FTA 06-FISCALLY CONSTRAINED COUNTIES DISTRIBUTION FORMULA REVISION

STAFF ANALYSIS

PROPOSAL INFORMATION			
SUBMITTING COUNTY:	Lafayette County		
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FAC COMMITTEE:	Finance, Tax, and Administration	**CROSS-CLAIMS:**	ARA
FAC STAFF:	M. Black	**DATE:**	October 1, 2026

This staff analysis is based on the proposal as submitted and does not reflect an adopted position of the Florida Association of Counties.

POLICY PROPOSAL:

SUPPORT legislation updating the fiscally constrained distribution formula currently in s. 218.67 F.S., to provide enhanced allocation and modernized distribution factors.

I. SUMMARY:

Lafayette County requests FAC support legislation to expand the current distribution to fiscally constrained counties under s. 218.67, F.S. Specifically, the proposal seeks to replace the statute's two allocation factors—which have remained unchanged since 2006—and modify its sole funding source. Currently, this distribution relies on a share of the communications services tax on direct-to-home satellite service, a revenue stream that dropped from $18.1 million in FY 2018-19 to $9.5 million in FY 2024-25. Mirroring the language of 2025's CS/SB 110, the proposal establishes a sales-tax-funded replacement with a $50 million floor and new income- and sales-based allocation factors. Although the Senate passed this language in 2025 and 2026, the measures failed to pass the House, leaving s. 218.67 currently unchanged. *Note: A separate submission in this year's policy process, ARA-2, addresses the definition of a Fiscally Constrained County.*

II. PRESENT SITUATION:

Fiscally Constrained Counties

Fiscally constrained counties are counties entirely within a rural area of opportunity, designated under s. 288.0656, F.S. or where a 1-mill levy, based on school taxable value, would raise no more than $5 million in annual tax revenue.[1] A "rural area

[1] Section 202.18(2)(c)1., F.S.

of opportunity" is a rural community, or a region composed of rural communities, designated by the Governor, which has been adversely affected by an extraordinary economic event, severe or chronic distress, or a natural disaster.[2] A rural area of opportunity may also be a community or communities that present a unique economic development opportunity of regional impact.[3]

There are 29 counties that currently meet these conditions; Baker, Bradford, Calhoun, Columbia, DeSoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, Wakulla, and Washington.[4] Although each of the counties is designated by the Governor as a rural area of opportunity, Highland's and Putnam's 1-mill levies currently exceed the $5 million threshold.

Direct-to-Home Satellite Service Tax Distribution

Retail sales of direct-to-home satellite service received in Florida are subject to the communications service tax at the rate of 9.07 percent and the gross receipts tax at the rate of 2.37 percent.[5] From these communications services tax receipts, 55.9 percent is distributed through the state's "standard" sales tax distribution formula.[6] The remaining 44.1 percent is transferred to the Local Government Half-cent Sales Tax Clearing Trust Fund.[7] Seventy percent of the transfer is distributed by a formula to all counties within the state. The remaining 30 percent is distributed to fiscally constrained counties that are eligible to participate in the local government half-cent sales tax distribution.[8] Fiscally constrained counties may use the funds from this distribution for any public purpose, except for debt service.[9] The collections from the tax on direct-to-home satellite service have declined in recent years; with distributions to fiscally constrained counties decreasing from $18.1 million in Fiscal Year 2018-2019 to $9.5 million in Fiscal Year 2024-2025.

Distribution Factors

Each fiscally constrained county receives a portion of the total direct-to-home satellite service distribution. At the beginning of each fiscal year, the Department of Revenue (DOR) determines the amount to be distributed to each fiscally constrained county using the prior fiscal year's certified school taxable value, county millage rate, and latest April 1 county population, excluding prisoners. The following factors,

[2] Section 218.67(1), F.S.
[3] Section 202.18(2)(b), F.S. See also: s. 212.20(6)(d), F.S.
[4] Section 218.67(3)(b), F.S.
[5] Section 288.0656, F.S.
[6] Section 288.0656(2)(e), F.S.
[7] Section 218.67(5), F.S.
[8] Section 218.67(3)(a), F.S
[9] Section 202.18(2)(c)1., F.S.

established in s. 218.67(3), F.S., are used by DOR to determine each county's relative share of the total distribution available for the coming fiscal year: [10]

The relative revenue-raising-capacity factor is based on a county's certified school taxable value and population and referred to in law as the ability of a county to generate property tax revenues from 1 mill on a per capita basis. Counties that generate less per capita revenue receive a higher factor. For example, a county that raises $25 or less per capita receives a factor value of 1; whereas a county that raises more than $50 per capita receives a factor value of 0.

The local-effort factor is based on a county's millage rate and referred to in law as a measure of the relative level of local effort of a county as indicated by the millage rate levied for the prior fiscal year.[11] This factor guarantees that each county receives a portion of the total distribution. It uses the most recently adopted countywide operating millage rate for each eligible county and multiplies that millage rate by 0.1. For example, a county with a countywide operating millage rate of 6.73 would receive a factor value of 0.673.

Sales and Use Tax and Fiscally Constrained Counties

A portion of Florida's state sales and use tax collections are distributed to all eligible counties and municipalities through the County and Municipal Revenue Sharing programs and the Local Government Half-Cent Sales Tax program. These programs distributed to fiscally constrained counties, including municipalities within the counties, approximately $333.2 million in Fiscal Year 2024-2025. In contrast to the tax on direct-to-home satellite service, collections from sales tax have increased from $28.5 billion in Fiscal Year 2018-2019 to $41.1 billion in Fiscal Year 2024-2025. Additionally, sales tax collections are based on sales of a wide variety of goods and some services and change with the state's economic cycles.

III. EFFECT OF THE PROPOSAL:

The proposal increases the total distribution to no less than $50 million per fiscal year and changes the revenue source from the tax on direct-to-home satellite service to sales tax. The current distribution from direct-to-home satellite is instead redirected to the Local Government Half-Cent Sales Tax Trust Fund (General Revenue). The proposal also changes the formula to use the following distribution factors: sales tax collections, per capita personal income, and population.
Specifically, the current factors are replaced with:

[10] Sections 202.12(1)(b) and 203.01(1)(b)2., F.S.
[11] Florida Department of Revenue, Fiscally Constrained Counties, available at https://www.floridarevenue.com/property/Documents/fcc_map.pdf (last visited Oct. 13, 2026).

- The contribution-to-revenue factor. This factor is calculated by dividing the county's population by the sales tax collections attributable to the county and then multiplying by 100.
- The personal-income factor. This factor is calculated by dividing the median per capita personal income of participating counties by the county's per capita personal income. Each county's proportional allocation of the newly created sales tax distribution must be the same proportion as the sum of the county's two new factors is to the sum of the two factors for all eligible counties. The bill also adds requirements that the proportional rate computation must be carried to the fifth decimal place and that the amount to distribute to each county must be rounded to the next whole dollar amount.

A fiscally constrained county with lower per capita sales tax collections or per capita personal income will receive a relatively larger share of the total distribution. Finally, the proposal provides spending requirements. Specifically, 50% of the distribution must be used for public safety, 30% for infrastructure, and 20% for any public purpose. Debt service is prohibited.

The proposal would amend s. 218.67(3), F.S., to replace both factors and amend the distribution statutes to increase the amount available. CS/SB 7046 (2026) is the most recent legislative draft: it amended s. 212.20(6), F.S., to transfer the greater of $50 million or 0.1412 percent of available sales tax proceeds; amends s. 202.18(2)(c)1. to send the entire satellite service remainder to the all-county half-cent distribution; and substitutes a contribution-to-revenue factor (100 times county population divided by sales tax collections attributable to the county) and a personal-income factor (median per capita personal income of participating counties divided by the county).

IV. COUNTY IMPACT:

The proposed language would impact the 29 fiscally constrained counties; all 67 counties gain indirectly if the existing direct-to-home satellite share is redirected to the all-county distribution. Counties would acquire no new duties as submitted; counties receive a larger distribution usable for any public purpose except debt service. Use restrictions would add category accounting and limit discretion over 80 percent of the funds. Counties should prepare for reallocation among fiscally constrained counties as weighting shifts from millage to per capita sales tax and income; county-level results have not been published.

Protective of Home Rule: Yes — as submitted, the proposal increases state-shared revenue without preemption or new restrictions.

V. FISCAL IMPACT:

- Current distribution: $9.5 million in FY 2024-25, down nearly half from $18.1 million in FY 2018-19.
- CS/SB 7046 (2026): Senate staff estimated a recurring $50.3 million General Revenue reduction and a matching $50.3 million local government increase.

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- HB 1427 (2025): the Revenue Estimating Conference estimated a recurring $40.5 million local government increase for the bill as a whole; the fiscally constrained component was not isolated.
- The statement specifies no amount, so impact is indeterminate until the allocation is fixed. County-level effects of the new factors require DOR or EDR modeling.

Unfunded Mandate (Art. VII, s. 18, Fla. Const.): No — the proposal requires no county expenditure and does not reduce revenue-raising authority; the proposal increases aggregate shared revenue, although an individual county's share could decline under new factors.

VI. LEGISLATIVE & FAC HISTORY:

- 2026: CS/SB 7046 (Finance and Tax; Appropriations) was reported 5–2 and 12–5, then laid on the table on 3/11/2026 when the Senate substituted CS/HB 1217 (ch. 2026-45, net-zero provisions only). SB 250 (Simon), also revising s. 218.67, passed the Senate 39–0 (1/14/2026) and died in House Messages. HB 7031-E (ch. 2026-239), the final tax package, did not amend ss. 202.18, 212.20, or 218.67.
- 2025: CS/SB 110 (Simon) cleared Community Affairs 6–0 and Fiscal Policy 19–0 and passed the Senate; the House amended it, the Senate refused to concur, and it died in returning Messages (6/16/2025). House HB 1427 (Griffitts, Abbott) carried similar provisions and was reported 24–0 by Commerce.
- Trajectory: two consecutive Senate passages plus inclusion in the 2026 Senate tax package; the passage by House is an ongoing challenge.
- Past FAC statements: 2026—ARA—Fiscally Constrained Counties Distribution Formula Revision (identical text); 2024—FTA-PP-5—Fiscally Constrained Counties Distribution Revision; 2023—FTA-PP-8—distribution formula modification (per submission). Related 2026 ARA statements: Fiscally Constrained County Definition; Agriculture TPP Offset for Fiscally Constrained Counties.
- Guiding Principles: FTA REVENUE (State-Shared Revenue) FAC supports programs that "keep pace with population and service demands"; ARA Rural Affairs (Rural Appropriations) supports strengthening state programs for fiscally constrained counties.
- BoCC action: Board Support stated as No Position; no vote or resolution indicated.

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