

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Budget Committee

BILL: SPB 7154

INTRODUCER: For consideration by the Budget Committee

SUBJECT: Water Management Districts

DATE: March 28, 2011

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Pigott/Aller/ Diez-Arguelles	Meyer, C.		<b>Pre-meeting</b>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

The bill substantially amends current law regarding oversight of the authority of water management districts (district) to levy ad valorem taxes and the development and approval of water management district budgets.

The bill provides that the Legislature will annually review the authorized millage rate for each district and set the maximum revenue authorized to be raised from ad valorem taxes. In any year in which the Legislature does not act by July 1 to set the maximum property tax revenue to be raised, the districts are not authorized to raise additional revenue through the levy of ad valorem taxes on property.

The bill makes significant changes to the process by which water management district budgets are developed and approved by:

- Conforming the water management districts fiscal year to the state fiscal year, beginning on July 1, 2012.
- Requiring the districts to annually develop and submit their legislative budget requests to the Governor and Legislature by October 15<sup>th</sup> following the same process as state agencies.
- Providing that the Governor will include his recommendations for water management district budgets in his budget recommendations to the Legislature.
- Providing that the budget for each district is the budget approved by the Legislature in the General Appropriations Act.

As with any appropriation in the General Appropriations Act, the Governor will have line-item veto authority over water management district budgets.

Other features of the bill include:

- Retention of existing statutory requirements for water management district budget content.
- Expanding the purposes of the Water Protection and Sustainability Program Trust Fund within the Department of Environment Protection, for legislative approval of water management district budgets.
- Continuing the current public process used by the water management district governing boards for annual establishment of the millage rate, consistent with the legislatively approved budget.
- Provision of an approval process for lump sum salary bonuses, budget controls, and budget modifications, such as fund transfers and inclusion of additional revenue.
- Requiring that specified financial information be made available to the public on each water management district website.
- Retention of requirements for audits, a five-year capital improvements plan, and a five-year water resource development work program.

The bill also includes provisions for the state fiscal year transition period from October 1, 2011 until July 1, 2012, and corrects statutory cross references.

This bill substantially amends the following sections of the Florida Statutes: 373.026, 373.036, , 373.503, 373.536, 373.707, 373.709 and 403.891.

The bill creates section 373.502, Florida Statutes.

## II. Present Situation:

Water management districts are funded from several different revenue sources. They are unique in that they may be authorized by law to levy ad valorem taxes, as provided under Art. VII, s. 9(b) of the State Constitution. In addition, the constitution further specifies that the maximum levy for water management purposes is up to 1.0 mill, with the exception of the Northwest Florida Water Management District, which is limited to 0.05 mill.

As permitted by the constitution, the Legislature has authorized, in s. 373.503, F.S., the levy of ad valorem taxes and placed limits on the districts' ad valorem millage rates as follows:

- 0.05 mill - Northwest Florida.
- 0.75 mill - Suwannee River.
- 0.6 mill - St. Johns River.
- 1.0 mill - Southwest Florida.
- 0.8 mill - South Florida.

The status of the districts’ budget for fiscal year 2010-11, including millage rate information, total budget and the percentage that ad valorem revenue contributes to each budget, is reflected below.

Water Management District	Constitution (millage cap)	Florida Statutes (millage cap)	Actual Millage	FY 10-11 Adopted Budget (All Sources)*	Ad valorem percentage
Northwest Florida WMD	.05 mill	.05 mill	.0450 mill	\$117.1 million	3.4%
Suwannee River WMD	1 mill	.75 mill	.4399 mill	\$56.5 million	10.4%
St. Johns River WMD	1 mill	.6 mill	.4158 mill	\$254.7 million	43.5%
Southwest Florida WMD	1 mill	1 mill	.3770 mill	\$279.8 million	57.5%
Basin Board Range <sup>+</sup>			.1481-.2600 mill		
South Florida WMD	1 mill	.8 mill	.2549 mill	\$1,072.8 million	31%
Basin Board Range <sup>+</sup>			.0894-.2797 mill		

+Basin board millage may be in addition to regular district millage rate.

\*Information obtained from the “Review of Water Management District Budgets for Fiscal Year 2010-11, December 15, 2010” by the Executive Office of the Governor.

The districts operate on a federal and local government fiscal year, which begins on October 1 and ends on September 30. The state government fiscal year begins on July 1 and ends on June 30.

The current statutory framework for development, review, and oversight of district budgets is specified in s. 373.536 F.S. The review and oversight process was summarized by the Office of Program Policy Analysis and Government Accountability (OPPAGA) as follows:

The districts must submit their proposed annual budgets to several entities, including the Governor, the President of the Senate, the Speaker of the House of Representatives, and the chairs of all substantive and fiscal committees by August 1 of each year. The House and Senate appropriation committee chairs may submit comments and objections to each district on their proposed budgets by September 5. In adopting their final budget, the district governing board must include a written response to any comments and objections of the appropriation chairs.

The Executive Office of the Governor is required to review the districts’ proposed budgets and may veto all or part of these proposed budgets. The office must report annually to the Legislature the results of its review of the districts’ proposed budgets; the report also identifies those districts that do not comply with reporting requirements. State funds can be withheld from a water management district that fails to comply with these reporting requirements.

During the 2008 Legislative Session, bills were filed that provided for annual legislative review and authorization of district millage rates. In addition, to provide an opportunity for meaningful legislative review of district budgets, both bills would have realigned the district fiscal year and

budget review dates to correspond to the state fiscal year. Ultimately, neither of these bills were passed by the Legislature and neither would have modified the current authority of the Governor to review and approve district budgets or substantially changed the role of the Legislature in the budget review process.

### III. Effect of Proposed Changes:

**Section 1** creates s. 373.502, F.S., to establish water management district local accounts for appropriation purposes, effective October 1, 2011. This section requires that all revenues received by a water management district and all unexpended balances in a district's local account as of September 30, 2011, are considered deposited into the Water Protection and Sustainability Program Trust Fund and appropriated to the local account of each water management district. The section specifies that the expenditure of funds from a district's local account may not exceed the authority provided in the General Appropriations Act, unless approved pursuant to ch. 216, F.S. In the event that a court finds that this restriction is invalid, all revenues are to be deposited into the State Treasury.

**Section 2** amends s. 373.503, F.S., to require the Legislature to annually review the authorized millage rate for each district and set the maximum amount of revenue to be raised. If the Legislature fails to set the annual maximum amount of property tax revenue on or before July 1 of each year, the districts are not authorized to raise additional revenue through the levy of ad valorem taxes on property.

**Section 3** substantially amends s. 373.536, F.S., as follows:

- Changes the water management district fiscal year from October 1 through September 30 to July 1 through June 30 to conform to the state fiscal year.
- Maintains current law with respect to budget content and the Governor's involvement in district budget development and analysis.
- Eliminates the Governor's authority to approve or disapprove water management districts' budget in whole or in part.
- Requires the districts to hold in reserve a minimum of 25 percent of property taxes levied for the following fiscal year.
- For Fiscal Year 2012-2013, the bill requires the water management districts to develop and submit, through the Department of Environmental Protection, a legislative budget request following the same process used by state agencies.
- Provides that the Governor will include recommendations for water management district budgets as part of his/her budget recommendations to the Legislature.
- Provides that the budget for each district shall be the budget approved by the Legislature in the General Appropriations Act, subject to review, approval, or veto by the Governor, and that it may be amended under specified circumstances.
- Requires each district to begin posting financial data on its website by September 1, 2011.
- On or after July 1, 2012, requires the districts maintain financial data in accordance with financial management codes adopted by the Chief Financial Officer.
- Allows districts to expend funds approved by the Legislature until its final budget is adopted by the local governing board.

- Specifies certain budgetary controls related to lump sum bonuses, fund transfers, and unanticipated receipt of funds after the adoption of the final budget.
- Maintains current law with respect to audits, a five-year capital improvements plan, and a five-year water resource development work program.

**Section 4** amends s. 403.891, F.S., to expand the purpose of the Water Protection and Sustainability Trust Fund to include appropriations of local accounts for water management districts.

**Sections 5 through 8** provide clarifying and conforming changes to other sections of the bill.

**Section 9** provides for a transition period beginning on October 1, 2011, and ending on June 30, 2012. To ensure sufficient funds are available for the new fiscal year beginning July 1, 2012, the bill allows each water management district to adopt a millage rate that is 33.33 percent higher than the millage rate needed to fund the October 1, 2011, to June 30, 2012, fiscal year. Also, the bill limits the amount of ad valorem taxes each district may levy to specified amounts. Finally, the bill provides an appropriation for all prior year incurred obligations as defined in this section and authorizes districts to spend funds prior to the adoption of a final budget.

**Section 10** provides an effective date of upon becoming a law.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

#### **V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

The bill limits the ability of water management districts to raise property tax revenues by specifying the amount that each district will be allowed to levy for the fiscal year beginning October 1, 2011. These amounts are: Northwest Florida: \$3,946,969; Suwannee: \$5,412,674; St. Johns River: \$85,335,619; Southwest Florida: \$107,766,957; and South Florida: \$284,901,967. These limitations result in the reductions shown in the following table.

District	Current Year Millage Rate	Ad Valorem Revenue Taxes Levied For FY 2010-11	Proposed Ad Valorem Reduction (dollars)	Proposed Ad Valorem Reduction (percent)
Northwest	0.0450	\$3,946,969	\$0	0%
Suwannee River	0.4399	\$5,912,674	(\$500,000)	8%
St. Johns River	0.4158	\$115,335,619	(\$30,000,000)	26%
Southwest	0.3770	\$167,766,957	(\$60,000,000)	36%
South Florida	0.2549	\$404,901,967	(\$120,000,000)	30%
<b>Total</b>		<b>\$697,864,186</b>	<b>(\$210,500,000)</b>	<b>30%</b>

**B. Private Sector Impact:**

Property owners will experience a reduction in 2011 property taxes in all areas of the state, except those located in the Northwest Florida Water Management District’s territory.

**C. Government Sector Impact:**

As delineated below, SPB 7084 provides a nine month budget for each water management district for Fiscal Year 2011-12, beginning on October 1, 2011.

Water Management Districts Transition Budget for FY 2011-12		
District	FTE	All Funds
Northwest	120.0	\$35,675,186
Suwannee River	68.0	\$34,277,207
St. Johns River	717.5	\$151,867,304
Southwest	744.0	\$180,810,935
South Florida	1,842.0	\$642,041,748
<b>Total</b>	<b>3,491.5</b>	<b>\$1,044,672,380</b>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

**A. Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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