Service Organizations/Prepaid Health Clinics	27

Direct Primary Care

Direct primary care (DPC) is a primary care medical practice model that eliminates third party payers from the primary care provider-patient relationship. Through a contractual agreement, a patient pays a monthly fee, usually between $50 and $100 per individual,[2] to the primary care provider for defined primary care services. Theses primary care services may include:

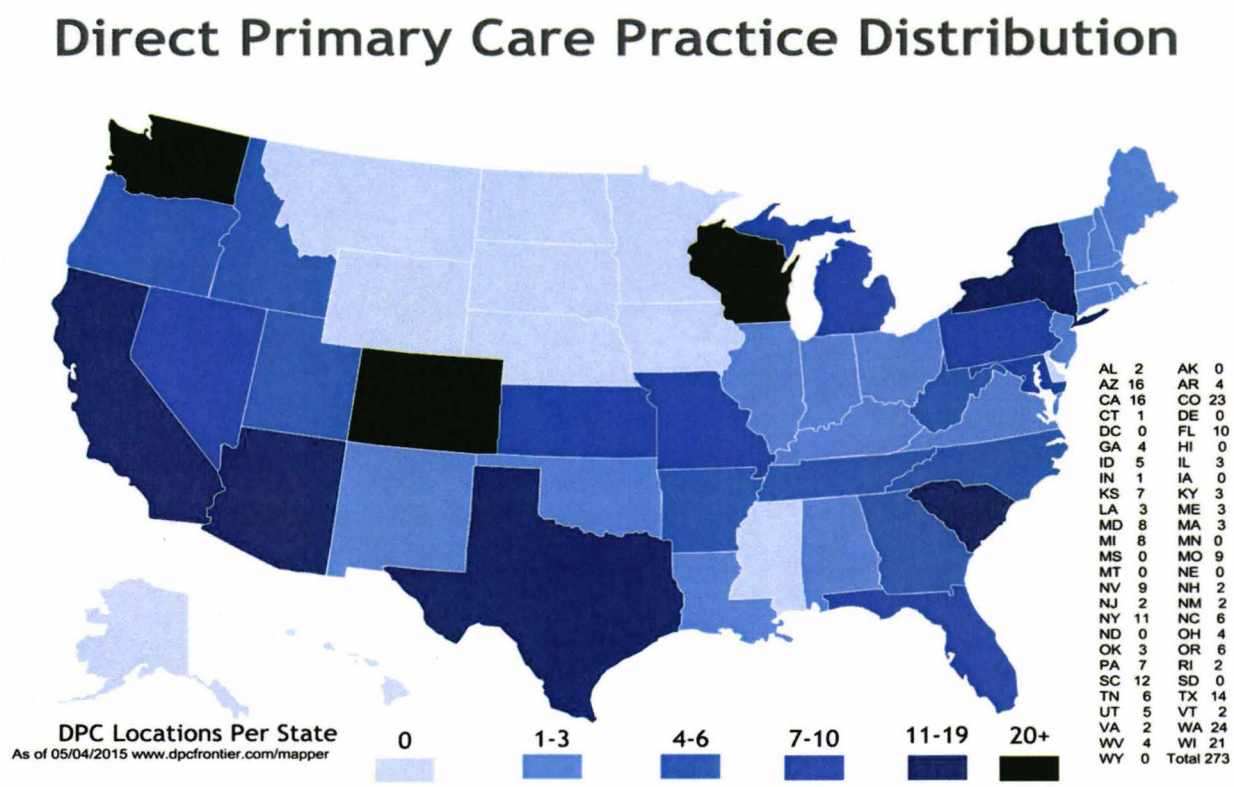
[1] Email correspondence from OIR staff dated November 12, 2015 (on file with Select Committee staff).
[2] A recent study of 141 DPC practices found the average monthly fee to be $77.38. Philip M. Eskew and Kathleen Klink, Direct Primary Care: Practice Distribution and Cost Across the Nation, Journal of the Amer. Bd. of Family Med., November-December 2015, Vol. 28

- Office visits;
- Annual physical examination;
- Routine laboratory tests;
- Vaccinations;
- Wound care;[3]
- Splinting or casting of fractured or broken bones;
- Other routine testing, e.g. echocardiogram and colon cancer screening; or
- Other medically necessary primary care procedures.

After paying the fee, a patient can utilize all services under the agreement at no extra charge. Some DPC practices also include routine preventative services, like lab tests, mammograms, Pap screenings, vaccinations, and home visits.[4] A primary care provider DPC model can be designed to address the large majority of health care issues, including women's health services, pediatric care, urgent care, wellness education, and chronic disease management.

In the DPC practice model, the primary care provider eliminates practice overhead costs associated with filing claims, coding, refiling claims, write-offs, appealing denials, and employing billing staff. The cost and time savings can be reinvested in the practice, allowing more time with patients to address their primary care needs.

The following chart illustrates the concentration of DPC practices in the United States:[5]



No. 6, pg. 797; approximately two thirds of DPC practices charge less than $135 per month. Jen Wieczner, *Is Obamacare Driving Doctors to Refuse Insurance?,* Wall St. J. Marketwatch, Nov. 12, 2013, available at: http://www.marketwatch.com/story/is-direct-primary-care-for-you-2013-11-12 (last visited November 11, 2015).

[3] E.g., stitches and sterile dressings.

[4] Direct Primary Care Journal, *DPC Journal Releases Two-Year Industry Analysis of Direct Primary Care Marketplace; Shows Trends, Demographics, DPC Hot Zones*, available at: http://directprimarycarejournal.com/2015/08/24/dpc-journal-releases-two-year-industry-analysis-of-direct-primary-care-marketplace-shows-trends-demographics-dpc-hot-zones/ (last viewed November 11, 2015).

[5] See supra, FN 2, Eskew and Klink.

There are an estimated 4,400 direct primary care physicians nationwide, up from 756 in 2010.[6]

As of July 2015, thirteen states have approved legislation which defines DPC agreements or services as outside the scope of state regulation[7], including:

- Washington
- West Virginia
- Oregon
- Utah
- Arizona
- Louisiana
- Michigan
- Mississippi
- Idaho
- Oklahoma
- Kansas
- Missouri
- Texas

Florida Statute does not specifically address DPC agreements, and OIR has not asserted regulatory authority over them. There is uncertainty about whether OIR might assert such authority in the future. In the event that OIR found that DPC agreements constitute insurance plans subject to regulation under the Insurance Code, the agreements could be subject to the insurance premiums tax.

DPC and Health Care Reform

The Patient Protection and Affordable Care Act (PPACA)[8] addresses the DPC practice model. The individual responsibility provision of PPACA requires individuals to obtain health insurance coverage that meets minimum essential coverage standards in the law. Failure to do so results in tax penalties. Direct primary care arrangements alone do not constitute minimum essential coverage because they do not cover catastrophic medical events. A qualified health plan under PPACA is permitted to offer coverage through a DPC medical home plan if it provides essential health benefits and meets all other criteria in the law.[9] Patients who are enrolled in a DPC medical home plan are compliant with the individual mandate if they have coverage for other services, such as a wraparound catastrophic health policy to cover treatment for serious illnesses, like cancer, or severe injuries that require lengthy hospital stays and rehabilitation.[10] In Colorado and Washington, qualified health plans are offering DPC medical home coverage on each state-based health insurance exchange.[11]

Effect of Proposed Changes

The bill provides that a direct primary care agreement is not insurance and entering into such an agreement is not the business of insurance. It exempts both the agreement and the activity from the Code, including chapter 636, F.S. Through the exemption, the bill eliminates any authority of OIR to regulate a direct primary care agreement or entering into such an agreement. The bill also exempts a

[6] Daniel McCorry, *Direct Primary Care: An Innovative Alternative to Conventional Health Insurance*, The Heritage Foundation Backgrounder, No. 2939 (Aug. 6, 2014), available at: http://report.heritage.org/bg2939 (last viewed November 11, 2015).
[7] Direct Primary Care Coalition, *On the Move in the States with DPC*, available at: http://www.dpcare.org (last viewed November 11, 2015).
[8] Pub. L. No. 111-148, H.R. 3590, 111th Cong. (Mar. 23, 2010).
[9] 42 U.S.C. §1802 (a)(3); 45 C.F.R. §156.245
[10] 42 U.S.C. §18021(a)(3)
[11] Jay Keese, Direct Primary Care Coalition, *Direct Primary Care*, PowerPoint presentation before the House Health Innovation Subcommittee, slide 2, February 17, 2015 (on file with Select Committee staff).

primary care provider, or his or her agent, from certification or licensing requirements under the Code to market, sell, or offer to sell a direct primary care agreement.

The bill requires a direct primary care agreement to:

- Be in writing;
- Be signed by the primary care provider, or his or her agent, and the patient, the patient's legal representative, or an employer;
- Allow either party to terminate the agreement by written notice followed by a waiting period;
- Describe the scope of services that are covered by the monthly fee;
- Specify the monthly fee and any fees for services not covered under the agreement;
- Specify the duration of the agreement and any automatic renewal provisions;
- Provide for a refund to the patient of monthly fees paid in advance if the primary care provider stops offering primary care services for any reason;
- State that the agreement is not health insurance and that the primary care provider will not bill the patient's health insurance policy or plan for services covered under the agreement; and
- State that the agreement does not qualify as minimum essential coverage to satisfy the individual responsibility provision of the Patient Protection and Affordable Care Act.[12]

The bill provides an effective date of July 1, 2016.

B. SECTION DIRECTORY:

Section 1: Creates s. 624.27, F.S., relating to application of code as to direct primary care agreements.
Section 2: Provides an effective date of July 1, 2016.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   On December 4, 2015, the Revenue Estimating Conference adopted an estimate of the impact of the bill. The bill is estimated to have either no impact or a negative indeterminate impact to state General Revenue, reflecting uncertainty about whether DPC agreements might be subject to regulation by OIR and thus to insurance premiums tax in the future under current law.

2. Expenditures:

   None.

[12] Pending any federal rules to the contrary, pairing a direct primary care contract with a high deductible health plan to provide wrap-around coverage would meet the minimum essential coverage requirements. This option is likely to be less expensive than a traditional insurance product. See 42 U.S.C. 18021(a)(3).

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill removes any regulatory uncertainty as to the status of a direct primary care agreement as insurance. Primary care providers may choose to invest in establishing direct primary care practices throughout the state to provide primary care services, which would increase access to such services, without concern of facing regulatory action by OIR.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Not applicable.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

A bill to be entitled

An act relating to direct primary care; creating s. 624.27, F.S.; providing definitions; specifying that a direct primary care agreement does not constitute insurance and is not subject to the Florida Insurance Code, including chapter 636, F.S., relating to prepaid limited health service organizations and discount medical plan organizations; specifying that entering into a direct primary care agreement does not constitute the business of insurance and is not subject to the code; providing that a certificate of authority is not required to market, sell, or offer to sell a direct primary care agreement; specifying criteria for a direct primary care agreement; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 624.27, Florida Statutes, is created to read:

624.27 Application of code as to direct primary care agreements.—

(1) As used in this section, the term:

(a) "Direct primary care agreement" means a contract between a primary care provider and a patient, the patient's legal representative, or an employer, which meets the criteria

of subsection (4) and does not indemnify for services provided by a third party.

(b) "Primary care provider" means a health care provider licensed under chapter 458, chapter 459, or chapter 464, or a primary care group practice, that provides medical services to patients which are commonly provided without referral from another health care provider.

(c) "Primary care service" means the screening, assessment, diagnosis, and treatment of a patient for the purpose of promoting health or detecting and managing disease or injury within the competency and training of the primary care provider.

(2) A direct primary care agreement does not constitute insurance and is not subject to the Florida Insurance Code, including chapter 636. The act of entering into a direct primary care agreement does not constitute the business of insurance and is not subject to the Florida Insurance Code, including chapter 636.

(3) A primary care provider or an agent of a primary care provider is not required to obtain a certificate of authority or license under the Florida Insurance Code, including chapter 636, to market, sell, or offer to sell a direct primary care agreement.

(4) For purposes of this section, a direct primary care agreement must:

(a) Be in writing.

(b) Be signed by the primary care provider or an agent of the primary care provider and the patient, the patient's legal representative, or an employer.

(c) Allow a party to terminate the agreement by written notice to the other party after a period specified in the agreement.

(d) Describe the scope of primary care services that are covered by the monthly fee.

(e) Specify the monthly fee and any fees for primary care services not covered by the monthly fee.

(f) Specify the duration of the agreement and any automatic renewal provisions.

(g) Offer a refund to the patient of monthly fees paid in advance if the primary care provider ceases to offer primary care services for any reason.

(h) State that the agreement is not health insurance and that the primary care provider will not file any claims against the patient's health insurance policy or plan for reimbursement for any primary care services covered by the agreement.

(i) State that the agreement does not qualify as minimum essential coverage to satisfy the individual shared responsibility provision of the Patient Protection and Affordable Care Act pursuant to 26 U.S.C. s. 5000A.

Section 2. This act shall take effect July 1, 2016.

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 301 Property Prepared for Tax-Exempt Use
SPONSOR(S): Burton
TIED BILLS: **IDEN./SIM. BILLS:** SB 842

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Committee		Dugan RD	Langston
2) Local & Federal Affairs Committee			
3) Appropriations Committee			

SUMMARY ANALYSIS

Current law permits an ad valorem tax exemption for certain property used predominately for non-profit educational, literary, scientific, religious or charitable purposes, subject to criteria established by statute. Additionally, property used for a house of worship, affordable housing, or educational purposes may be exempt prior to actual exempt use if the organization has taken affirmative steps to prepare the property for the specified exempt use.

The bill expands the "affirmative steps" ad valorem exemption to property owned by an exempt organization and used for literary, scientific, or charitable purpose. Similar to current law, the exempt organization must take "affirmative steps" to prepare the property for the specified exempt purpose. Except for property being prepared for use as a house of public worship, if the property is not in actual use for an exempt purpose within five years, the property owner must pay back taxes owed plus 15 percent interest. Further, a tax lien may be placed on such property for purposes of collecting these taxes unless the property owner demonstrates he or she is continuing to take affirmative steps, in which case the property owner may continue to receive the exemption.

The bill has an effective date of July 1, 2016 and will first affect property taxes levied for the 2017-2018 fiscal year.

The Revenue Estimating Conference determined that the bill will have a negative annual impact on local government revenues of $1 million beginning in Fiscal Year 2017-2018.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

The Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes,[1] and it provides for specified assessment limitations, property classifications and exemptions.[2] After the property appraiser considers any assessment limitation or use classification affecting the just value of a property, an assessed value is produced. The assessed value is then reduced by any exemptions to produce the taxable value.[3] Such exemptions include, but are not limited to, exemptions for such portions of property used predominately for educational, literary, scientific, religious or charitable purposes.[4] The Legislature has fully implemented these constitutional exemptions and set forth the criteria used to determine whether property is entitled to an exemption for use as a charitable, religious, scientific, or literary purpose.[5] Specific provisions exist for property for hospitals, nursing homes, and homes for special services;[6] property used for religious purposes;[7] educational institutions[8] and charter schools;[9] labor organization property;[10] nonprofit community centers;[11] biblical history displays;[12] and affordable housing.[13]

Property Entitled to Charitable, Religious, Scientific, or Literary Exemptions

In determining whether the use of a property qualifies the property for an ad valorem tax exemption, the property appraiser must consider the nature and extent of the qualifying activity compared to other activities performed by the organization owning the property, and the availability of the property for use by other qualifying entities.[14] Only the portions of the property used predominantly for qualified purposes may be exempt from ad valorem taxation. If the property owned by an exempt organization is used exclusively for exempt purposes, it shall be totally exempt from ad valorem taxation.

Property used for a house of worship, affordable housing, or educational purposes may be exempt if the organization has taken affirmative steps to prepare the property for the specified exempt use. Statute defines "affirmative steps" to mean:

- environmental or land use permitting activities;
- creation of architectural or schematic drawings;
- land clearing or site preparation;
- construction or renovation activities; or
- other similar activities that demonstrate a commitment to the exempt use.[15]

If affordable housing is granted a charitable exemption while performing these affirmative steps, but transfers the property for purposes other than affordable housing, or if the property is not actually used

[1] Fla. Const., art. VII, s. 4.
[2] Fla. Const., art. VII, ss. 3, 4, and 6.
[3] s. 196.031, F.S.
[4] Fla. Const., art. VII, s. 3.
[5] ss. 196.195 and 196.196, F.S.
[6] s. 196.197, F.S.
[7] ss. 196.1975(3) and 196.196(3), F.S.
[8] s. 196.198, F.S.
[9] s. 196.1983, F.S.
[10] s. 196.1985, F.S.
[11] s. 196.1986, F.S.
[12] s. 196.1987, F.S.
[13] s. 196.196(5), F.S.
[14] s. 196.196(1)(a)-(b), F.S.
[15] ss. 196.196(3),(5) and 196.198, F.S.

as affordable housing within five years after the exemption is granted, then the property is subject to back taxes, 15 percent interest, and a penalty of 50 percent of the taxes owed.[16] The five year limitation may be extended if the holder of the exemption continues to take affirmative steps to develop the property for affordable housing.[17]

In 2004, a Florida court held that charitable organizations in Florida are not entitled to exemptions while affirmative steps are being taken.[18] The Second District Court of Appeals held that a charitable organization was not entitled to an exemption while it was constructing its headquarters even though it would be entitled to an exemption once the headquarters was completely built.[19]

Charitable Organizations

Under federal law, an organization may only be tax-exempt if it is organized and operated for exempt purposes, including charitable and religious purposes.[20] None of the organization's earnings may benefit any private shareholder or individual, and the organization may not attempt to influence legislation as a substantial part of its activities. Charitable purposes include relief of the poor, the distressed or the underprivileged, the advancement of religion, and lessening the burdens of government.

Florida law defines a charitable purpose as a function or service which is of such a community service that its discontinuance could legally result in the allocation of public funds for the continuance of the function or the service.[21]

Determining Profit vs. Non-Profit Status of an Entity

Current law outlines the statutory criteria that a property appraiser must consider in determining whether an applicant for a religious, literary, scientific, or charitable exemption is a nonprofit or profit-making venture.[22] When applying for an exemption, an applicant is required to provide the property appraiser with "such fiscal and other records showing in reasonable detail the financial condition, record of operations, and exempt and nonexempt uses of the property . . . for the immediately preceding fiscal year."[23]

The applicant must show that "no part of the subject property, or the proceeds of the sale, lease, or other disposition thereof, will inure to the benefit of its members, directors, or officers or any person or firm operating for profit or for a nonexempt purpose."[24]

Based on the information provided by the applicant, the property appraiser must use the specified statutory criteria to determine whether the applicant is a nonprofit or profit-making venture or if the property is used for a profit-making purpose.[25]

A religious, literary, scientific, or charitable exemption may not be granted until the property appraiser, or value adjustment board on appeal, determines the applicant to be nonprofit.[26]

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[16] s. 196.196(5), F.S.
[17] s. 196.196(5), F.S.
[18] *Smith v. Am. Lung Ass'n of Gulfcoast Florida*, 870 So. 2d 241 (Fla. 2d DCA 2004).
[19] *Id.*
[20] 26 U.S.C. § 501(c)(3).
[21] s. 196.012(7), F.S.
[22] s. 196.195, F.S.,
[23] s. 196.195(1), F.S.
[24] s. 196.195(3), F.S.
[25] s. 196.195(2)(a)-(e), F.S.
[26] s. 196.195(4), F.S.

Proposed Changes

The bill creates s. 196.1955, F.S., allowing property owned by an exempt organization to receive an ad valorem exemption for educational, literary, scientific, religious or charitable purpose if the property owner has taken "affirmative steps" to prepare the property for an exempt purpose. The bill consolidates the existing provisions allowing affordable housing, religious houses of worship, and educational property to receive the exemption while affirmative steps are being taken into one provision that would allow all educational, literary, scientific, religious or charitable property to use this exemption. Except for property being prepared for use as a house of public worship, if the property is not in actual use for an exempt purpose within five years, the property owner must pay back taxes owed plus 15 percent interest per annum. Further, a tax lien may be placed on such property for purposes of collecting these taxes unless the property owner is continuing to take affirmative steps, in which case the property owner may continue to receive the exemption. However, the lien provisions do not apply to property being prepared for use as a house of "public worship," which the bill defines as "religious worship services and activities that are incidental to religious worship services, such as educational activities, parking, recreation, partaking of meals, and fellowship."

The bill defines "affirmative steps," consistent with existing law, to be:

- environmental or land use permitting activities;
- creation of architectural or schematic drawings;
- land clearing or site preparation;
- construction or renovation activities; or
- other similar activities that demonstrate a commitment to prepare the property for an exempt use.

The bill clarifies that if an exemption is improperly granted as a result of a mistake by the property appraiser, the property owner does not owe interest.

The bill also makes technical and conforming changes to ss. 196.196 and 196.198, F.S.

The bill has an effective date of July 1, 2016.

B. SECTION DIRECTORY:

Section 1. Creates s. 196.1955, F.S., allowing property to be exempt from ad valorem taxation for certain purposes while the property owner is taking affirmative steps to put the property in use for such purpose. Provides for remedies if the property is not put to such use within five years.

Section 2. Conforms and makes technical corrections to s. 196.196, F.S., by deleting language made unnecessary by the creation of s. 196.1955, F.S., and renumbering certain subsections.

Section 3. Conforms and makes technical corrections to s. 196.198, F.S., by deleting language made unnecessary by the creation of s. 196.1955, F.S., and creating certain subsections and paragraphs.

Section 4. Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   On November 19, 2015, the Revenue Estimating Conference determined that the bill will have a negative annual impact on local government revenues of $1 million beginning in Fiscal Year 2017-2018 ($0.4 million for school purposes and $0.6 million for non-school purposes). There is no cash impact in FY 2016-17 due to the effective date of the bill (property tax values are measured January 1).

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Exempt organizations will receive an ad valorem exemption while they are taking affirmative steps toward their exempt purpose. Such organizations will receive a tax benefit because they will not have to wait until the property is in actual use for educational, literary, scientific, religious or charitable purposes before receiving the exemption.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   The county/municipality mandates provision of article VII, section 18(b) of the Florida Constitution may apply because this bill will reduce local government property tax revenues through a reduced tax base; however, an exemption may apply because the fiscal impact may be insignificant.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

A bill to be entitled

An act relating to property prepared for tax-exempt use; creating s. 196.1955, F.S.; consolidating provisions relating to obtaining an ad valorem exemption for property owned by exempt organizations; requiring the owner of an exempt organization to take affirmative steps to demonstrate the property's exempt use; authorizing the property appraiser to serve a notice of tax lien on exempt property that is not in actual exempt use after a specified time; providing that the lien attaches to any property owned by the organization identified in the notice of lien; prohibiting a property appraiser from serving a notice of tax lien on certain property being prepared for use as a house of public worship; defining the terms "charitable use," "affirmative steps," and "public worship"; amending s. 196.196, F.S.; deleting provisions relating to the exemption as it applies to public worship and affordable housing and provisions that have been moved to s. 196.1955, F.S.; amending s. 196.198, F.S.; deleting provisions that have been moved to s. 196.1955, F.S., relating to property owned by an educational institution and used for an educational purpose; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 196.1955, Florida Statutes, is created to read:

196.1955 Preparing property for educational, literary, scientific, religious, or charitable use.—

(1) Property owned by an exempt entity is used for an exempt purpose if the owner has taken affirmative steps to prepare the property for an exempt educational, literary, scientific, religious, or charitable use and no portion of the property is being used for a nonexempt purpose. The term "charitable use" means, but is not limited to, providing affordable housing to extremely-low-income, very-low-income, low-income, or moderate-income persons and families as defined in s. 420.0004. The term "affirmative steps" means environmental or land use permitting activities, creation of architectural plans or schematic drawings, land clearing or site preparation, construction or renovation activities, or other similar activities that demonstrate a commitment to preparing the property for an exempt use.

(2)(a) If property owned by an organization that has been granted an exemption under this section is transferred for a purpose other than an exempt use or is not in actual exempt use within 5 years after the date the organization is granted an exemption, the property appraiser making such determination may serve upon the organization that received the exemption a notice of intent to record in the public records of the county a notice

of tax lien against any property owned by that organization in that county, and such property must be identified in the notice of tax lien. The organization owning such property is subject to the taxes otherwise due as a result of the failure to use the property in an exempt manner plus 15 percent interest per annum.

1. The lien, when filed, attaches to any property identified in the notice of tax lien owned by the organization that received the exemption. If the organization no longer owns property in the county but owns property in any other county in the state, the property appraiser shall record in each such county a notice of tax lien identifying the property owned by the organization in each respective county, which shall become a lien against the identified property.

2. Before such lien may be filed, the organization so notified must be given 30 days to pay the taxes and interest.

3. If an exemption is improperly granted as a result of a clerical mistake or an omission by the property appraiser, the organization improperly receiving the exemption may not be assessed interest.

4. The 5-year limitation specified in this subsection may be extended by the property appraiser if the organization holding the exemption continues to take affirmative steps to develop the property for the purposes specified in this section.

(b) This subsection does not apply to property being prepared for use as a house of public worship. The term "public worship" means religious worship services and activities that

are incidental to religious worship services, such as educational activities, parking, recreation, partaking of meals, and fellowship.

Section 2. Subsections (3), (4), and (5) of section 196.196, Florida Statutes, are amended to read:

196.196 Determining whether property is entitled to charitable, religious, scientific, or literary exemption.—

~~(3) Property owned by an exempt organization is used for a religious purpose if the institution has taken affirmative steps to prepare the property for use as a house of public worship. The term "affirmative steps" means environmental or land use permitting activities, creation of architectural plans or schematic drawings, land clearing or site preparation, construction or renovation activities, or other similar activities that demonstrate a commitment of the property to a religious use as a house of public worship. For purposes of this subsection, the term "public worship" means religious worship services and those other activities that are incidental to religious worship services, such as educational activities, parking, recreation, partaking of meals, and fellowship.~~

(3) ~~(4)~~ Except as otherwise provided in this section ~~herein~~, property claimed as exempt for literary, scientific, religious, or charitable purposes which is used for profitmaking purposes is ~~shall be~~ subject to ad valorem taxation. Use of property for functions not requiring a business or occupational license conducted by the organization at its primary residence,

the revenue of which is used wholly for exempt purposes, is ~~shall~~ not ~~be~~ considered profitmaking ~~profit making~~. In this connection, the playing of bingo on such property is ~~shall~~ not ~~be~~ considered as using such property in such a manner as would impair its exempt status.

~~(5)(a) Property owned by an exempt organization qualified as charitable under s. 501(c)(3) of the Internal Revenue Code is used for a charitable purpose if the organization has taken affirmative steps to prepare the property to provide affordable housing to persons or families that meet the extremely-low-income, very-low-income, low-income, or moderate-income limits, as specified in s. 420.0004. The term "affirmative steps" means environmental or land use permitting activities, creation of architectural plans or schematic drawings, land clearing or site preparation, construction or renovation activities, or other similar activities that demonstrate a commitment of the property to providing affordable housing.~~

~~(b)1. If property owned by an organization granted an exemption under this subsection is transferred for a purpose other than directly providing affordable homeownership or rental housing to persons or families who meet the extremely-low-income, very-low-income, low-income, or moderate-income limits, as specified in s. 420.0004, or is not in actual use to provide such affordable housing within 5 years after the date the organization is granted the exemption, the property appraiser making such determination shall serve upon the organization that~~

~~illegally or improperly received the exemption a notice of intent to record in the public records of the county a notice of tax lien against any property owned by that organization in the county, and such property shall be identified in the notice of tax lien. The organization owning such property is subject to the taxes otherwise due and owing as a result of the failure to use the property to provide affordable housing plus 15 percent interest per annum and a penalty of 50 percent of the taxes owed.~~

~~2. Such lien, when filed, attaches to any property identified in the notice of tax lien owned by the organization that illegally or improperly received the exemption. If such organization no longer owns property in the county but owns property in any other county in the state, the property appraiser shall record in each such other county a notice of tax lien identifying the property owned by such organization in such county which shall become a lien against the identified property. Before any such lien may be filed, the organization so notified must be given 30 days to pay the taxes, penalties, and interest.~~

~~3. If an exemption is improperly granted as a result of a clerical mistake or an omission by the property appraiser, the organization improperly receiving the exemption shall not be assessed a penalty or interest.~~

~~4. The 5-year limitation specified in this subsection may be extended if the holder of the exemption continues to take~~

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

~~affirmative steps to develop the property for the purposes specified in this subsection.~~

Section 3. Section 196.198, Florida Statutes, is amended to read:

196.198 Educational property exemption.—

(1) Educational institutions within this state and their property used by them or by any other exempt entity or educational institution exclusively for educational purposes are exempt from taxation.

(a) Sheltered workshops providing rehabilitation and retraining of individuals who have disabilities and exempted by a certificate under s. (d) of the federal Fair Labor Standards Act of 1938, as amended, are declared wholly educational in purpose and are exempt from certification, accreditation, and membership requirements set forth in s. 196.012.

(b) Those portions of property of college fraternities and sororities certified by the president of the college or university to the appropriate property appraiser as being essential to the educational process are exempt from ad valorem taxation.

(c) The use of property by public fairs and expositions chartered by chapter 616 is presumed to be an educational use of such property and is exempt from ad valorem taxation to the extent of such use.

(2) Property used exclusively for educational purposes shall be deemed owned by an educational institution if the

entity owning 100 percent of the educational institution is owned by the identical persons who own the property, or if the entity owning 100 percent of the educational institution and the entity owning the property are owned by the identical natural persons.

(a) Land, buildings, and other improvements to real property used exclusively for educational purposes shall be deemed owned by an educational institution if the entity owning 100 percent of the land is a nonprofit entity and the land is used, under a ground lease or other contractual arrangement, by an educational institution that owns the buildings and other improvements to the real property, is a nonprofit entity under s. 501(c)(3) of the Internal Revenue Code, and provides education limited to students in prekindergarten through grade 8.

(b) If legal title to property is held by a governmental agency that leases the property to a lessee, the property shall be deemed to be owned by the governmental agency and used exclusively for educational purposes if the governmental agency continues to use such property exclusively for educational purposes pursuant to a sublease or other contractual agreement with that lessee.

(c) If the title to land is held by the trustee of an irrevocable inter vivos trust and if the trust grantor owns 100 percent of the entity that owns an educational institution that is using the land exclusively for educational purposes, the land

is deemed to be property owned by the educational institution for purposes of this exemption. ~~Property owned by an educational institution shall be deemed to be used for an educational purpose if the institution has taken affirmative steps to prepare the property for educational use. The term "affirmative steps" means environmental or land use permitting activities, creation of architectural plans or schematic drawings, land clearing or site preparation, construction or renovation activities, or other similar activities that demonstrate commitment of the property to an educational use.~~

Section 4. This act shall take effect July 1, 2016.

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 467 Insurance Guaranty Association Assessments
SPONSOR(S): Insurance & Banking Subcommittee; Broxson
TIED BILLS: **IDEN./SIM. BILLS:** SB 828

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee	12 Y, 0 N, As CS	Lloyd	Luczynski
2) Finance & Tax Committee		Pewitt	Langston
3) Regulatory Affairs Committee			

SUMMARY ANALYSIS

The Florida Workers' Compensation Insurance Guaranty Association (FWCIGA) services workers' compensation claims by injured workers in this state against insolvent workers' compensation insurers and self-insurance funds. The FWCIGA is obligated to pay eligible injured workers 100 percent of their workers' compensation benefits. The FWCIGA reports that they are currently servicing 45 open insolvent insurer estates with 433 open claims.

The FWCIGA is funded through the liquidation of insolvent insurers and assessments on workers' compensation insurance companies and self-insurance funds. The Department of Financial Services (DFS), upon certification by the FWCIGA, may order an assessment to collect necessary funds. The assessment is payable 30 days following written notice to the insurers. Insurers are required to pay the assessment in advance of recovering it from their insureds. The assessment is capped for insurers at 2 percent of the net direct written premium for the previous calendar year and at 1.5 percent for self-insurance funds. There has not been an assessment since 2005.

If levied, the assessment is built into rates approved by the Office of Insurance Regulation (OIR) and collected as part of the premiums paid by the insured. Being part of premiums paid, they are subject to a 1.75 percent premium tax. This is unique among the various guaranty association assessments authorized by statute.

Revisions to the FWCIGA assessment process proposed by the bill include:

- Shifting order authority and recommendations related to insurer financial conditions from the DFS to the OIR.
- Increasing the assessment cap for self-insurance funds from 1.5 percent of direct written premium to 2 percent.
- Changing the assessment cap from 2 percent of the prior year's net direct written premium to that of the calendar year of the assessment.
- Establishing two assessment payment methods, as follows:
  - Single assessment payment – in this method, the insurer pays the assessment and then recovers it through policy surcharges. It is subject to an end of period reconciliation and a possible corrective payment.
  - Installment method – in this method, the insurer collects the surcharges and then remits them to the FWCIGA quarterly to fund the assessment in an ongoing manner.
- Changing the assessment recovery process from a component of premium to a policy surcharge. Surcharges begin 90 days after the FWCIGA certifies the need for an assessment and are collected at a uniform rate for 12 months. Insurers would not be liable for uncollectible surcharges.
- Exempting assessments from the insurance premium tax.

The bill does not impact local or state government revenue. It has positive and negative impacts on the private sector.

The bill is effective July 1, 2016.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Florida Workers' Compensation Insurance Guaranty Association

In 1997, the Legislature passed the Florida Workers' Compensation Insurance Guaranty Association Act.[1] It combined the Florida Self-Insurance Fund Guaranty Association[2] and the workers' compensation account[3] of the Florida Insurance Guaranty Association. The Florida Workers' Compensation Insurance Guaranty Association (FWCIGA)[4] services workers' compensation claims against insolvent[5] workers' compensation insurers[6] and self-insurance funds.[7] The FWCIGA is obligated to pay eligible injured workers 100 percent of their workers' compensation benefits, however, employer claims for return of unearned premium are limited to $50,000.[8] The FWCIGA reports that they are currently servicing 45 open insolvent insurer estates with 433 open claims.[9]

FWCIGA Assessments

The FWCIGA is funded through the liquidation of insolvent insurers, including a portion of the estates of insolvent insurers coming from insolvencies that occur in other states. If these funds are insufficient to service claims, the Department of Financial Services (DFS),[10] upon certification by the FWCIGA, may order an assessment to collect necessary funds from insurers and self-insurance funds writing workers' compensation coverage in the state.[11] Following its creation, the FWCIGA sought and received assessment orders from the DFS each year from 1998 through 2005. There has not been an assessment since 2005.[12]

Assessments are based on the full policy premium value of the direct written premiums for workers' compensation issued in the state by the subject insurer or self-insurance fund, without consideration of discounts or credits. This puts each insurer and self-insurer on par for assessment purposes, since some insurers issue large deductible policies and use various discounts to adjust the amount of premiums charged to employers and self-insurance fund coverage is not priced in the same way as insurers. The assessment is distributed based on the share of direct written premium issued in the

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[1] ch. 631, Part V, F.S. (1997).
[2] ch. 631, Part V, F.S. (1996).
[3] s. 631.55(2)(a), F.S. (1996).
[4] The FWCIGA is administered by a board of directors. The board is made up of the following 11 members: the Insurance Consumer Advocate (or their designee), one designee of the Chief Financial Officer, six persons selected by private carriers from among the top 20 workers' compensation insurers (two of whom represent foreign insurers authorized to write in the state), two persons selected by the self-insurance funds, and one person with commercial insurance experience appointed by the Governor. The board elects its chair and members may be removed by the Governor for cause. Members serve four year terms and may be reappointed. If a member is associated with an insurer that becomes insolvent, they are terminated from the board as of the date of the related insolvency. s. 631.912, F.S.
[5] "Insolvent insurer" means an insurer that was authorized to transact insurance in this state, either at the time the policy was issued or when the insured event occurred, and against which an order of liquidation with a finding of insolvency has been entered by a court of competent jurisdiction if such order has become final by the exhaustion of appellate review. s. 631.904(4), F.S.
[6] "Insurer" means an insurance carrier or self-insurance fund authorized to insure under chapter 440. For purposes of this act, "insurer" does not include a qualified local government self-insurance fund, as defined in s. 624.4622, or an individual self-insurer as defined in s. 440.385. s. 631.904(5), F.S.
[7] "Self-insurance fund" means a group self-insurance fund authorized under s. 624.4621, a commercial self-insurance fund writing workers' compensation insurance authorized under s. 624.462, or an assessable mutual insurer authorized under s. 628.6011. For purposes of this act, the term "self-insurance fund" does not include a qualified local government self-insurance fund, as defined in s. 624.4622, an independent educational institution self-insurance fund as defined in s. 624.4623, an electric cooperative self-insurance fund as described in s. 624.4626, or an individual self-insurer as defined in s. 440.385. s. 631.904(6), F.S.
[8] s. 631.913(1), F.S.
[9] FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION, *Reports*, http://fwciga.org/reports (last visited Nov. 15, 2015).
[10] The DFS is responsible for regulating certain insurance activities under the Insurance Code, such as eligibility and conduct of insurance agents and agencies, regulation of workers' compensation benefits and compliance, and policing fraud.
[11] s. 631.914, F.S.
[12] FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION, *Assessments*, http://fwciga.org/assessments (last visited Nov. 15, 2015).

previous calendar year. The assessment is capped in relation to net direct written premium for the previous calendar year; it cannot exceed 2 percent for insurers or 1.5 percent for self-insurance funds. However, if the assessment is insufficient to meet the funding need of the FWCIGA, an additional assessment of up to 1.5 percent of the net direct written premium for the previous calendar year can be ordered by the DFS, upon certification of the FWCIGA. Insurers are entitled to receive 30 days written notice prior to an assessment becoming due and payable,[13] however, the FWCIGA may allow an insurer to pay the assessment quarterly.[14]

If levied, FWCIGA assessments are a component of the workers' compensation rate approved by the Office of Insurance Regulation (OIR).[15, 16] This is unique among the various guaranty association assessments authorized by statute.[17] To maintain workers' compensation rates that are neither inadequate nor excessive, the assessment is a factor that the OIR must take into account when ordering rates and a mid-year rate filing may be made within 90 days after insurers are notified of the assessment.[18] Since, the assessment is built into the rate, and therefore the premium collected by the insurer, the value of the assessment is subject to the state's insurance premium tax.[19]

The FWCIGA may exempt an insurer from an assessment if, in the opinion of the DFS, the assessment would compromise the solvency of the insurer. Similarly, the FWCIGA may defer all or part of an assessment applicable to a particular insurer if, in the opinion of the DFS, the assessment would endanger an insurer's ability to meet its contractual obligations.[20]

Insurance Premium Tax

Florida requires insurance companies to pay tax on:[21]

- Insurance premiums;
- Premiums for title insurance;
- Assessments, including membership fees, policy fees, and gross deposits received from subscribers to reciprocal or interinsurance agreements; and
- Annuity premiums or considerations.

Florida applies the premium tax to premiums written in Florida at the following rates:[22]

- 1.75 percent of premiums for:
  - Gross property and casualty,[23] less reinsurance and returned premiums;
  - Llife;
  - Accident and health; and
  - Prepaid limited health.

[13] s. 631.914(1)(a), F.S.
[14] s. 631.914(2)(c), F.S.
[15] s. 631.914(1)(b), F.S.
[16] The OIR, which is overseen by the Financial Services Commission, has responsibilities concerning insurance regulation related to licensing insurance companies, solvency, ratemaking, and market conduct, among other things.
[17] There are three other similar guaranty assessments authorized by statute. They benefit the Florida Insurance Guaranty Association (s. 631.57, F.S.), the Florida Life and Health Insurance Guaranty Association (s. 631.718, F.S.), and the Florida Health Maintenance Organization Consumer Assistance Plan (s. 631.819, F.S.).
[18] If a mid-year filing is made and the entirety of the rate change requested is equal to the difference between the previous assessment and the new one, the rate filing is deemed approved. s. 631.914(1)(c), F.S.
[19] s. 624.509, F.S.
[20] s. 631.914(2), F.S. If an assessment is deferred in relation to a particular self-insurance fund, the fund must immediately levy an assessment against its members in an amount sufficient to fund the FWCIGA assessment.
[21] s. 624.509(1), F.S.
[22] ss. 624.46226, 624.4625, 624.475, 624.509(1), and 627.357, F.S.; *see also* FLORIDA REVENUE ESTIMATING CONFERENCE, *2015 Florida Tax Handbook*, http://www.edr.state.fl.us/Content/revenues/reports/tax-handbook/index.cfm (last visited Nov. 16, 2015).
[23] Workers' compensation insurance is casualty insurance. s. 624.605(1)(c), F.S.

- 1.6 percent of premiums for:
  - Commercial self-insurance;
  - Group self-insurance;
  - Medical malpractice self-insurance; and
  - Assessable mutual insurance.

- 1 percent of premiums for annuities.

The law authorizes numerous insurance premium tax credits and deductions that allow insurance companies to reduce their premium tax liability.[24] The state distributes revenue from the insurance premium tax to the General Revenue Fund.[25]

FWCIGA assessments are a component of the approved workers' compensation rate[26] and are collected by insurers as part of taxable premium. They are taxed at 1.75 percent.

Effect of the bill

The bill shifts the authority to order assessments and opine on the financial condition of the subject insurers from the DFS to the OIR.

The assessment would be limited to 2 percent of the insurer's net direct written premium in any given calendar year, rather than the previous year's net direct written premium. Also, the bill increases the cap for self-insurance funds from 1.5 percent of net direct written premium to 2 percent. The change in the base from the previous year to current calendar year accommodates changing levels of premium volume insurers write from year to year and includes insurers in assessment participation if they are writing premiums during the assessment period, but did not the previous year.

The bill creates two methods for the FWCIGA to use for collecting assessments. FWCIGA is given sole discretion to choose which method will be used to fund the assessment. The two methods are as follows:

- Single payment, subject to true-up (pay and recover) – under this method, the insurer pays the assessment to the FWCIGA and then recovers its payment from its insureds through policy surcharges. The assessment payment is due and payable no earlier than 30 days following written notice of the assessment order. The insurer is required to submit a reconciliation report within 120 days following the end of the 12 month assessment recovery period showing the amount initially paid and the amount of the surcharge collected. This results in a "true-up" of the actual assessment amount due to the FWCIGA and an additional payment by the insurer, if the initial calculation and payment was too low, or a credit against future FWCIGA assessments, if the initial calculation and payment was too high. For accounting purposes, the billed surcharges are a receivable and an asset for the purposes of the National Association of Insurance Commissioners' Statement of Statutory Accounting Principles Number 4[27] and would be recorded separately from liabilities for OIR reports.

[24] Credit for payments to the Municipal Firefighters' Pension Fund (s. 175.141, F.S.) and Municipal Police Officers' Retirement Fund (s. 185.12, F.S.); Corporate Income Tax Credit (s. 624.509(4), F.S.); Florida Employees' Salary Credit (s. 624.509(5), F.S.); New Markets Tax Credit (s. 288.9916, F.S.); Capital Investment Tax Credit (s. 220.191, F.S.); Community Contribution Tax Credit (s. 624.5105, F.S.); Child Care Tax Credit (s. 624.5107, F.S.); Credit for Contributions to Scholarship-Funding Organizations (s. 624.51055, F.S.); Credit for Workers' Compensation Assessments (440.51, F.S.); and Credit for Florida Life and Health Insurance Guaranty Association Assessments (s. 631.72, F.S.).
[25] s. 624.509(3), F.S.
[26] s. 631.914(1)(b) and (c), F.S.
[27] NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS & THE CENTER FOR INSURANCE POLICY AND RESEARCH, *Statutory Accounting Principles*, http://www.naic.org/cipr_topics/topic_statutory_accounting_principles.htm (last visited Nov. 15, 2015).

- Installment (collect and remit) – under this method, the insurer would bill the insured for the surcharge as policies are written and remit the collected surcharges to the FWCIGA quarterly. The insurer is not required to advance funds to the FWCIGA.

Under both methods, collection of surcharges begins 90 days after the FWCIGA certifies the need for an assessment to the OIR. Insurers are required to collect the surcharge quarterly at a uniform rate over the 12 months following the assessment. The insurer is not liable for uncollectible surcharges.

The bill changes the FWCIGA assessment recovery from a component of the workers' compensation rates approved by the OIR to a surcharge per policy. It specifically provides that the surcharges collected to recover insurer paid FWCIGA assessments are not premium and not subject to the premium tax. However, failure of an insured to pay the surcharge is treated as the non-payment of premium, which could result in policy cancellation.

The bill provides that only insurers may be assessed by the FWCIGA. It also provides that a policyholder is not given a cause of action regarding FWCIGA assessments or related surcharges.

B. SECTION DIRECTORY:

Section 1: Amends s. 631.914, F.S., relating to assessments.

Section 2: Provides an effective date of July 1, 2016.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   On December 4, 2015, the Revenue Estimating Conference adopted an estimate that this bill would not impact state or local revenue.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

According to the OIR,[28] certain changes to workers' compensation forms would be required in response to the bill causing workers' compensation insurers to revise and refile all of their forms for approval by the OIR. Large deductible programs would also have to be revised and refiled for OIR for approval.

In regard to the payment of assessment and collection of surcharges, the bill has a positive impact on insurers by allowing them to avoid the loss of investment opportunities whenever the installment method is chosen by the FWCIGA.

[28] Office of Insurance Regulation, Agency Analysis of 2016 House Bill 467 (Nov. 13, 2015).

D. FISCAL COMMENTS:

While the OIR predicts that workers' compensation insurers will have to refile all of their forms and large deductible plans for OIR approval, the OIR has not provided an estimate of the fiscal impact this could have on the state.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The bill establishes billed surcharges as an asset for statutory accounting purposes, but it does not revise the definition of "assets" that is generally applicable to insurers under s. 625.012, F.S. Revising s. 625.012(15), F.S., would improve consistency between the statutes.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On November 18, 2015, the Insurance & Banking Subcommittee considered the bill, adopted one amendment and reported the bill favorably with a committee substitute. The amendment revised certain terms and restructures two sentences to accurately achieve the purpose of the bill and improve clarity. It also made a provision of the bill regarding uncollectible assessment related surcharges under the installment method applicable to both proposed assessment methods.

A bill to be entitled

An act relating to insurance guaranty association assessments; amending s. 631.914, F.S.; authorizing the Office of Insurance Regulation to levy assessments for certain purposes; revising and providing requirements for the levy of assessments; requiring insurers to collect policy surcharges and pay assessments to the association; revising requirements for reporting premium for assessment calculations; revising and providing requirements and limitations for remittance of assessments to the association; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 631.914, Florida Statutes, is amended to read:

631.914 Assessments.—

(1)(a) To the extent necessary to secure the funds for the payment of covered claims, and also to pay the reasonable costs to administer the same, the Office of Insurance Regulation ~~department~~, upon certification by the board, shall levy assessments on each insurer initially estimated in the proportion that the insurer's net direct written premiums in this state bears to the total of said net direct written premiums received in this state by all such workers'

compensation insurers for the preceding calendar year. Assessments levied against insurers and self-insurance funds pursuant to this paragraph must be computed and levied on the basis of the full policy premium value on the net direct written premium amount as set forth in the state for workers' compensation insurance without consideration of any applicable discount or credit for deductibles. Insurers and self-insurance funds must report premiums in compliance with this paragraph. Assessments shall be remitted to and administered by the board of directors in the manner specified by the approved plan of operation and paragraph (d). ~~The board shall give each insurer so assessed at least 30 days' written notice of the date the assessment is due and payable.~~ Each assessment shall be a uniform percentage applicable to the net direct written premiums of each insurer writing workers' compensation insurance.

~~1. Beginning July 1, 1997,~~ Assessments levied against insurers and~~, other than~~ self-insurance funds~~,~~ shall not exceed in any calendar year more than 2 percent of that insurer's net direct written premiums in this state for workers' compensation insurance ~~during the calendar year next preceding the date of such assessments~~.

(b) Member insurers shall collect surcharges at a uniform percentage rate for a period of 12 months beginning on January 1, April 1, July 1, or October 1, whichever is the first day of the following calendar quarter as specified in an order issued by the office directing insurers to pay an assessment to the

association. The surcharge may not begin until 90 days after the board of directors certifies the assessment.

~~2. Beginning July 1, 1997, assessments levied against self-insurance funds shall not exceed in any calendar year more than 1.50 percent of that self-insurance fund's net direct written premiums in this state for workers' compensation insurance during the calendar year next preceding the date of such assessments.~~

~~3. Beginning July 1, 2003, assessments levied against insurers and self-insurance funds pursuant to this paragraph are computed and levied on the basis of the full policy premium value on the net direct premiums written in the state for workers' compensation insurance during the calendar year next preceding the date of the assessment without taking into account any applicable discount or credit for deductibles. Insurers and self-insurance funds must report premiums in compliance with this subparagraph.~~

~~(b) Assessments shall be included as an appropriate factor in the making of rates.~~

(c)~~1. Effective July 1, 1999,~~ If assessments otherwise authorized in paragraph (a) are insufficient to make all payments on reimbursements then owing to claimants in a calendar year, then upon certification by the board, the office ~~department~~ shall levy additional assessments of up to 1.5 percent of the insurer's net direct written premiums in this state ~~during the calendar year next preceding the date of such~~

~~assessments against insurers to secure the necessary funds~~.

(d) The association may use an installment method to require the insurer to remit the assessment as premium is written or may require the insurer to remit the assessment to the association before collecting the policyholder surcharge. If the assessment is remitted before the surcharge is collected, the assessment remitted must be based on an estimate of the assessment due based on the proportion of each insurer's net direct written premium in this state for the preceding calendar year as described in paragraph (a) and adjusted following the end of the 12-month period during which the assessment is levied.

1. If the association elects to use the installment method, the office may, in the order levying the assessment on insurers, specify that the assessment is due and payable quarterly as premium is written throughout the assessment year. Insurers shall collect surcharges at a uniform percentage rate specified by order as described in paragraph (b). Insurers are not required to advance funds if the association and the office elect to use the installment option. Assessments levied under this subparagraph are paid after policy surcharges are collected, and the recognition of assets is based on actual premium written offset by the obligation to the association.

2. If the association elects to require insurers to remit the assessment prior to surcharging the policyholder, the following shall apply:

a. The levy order shall provide each insurer so assessed at least 30 days written notice of the date the initial assessment payment is due and payable by the insurer.

b. Insurers shall collect surcharges at a uniform percentage rate specified by the order, as described in paragraph (b).

c. Insurers must submit a reconciliation report to the association within 120 days after the end of the 12-month assessment period. The report must indicate the amount of the initial payment made to the association and the amount of written premium pursuant to paragraph (a) for the assessment year. If the insurer's reconciled assessment obligation is more than the amount initially paid to the association, the insurer shall pay the excess surcharges collected to the association. If the insurer's reconciled assessment obligation is less than the initial amount paid to the association, the association shall credit the insurer that amount against future assessments.

d. Assessments levied under this subparagraph are paid before policy surcharges are billed and result in a receivable for policy surcharges to be billed in the future. The amount of billed surcharges, to the extent it is likely that it will be realized, meets the definition of an admissible asset as specified in the National Association of Insurance Commissioners' Statement of Statutory Accounting Principles No. 4. The asset shall be established and recorded separately from the liability. If an insurer is unable to fully recoup the

amount of the assessment, the amount recorded as an asset shall be reduced to the amount reasonably expected to be recouped.

(2) Assessments levied under this section are not premium and are not subject to any premium tax, fees, or commissions. Insurers shall treat the failure of an insured to pay assessment-related surcharges as a failure to pay premium. An insurer is not liable for any uncollectible assessment-related surcharges.

(3) Assessments levied under this section may only be levied upon insurers. This section does not create a cause of action by a policyholder with respect to the levying of an assessment or a policyholder's duty to pay assessment-related surcharges.

~~2. To assure that insurers paying assessments levied under this paragraph continue to charge rates that are neither inadequate nor excessive, each insurer that is to be assessed pursuant to this paragraph, or a licensed rating organization to which the insurer subscribes, may make, within 90 days after being notified of such assessments, a rate filing for workers' compensation coverage pursuant to ss. 627.072 and 627.091. If the filing reflects a percentage rate change equal to the difference between the rate of such assessment and the rate of the previous year's assessment under this paragraph, the filing shall consist of a certification so stating and shall be deemed approved when made. Any rate change of a different percentage shall be subject to the standards and procedures of ss. 627.072~~

~~and 627.091.~~

(4)~~(2)~~(a) The board may exempt any insurer from an assessment if, in the opinion of the office ~~department~~, an assessment would result in such insurer's financial statement reflecting an amount of capital or surplus less than the minimum amount required by any jurisdiction in which the insurer is authorized to transact insurance.

(b) The board may temporarily defer, in whole or in part, assessments against an insurer if, in the opinion of the office ~~department~~, payment of the assessment would endanger the ability of the insurer to fulfill its contractual obligations. In the case of a self-insurance fund, the trustees of the fund determined to be endangered must immediately levy an assessment upon the members of that self-insurance fund in an amount sufficient to pay the assessments to the corporation.

(c) The board may allow an insurer to pay an assessment on a quarterly basis.

Section 2. This act shall take effect July 1, 2016.

Amendment No. 1

COMMITTEE/SUBCOMMITTEE ACTION	
ADOPTED	__ (Y/N)
ADOPTED AS AMENDED	__ (Y/N)
ADOPTED W/O OBJECTION	__ (Y/N)
FAILED TO ADOPT	__ (Y/N)
WITHDRAWN	__ (Y/N)
OTHER	_____

Committee/Subcommittee hearing bill: Finance & Tax Committee

Representative Broxson offered the following:

Amendment (with title amendment)

Remove lines 48-132 and insert:

(b) Member insurers shall collect surcharges at a uniform percentage rate on new and renewal policies issued and effective during the period of 12 months beginning on January 1, April 1, July 1, or October 1, whichever is the first day of the following calendar quarter as specified in an order issued by the office directing insurers to pay an assessment to the association. The surcharge may not begin until 90 days after the board of directors certifies the assessment.

~~2. Beginning July 1, 1997, assessments levied against self-insurance funds shall not exceed in any calendar year more than 1.50 percent of that self-insurance fund's net direct written premiums in this state for workers' compensation~~

~~insurance during the calendar year next preceding the date of such assessments.~~

~~3. Beginning July 1, 2003, assessments levied against insurers and self-insurance funds pursuant to this paragraph are computed and levied on the basis of the full policy premium value on the net direct premiums written in the state for workers' compensation insurance during the calendar year next preceding the date of the assessment without taking into account any applicable discount or credit for deductibles. Insurers and self-insurance funds must report premiums in compliance with this subparagraph.~~

~~(b) Assessments shall be included as an appropriate factor in the making of rates.~~

(c) ~~1. Effective July 1, 1999,~~ If assessments otherwise authorized in paragraph (a) are insufficient to make all payments on reimbursements then owing to claimants in a calendar year, then upon certification by the board, the office ~~department~~ shall levy additional assessments of up to 1.5 percent of the insurer's net direct written premiums in this state ~~during the calendar year next preceding the date of such assessments against insurers to secure the necessary funds~~.

(d) The association may use an installment method to require the insurer to remit the assessment as premium is written or may require the insurer to remit the assessment to the association before collecting the policyholder surcharge. If the assessment is remitted before the surcharge is collected,

the assessment remitted must be based on an estimate of the assessment due based on the proportion of each insurer's net direct written premium in this state for the preceding calendar year as described in paragraph (a) and adjusted following the end of the 12-month period during which the assessment is levied.

1. If the association elects to use the installment method, the office may, in the order levying the assessment on insurers, specify that the assessment is due and payable quarterly as premium is written throughout the assessment year. Insurers shall collect surcharges at a uniform percentage rate specified by order as described in paragraph (b). Insurers are not required to advance funds if the association and the office elect to use the installment option. Assessments levied under this subparagraph are paid after policy surcharges are collected, and the recognition of assets is based on actual premium written offset by the obligation to the association.

2. If the association elects to require insurers to remit the assessment before surcharging the policyholder, the following shall apply:

a. The levy order shall provide each insurer so assessed at least 30 days written notice of the date the initial assessment payment is due and payable by the insurer.

b. Insurers shall collect surcharges at a uniform percentage rate specified by the order, as described in paragraph (b).

c. Assessments levied under this subparagraph are paid before policy surcharges are billed and result in a receivable for policy surcharges to be billed in the future. The amount of billed surcharges, to the extent it is likely that it will be realized, meets the definition of an admissible asset as specified in the National Association of Insurance Commissioners' Statement of Statutory Accounting Principles No. 4. The asset shall be established and recorded separately from the liability. If an insurer is unable to fully recoup the amount of the assessment, the amount recorded as an asset shall be reduced to the amount reasonably expected to be recouped.

3. Insurers must submit a reconciliation report to the association within 120 days after the end of the 12-month assessment period and annually thereafter for a period of three years. The report must indicate the amount of the initial payment or installment payments made to the association and the amount of written premium pursuant to paragraph (a) for the assessment year. If the insurer's reconciled assessment obligation is more than the amount paid to the association, the insurer shall pay the excess surcharges collected to the association. If the insurer's reconciled assessment obligation is less than the initial amount paid to the association, the association shall credit the insurer that amount against future assessments.

T I T L E A M E N D M E N T

Remove lines 3-7 and insert:

assessments; amending s. 631.914, F.S.; requiring the Office of Insurance Regulation to levy assessments for certain purposes; revising and providing requirements for the levy of assessments; requiring insurers and self-insurance funds to report certain premiums; requiring insurers to collect policy surcharges and pay

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 565 Redevelopment Trust Fund
SPONSOR(S): Spano
TIED BILLS: **IDEN./SIM. BILLS:** SB 194

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local Government Affairs Subcommittee	9 Y, 0 N	Monroe	Miller
2) Finance & Tax Committee		Pewitt	Langston
3) Local & Federal Affairs Committee			

SUMMARY ANALYSIS

Community redevelopment agencies (CRAs) are funded through a mechanism known as tax increment financing, which requires each taxing district within the CRA to pay in to the CRA's redevelopment trust fund an amount equal to the increase in the taxable value of the real and tangible personal property within the district since the inception of the CRA, multipled by the taxing district's millage rate. HB 565 exempts hospital districts from making payments into the redevelopment trust fund of a CRA created on or after July 1, 2016. The bill does not affect payments made by hospital districts to currently existing CRAs.

This bill has no fiscal impact to state funds.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Community Redevelopment Act

The Community Redevelopment Act[1] authorizes a county or municipality to create community redevelopment agencies (CRAs) as a means of redeveloping slums and blighted areas. In accordance with a community redevelopment plan,[2] CRAs can:

- Enter into contracts;
- Disseminate information;
- Acquire property within a slum or blighted area by voluntary methods;
- Demolish and remove buildings and improvements;
- Construct improvements; and
- Dispose of property at fair value.[3]

Counties and municipalities are prohibited from exercising the authority provided by the Community Redevelopment Act until they adopt an ordinance that declares an area to be a slum or a blighted area.[4]

A "blighted area" generally includes an area in which there are a substantial number of deteriorated or deteriorating structures; in which conditions, as indicated by government-maintained statistics or other studies, endanger life or property or are leading to economic distress; and in which other statutorily-defined criteria exist.[5]

The TIF Mechanism for Funding CRAs

CRAs are not taxing authorities and cannot levy or collect taxes. Instead CRAs rely on community redevelopment trust funds that are funded through tax increment financing (TIF).[6] The TIF mechanism requires each taxing authority within the CRA to annually remit a portion of the ad valorem taxes it levies to the CRA's redevelopment trust fund by January 1.[7] This revenue is used to finance redevelopment projects in accordance with a redevelopment plan,[8] which may include bonding.[9] The amount which must be contributed to the trust funds equals 95 percent of the difference between:

- The amount of ad valorem taxes levied by each taxing authority on taxable real property within the CRA; and
- The amount of ad valorem taxes that would have been produced on the assessed value of the real property within the CRA in the year prior to the creation of the CRA.[10]

Thus, as property values increase within a CRA, the tax increment revenue increases and is available to pay for public infrastructure and redevelopment costs of the CRA.

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[1] Chapter 163, part III, F.S.
[2] Section 163.360, F.S.
[3] Section 163.370, F.S.
[4] Sections 163.355 and 163.360(1), F.S.
[5] See s. 163.340(8), F.S.
[6] Through tax increment financing, a baseline tax amount is chosen, and then in future years, any taxes generated above that baseline amount are transferred into the redevelopment trust fund. Section 163.387, F.S.
[7] Section 163.387(2)(a), F.S.
[8] Section 163.387(1)(a), F.S.
[9] Sections 163.370(2)(f) and 163.385, F.S.
[10] Section 163.387(1)(a), F.S.

TIF Limitations and Exemptions

For CRAs created before July 1, 2002, taxing districts typically contribute to the redevelopment trust fund for a period equal to the length of any indebtedness pledging the incremental revenues, but not exceeding 30 years, unless the community redevelopment plan is amended.[11] For CRAs created after July 1, 2002, taxing authorities make the annual appropriation for a period not to exceed 40 years after the fiscal year in which the community redevelopment plan is approved or adopted. The following taxing authorities are exempt from contributing to the CRA:[12]

- A special district that levies ad valorem taxes on taxable real property in more than one county.
- A special district for which the sole available source of revenue the district has the authority to levy is ad valorem taxes at the time the ordinance is adopted.
- A library district, except a library district in a jurisdiction where the community redevelopment agency had validated bonds as of April 30, 1984.
- A neighborhood improvement district created under the Safe Neighborhoods Act.
- A metropolitan transportation authority.
- A water management district created under s. 373.069, F.S.
- A special district specifically exempted by the local governing body that created the CRA, if the exemption is made in accordance with the requirements of s. 163.387(2)(d), F.S., which include a public hearing, public notice, and an interlocal agreement.

Hospital Districts

First created in the 1920s to provide indigent care for county residents, hospital districts now differ greatly in roles, powers, and governance.[13] There are currently six hospital districts created as dependent districts, and 22 created as independent special districts.[14] Independent districts are generally created by special acts of the Legislature, whereas dependent districts are created by local governments with their governing bodies under the control of a county or municipal board. The North Sumter County Hospital District, created in 2004 by special act of the Legislature, is the most recently created hospital district.[15]

Two existing hospital districts currently have exemptions from providing TIF financing to CRAs in their recodified charters, which are similar to the exemption created by this bill. The South Broward Hospital District is exempt from making payments into the redevelopment trust fund of any CRA created on or after January 1, 1998.[16] The North Broward Hospital District is exempt from making payments into the redevelopment trust fund of any CRA created on or after January 1, 2002.[17]

Payments to the redevelopment trust funds of CRAs can be significant. For example, the Halifax Hospital District reports remitting funds to 10 separate CRAs for a total payment of $652,258 during the 2014 tax year, which is down from $4,316,364 paid in 2006. Halifax's records show that their total payments into the redevelopment trust funds of CRAs from 2003 through 2014 were $24,685,856.[18]

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[11] Section 163.387(2)(a), F.S.
[12] Section 163.387(2)(c), F.S.
[13] Florida TaxWatch, *Florida's Fragmented Hospital Taxing District System in Need of Reexamination*, Briefings (Feb. 2009), *available at* http://www.floridataxwatch.org/resources/pdf/02242009HospitalDistricts.pdf (last visited Nov. 13, 2015).
[14] Department of Economic Opportunity, Official List of Special Districts Online, *available at* https://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/selectfunctions.cfm (last visited Nov. 13, 2015).
[15] Chapter 2004-451, L.O.F. However, the District has since been declared inactive. See Department of Economic Opportunity, Special District Accountability Program, "Official List of Special Districts Online" at https://dca.deo.myflorida.com/fhcd/sdip/OfficialListdeo/criteria.cfm (accessed 11/24/2015).
[16] Chapter 2004-397, Section 38 of Section 3, L.O.F.
[17] Chapter 2006-347, Section 33 of Section 3, L.O.F.
[18] "CRA Taxing District Pmts 2003 to date" provided by Halifax Hospital District (11/17/15). *See* Appendix A.

Proposed Changes

HB 565 exempts all hospital districts from making payments into the redevelopment trust fund of any CRA created on or after July 1, 2016. The bill does not affect payments made by hospital districts to currently existing CRAs.

B. SECTION DIRECTORY:

Section 1 amends s. 163.387, F.S., to add hospital districts to the list of taxing authorities exempt from contributing to the redevelopment trust fund, but only for CRAs created on or after July 1, 2016. Hospital districts will continue to contribute to the redevelopment trust funds of CRAs created before July 1, 2013.

Section 2 reenacts s. 259.042, F.S., to incorporate provisions related to tax increment financing for conservation lands to the changes made by Section 1 of the bill.

Section 3 provides an effective date of July 1, 2016.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   The Revenue Estimating Conference has not adopted an estimate of the impact of this bill. CRAs created on or after July 1, 2016, will not be able to rely on hospital districts for appropriations to their redevelopment trust funds.

2. Expenditures:

   Hospital districts will not have to pay into the redevelopment trust funds of CRAs created on or after July 1, 2016.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandate restrictions do not apply because the bill does not require counties and municipalities to spend funds, reduce their ability to raise revenue, or reduce the percentage of a state tax shared with counties and municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Additional rulemaking authority does not appear necessary to implement the provisions of the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

None.

CRA PAYMENTS PD BY HALIFAX TAXING DISTRICT

YEAR	DB-Ballough Rd.	DB-Downtown	DB-Main Street	DB-Westside	DB-South Atlantic	South Daytona	PO-Eastport
2003	19,923	167,563	565,105	33,293	13,926	69,720	13,209
2004	35,246	259,863	837,203	81,505	38,502	138,042	27,778
2005	49,756	299,917	1,401,078	118,383	146,932	281,753	44,465
2006	68,797	355,236	1,674,540	190,344	233,101	460,949	57,784
2007	65,770	357,154	1,500,666	215,638	178,541	490,776	63,288
2008	58,291	303,616	1,291,730	193,784	113,901	371,168	62,328
2009	44,321	233,569	938,632	137,546	33,113	312,290	63,859
2010	28,000	150,587	621,459	71,949	0	167,444	39,940
2011	24,277	107,060	443,577	50,281	0	119,340	29,650
2012	13,370	66,412	296,757	24,300	0	76,314	17,502
2013	10,431	52,940	244,824	17,454	0	60,343	13,355
2014	11,125	61,502	251,641	18,671	0	67,918	13,609
TOTAL	**429,307**	**2,415,419**	**10,067,212**	**1,153,148**	**758,016**	**2,616,057**	**446,767**

CRA PAYMENTS PD BY HALIFAX TAXING DISTRICT

PO-Town Center	DB Shores	ORMOND BEACH	OR. BCH. NORTH	HOLLY HILL	HALIFAX TAXING DISTRICT
26,916		135,396		79,270	1,124,321
56,561		206,625		156,447	1,837,772
72,940		351,897		226,511	2,993,632
130,254	423,840	428,643		292,876	4,316,364
120,509	0	376,885	0	333,328	3,702,555
103,047	0	312,217	0	696,358	3,506,440
61,289	7,090	243,183	9,718	450,075	2,534,685
25,922	0	167,882	1,464	293,233	1,567,880
17,590	0	120,478	0	192,368	1,104,621
9,591	0	102,640	0	132,253	739,139
7,009	0	84,709	0	115,124	606,189
8,957		87,159	0	131,676	652,258
640,585	**430,930**	**2,617,714**	**11,182**	**3,099,519**	**24,685,856**

APPENDIX A

A bill to be entitled

An act relating to the redevelopment trust fund; amending s. 163.387, F.S.; adding certain hospital districts to the list of public bodies or taxing authorities that are exempt from appropriating certain revenues to the redevelopment trust fund; reenacting s. 259.042(9), F.S., relating to tax increment financing for conservation lands, to incorporate the amendment made by this act to s. 163.387, F.S.; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraph (c) of subsection (2) of section 163.387, Florida Statutes, is amended to read:

163.387 Redevelopment trust fund.—

(2)

(c) The following public bodies or taxing authorities are exempt from paragraph (a):

1. A special district that levies ad valorem taxes on taxable real property in more than one county.

2. A special district for which the sole available source of revenue the district has the authority to levy is ad valorem taxes at the time an ordinance is adopted under this section. However, revenues or aid that may be dispensed or appropriated to a district as defined in s. 388.011 at the discretion of an

entity other than such district shall not be deemed available.

3. A library district, except a library district in a jurisdiction where the community redevelopment agency had validated bonds as of April 30, 1984.

4. A neighborhood improvement district created under the Safe Neighborhoods Act.

5. A metropolitan transportation authority.

6. A water management district created under s. 373.069.

7. For a community redevelopment agency created on or after July 1, 2016, a hospital district that is a special district as defined in s. 189.012.

Section 2. For the purpose of incorporating the amendment made by this act to section 163.387, Florida Statutes, in a reference thereto, subsection (9) of section 259.042, Florida Statutes, is reenacted to read:

259.042 Tax increment financing for conservation lands.—

(9) The public bodies and taxing authorities listed in s. 163.387(2)(c), school districts, and special districts that levy ad valorem taxes within a tax increment area are exempt from this section.

Section 3. This act shall take effect July 1, 2016.