

**STORAGE NAME:** h0589s1.ric.doc  
**DATE:** April 3, 2001

**HOUSE OF REPRESENTATIVES  
AS FURTHER REVISED BY THE  
COUNCIL FOR READY INFRASTRUCTURE  
ANALYSIS**

**BILL #:** CS/HB 589  
**RELATING TO:** Local Government Utilities Assistance  
**SPONSOR(S):** Council for Ready Infrastructure, Representative(s) Fasano & others  
**TIED BILL(S):**

**ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:**

- (1) UTILITIES AND TELECOMMUNICATIONS (RIC) YEAS 10 NAYS 0
  - (2) GENERAL GOVERNMENT APPROPRIATIONS YEAS 14 NAYS 0
  - (3) COUNCIL FOR READY INFRASTRUCTURE YEAS 20 NAYS 0
  - (4)
  - (5)
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I. SUMMARY:

The bill creates the Local Government Utilities Assistance Act. Under the provisions of the bill, the Local Government Utilities Assistance Program is established within the Department of Environmental Protection (DEP) to provide local governments with financial assistance in acquiring privately owned water-wastewater utilities that consistently operate under substandard conditions and the utility meets one or more of the following criteria:

- The utility is unable, without a substantial rate increase, to make the necessary improvements to alleviate the public health or water quality threats;
- The water-wastewater utility faces public health or water quality threats that are best addressed through public management or ownership; or
- The utility desires to sell its system.

A pilot program is to be implemented in Pasco County for the fiscal years 2001-2002 and 2002-2003. Administration of the program will be provided by the DEP. The bill provides for an allocation, not to exceed \$2.5 million, from the Solid Waste Management Trust Fund. The DEP can use up to 2 percent of the funds appropriated for the program to pay for the costs of administering the pilot program.

The bill has an effective date of July 1, 2001.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |                              |  |   |
|-----------------------------------|------------------------------|--|---|
| 1. <u>Less Government</u>         | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/>            |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

The Florida Department of Environmental Protection (DEP) takes on new responsibilities under the provisions of the bill. It would be responsible for the implementation and administration of the program. Additionally, the DEP would make determinations of project eligibility and report to the Governor and the Legislature on the Pasco County pilot program.

B. PRESENT SITUATION:

According to DEP, there are a number of privately owned water and wastewater utilities that routinely encounter compliance problems that present some level of risk to the environment and/or public health. There is, however, no compelling evidence that the proportion of such utilities is substantially greater than that for publicly owned utilities. The same kinds of compliance problems experienced by privately owned water and wastewater utilities are also encountered by many smaller, economically disadvantaged, local government utilities. Currently, there is no state funding program available under which local governments can secure grants or loans to purchase problematic privately owned water or wastewater utilities.

C. EFFECT OF PROPOSED CHANGES:

The bill creates the Local Government Utilities Assistance Act. Under the act, the Local Government Utilities Assistance Program is established within and administered by the DEP. Section 4 of the bill provides that local governments are eligible for financial assistance under the program if the quality of water or wastewater services provided by the utility the local government intends to acquire is consistently inadequate to meet public health or water quality standards and meets one or more of the following criteria:

- The water-wastewater utility is not capable of making the improvements necessary to alleviate the public health or water quality threats through its own resources without increasing its rate for services to an amount beyond that which is commensurate with community standards;
- The water-wastewater utility is confronted with a public health or water quality threat that may be better addressed through public management or ownership as shown through a feasibility study provided to the DEP by the applicant; or
- The private utility desires to sell.

The bill provides for an allocation of money to the program. One-half of the money that would otherwise be distributed to the Solid Waste Management Trust Fund, not to exceed \$2.5 million, would be distributed to the program to be used to implement a pilot program in Pasco County. The DEP can use up to 2 percent of the appropriated funds to cover its costs associated with administering the pilot program.

The bill provides an effective date of July 1, 2001.

D. SECTION-BY-SECTION ANALYSIS:

Please refer to C. EFFECT OF PROPOSED CHANGES for a description of the bill.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The impact on the Public Service Commission, for a one-county pilot program, would be minimal for the administrative costs associated with recognizing a utility that is transferring to county jurisdiction. There is an indeterminate impact associated with the loss of regulatory assessment fees.

2. Expenditures:

Grant Program for Pasco County Utilities Acquisition Pilot Program	\$2.5 million
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B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Indeterminate.

2. Expenditures:

Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

For eligible utilities, the customer impact would be beneficial if environmental and health hazards are resolved through acquisition of a water-wastewater utility by a local government. The impact on future rates charged by local governments is indeterminate.

D. FISCAL COMMENTS:

Up to \$2.5 million in sales tax revenues that would normally go to the Solid Waste Management Trust Fund would be diverted to fund the Pasco County utilities acquisition pilot program. According to the DEP, the primary purpose for this trust fund has been to finance local recycling program grants.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require cities or counties to spend funds or to take any action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Ready Infrastructure Council passed the bill as a council substitute. CS/HB 589 differs from the original bill in that the council substitute:

- Defines "community standards" to provide the DEP evaluative measures for eligibility;
- Eliminates language on the proceeds from the fund being in the form of money to cover debt service on bonds, and further provides local government application criteria;
- Provides that the local government attempting to acquire a utility under the program provide the DEP with acceptable documentation to support the acquisition;
- Provides that DEP may use up to 2 percent of the funds appropriated for administering the pilot program;
- Adds a new section that requires the DEP to report its evaluation of the pilot program, including a recommendation for possibly expanding the program, to the Governor and the Legislature by January 1, 2004;
- Reduces the funding for the pilot program from "not to exceed \$5 million" to "not to exceed \$2.5 million"; and

**STORAGE NAME:** h0589s1.ric.doc

**DATE:** March 30, 2001

**PAGE:** 5

- Extends the pilot program from one fiscal year (FY 2001-2002) to cover two fiscal years (FY 2001-2002 and FY 2002-2003).

VII. SIGNATURES:

COMMITTEE ON UTILITIES & TELECOMMUNICATIONS:

Prepared by:

Wendy G. Holt

Staff Director:

Patrick L. "Booter" Imhof

AS REVISED BY THE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS:

Prepared by:

Lynn Dixon

Staff Director:

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AS FURTHER REVISED BY THE COUNCIL FOR READY INFRASTRUCTURE:

Prepared by:

Randy L. Havlicak

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