

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: SB 1986 (SPB 7092)

INTRODUCER: Budget Committee

SUBJECT: Water Management District Budgets

DATE: February 15, 2012 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Aller/Pigott	Rhodes		SPB 7092 Favorable, as amended
2.				
3.				
4.				
5.				
6.				

I. Summary:

The bill substantially amends current law as it relates to water management districts’ (districts) budget development, review and approval and requires the Legislature to annually set an authorized maximum millage rate or maximum revenue limit for each district. It expands the authority of the Governor in the development, approval and oversight of the districts final budget and, if significant modifications have been made to the districts budget, as reviewed by the Legislature during session, the Legislative Budget Commission may review and disapprove any part of the final budget.

The bill substantially amends sections 373.503, 373.536, 373.605 and creates a new section 373.535, Florida Statutes.

II. Present Situation:

Following passage of the Florida Water Resources Act of 1972 which created the framework for the state’s present water management structure, the Florida Constitution was amended in 1975 to allow, subject to specified limits and authorization by law, water management districts to levy ad valorem taxes for water management purposes. Accordingly, in 1976 the Legislature provided such authorization and established a maximum ad valorem millage limit for the taxes to be levied by each district.

The authorization for the districts to levy ad valorem taxes can only be granted by law and the Legislature could adjust the millage limits within the constitutional cap as often as it deemed necessary. However, with the exception of an increase to the St. Johns River Water Management District in the mid-1980s, these limits have not been changed since 1976 and remain in effect

today. One reason for this situation may have been that a water management district budget development process that begins in July, for a fiscal year starting in October, provided only limited opportunity for a meaningful review by the Legislature during session. As a result, and because the districts have been subject to criticism due to their annual budgets being approved by non-elected Governing Boards, there have been incremental statutory changes enacted over the past 35 years to increase oversight of district budgets by elected officials.

During the 1991 session there were changes to the water management districts' budget development process in s. 373.536, F.S., to provide an opportunity for review and comment on district budgets by the Department of Environmental Protection, with similar provisions added in the 1993 session to also include the Governor and Legislature. In the 1996 session, following recommendations provided by the Water Management District Review Commission, the Legislature further modified s. 373.536, F.S., to authorize the Governor to approve or disapprove all or part of a district's budget. Bills considered, but not passed, by the Legislature in 2008 would have changed the water management districts' fiscal year to conform to the state fiscal year and required annual legislative review of both millage and ad valorem revenue limits.

With the implementation of SB 2142 following the 2011 session, water management districts are now required to annually provide preliminary budgets for their next fiscal year to the Legislature for review during session. Based upon this review, and a review of the authorized millage rate, the Legislature will set the maximum amount of tax revenue to be raised by each district in the next fiscal year. If the Legislature does not act by July 1st of each year to set the annual maximum amount of property tax revenue that may be raised, the amount reverts to that authorized in the prior year. Under this provision, because SB 2142 specified dollar limits by district for the total amount of revenue to be raised from ad valorem taxes in the 2011-2012 fiscal year, the 2011-2012 limits will remain in place until revised by the Legislature.

In July, after the Legislature has completed the annual review of water management district preliminary budgets and has either set the maximum property tax revenue limits or allowed the prior year's limits to remain, each district begins the process defined in s. 373.536, F.S., for developing their tentative budgets, holding public hearings, and formally adopting a budget for the fiscal year beginning on October 1st. During this process either the Governor or the Legislative Budget Commission may disapprove all or part of a district's budget and any rejected provision may not be included in a district's final budget.

III. Effect of Proposed Changes:

Section 1 amends s. 373.503, F.S., and revises the statutory caps for the millage rate that may be levied by water management districts, allocates the maximum constitutionally allowed millage in two separate categories, deletes current water management district revenue limits, and specifies that the Legislature will set an authorized maximum millage rate or the maximum amount of revenue to be raised from the taxes levied, based upon an annual review of the districts' preliminary budgets.

The bill replaces the existing maximum statutory millage limits for each district with new maximum limits, representing 80 percent of the total allowable constitutional millage, to be used solely to fund the districts' core mission areas of water supply, water quality, flood control, and

natural systems. Each year, based upon a review of each district's preliminary budget, the Legislature may also allow a maximum of 20 percent of the constitutional millage cap to be used to fund district administrative, management, outreach and regulatory programs and activities.

The bill deletes the fiscal year 2011-2012 limits on the amount of revenue that may be raised by each water management district from the levy of ad valorem taxes but specifies that the Legislature will annually review the preliminary budget of each water management district as provided in new s. 373.535, F.S., and set an authorized maximum millage rate or the maximum amount of revenue to be raised from the taxes levied. If the Legislature fails to set the maximum amount of millage that may be levied for district administrative, management, outreach and regulatory programs and activities, a district may not include in its budget or expend any funds for those programs during the next fiscal year.

Section 2 creates s. 373.535, F.S., as it relates to the process for submission and annual legislative review of preliminary water management district budgets and specifies the authority granted to the districts by such review.

The bill provides a legislative review process for water management district preliminary budgets similar to that currently followed by state agencies, including the preparation and submission of these budgets by each district to the Executive Office of the Governor, review and analysis of the budgets by the Executive Office of the Governor, and provision of the preliminary budgets of each district, together with an analysis of the adequacy of funding for core mission areas, to the Legislature 30 days prior to the start of the session.

The Legislature must review the preliminary budget of each district with respect to administrative, management, outreach and regulatory programs and activities, and may review any other aspect of the preliminary budget, including proposed funding for core mission areas. After reviewing the preliminary district budgets the Legislature must, for each district, appropriate funds, set a maximum amount of revenue, or set the maximum millage rate to be used to fund the proposed expenditures. If the Legislature elects not to take such action on the preliminary budget of a water management district for administrative, management, outreach and regulatory programs and activities, that district may not include in its budget or expend funds from any source those programs and activities during the next fiscal year. If the Legislature takes no action on any other aspect of the preliminary budget of a district those portions are deemed to be approved.

Following legislative review of the preliminary budgets, each water management district must use the preliminary budget, as reviewed or amended by the Legislature, as the basis for the development of the tentative budget.

Section 3 amends s. 373.536, F.S., to revise the current water management district budget process and to expand the authority of the Governor in the development, approval, and oversight of tentative and adopted water management district budgets. The amendments to s. 373.536, F.S., limit the role of the Legislative Budget Commission in the review of the district tentative budgets, unless significant modifications are made to the preliminary budget reviewed by the Legislature.

The bill provides that the Governor may approve or disapprove, in whole or in part, the tentative budget of a water management district. The Legislative Budget Commission may review, and may disapprove, any part of a district tentative budget only if it determines that there have been significant modifications from the preliminary budget reviewed by the Legislature pursuant to s. 373.535, F.S. Unless addressed by the Legislature during the review of the preliminary budget, the Legislative Budget Commission must also approve certain items in a water management district tentative budget for issuance of new debt, land purchases in excess of specified limits, or administrative, management, outreach and regulatory programs and activities that exceed 20 percent of a districts total annual budget.

Once a water management district has adopted a final budget, the transfer of funds, or the inclusion of new unanticipated funds within that budget may only be made with the prior approval of the Governor and notice to the Legislative Budget Commission. In the event of a disaster or emergency, with notice to the Executive Office of the Governor and the Legislative Budget Commission, the districts are not limited by the adopted budget and may expend any newly procured or available funds as needed.

The bill also specifies that the tentative budget shall be based on the preliminary budget, as modified or approved by the Legislature pursuant to ss. 373.503 and 373.535, F.S., and provides clarifying changes to the development of the standard format for budget submission, the accounting of reserves, the posting of financial information for the public on the internet, and the reporting requirements for district capital improvement plans and water resource development work programs.

Section 4 amends s. 373.605, F.S., to allow a water management district the ability to offer its employees and the employees of other water management districts group insurance.

Section 5 provides an effective date of July 1, 2012.

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:**

No taxes or fees are increased or decreased by the bill. The modifications to the maximum authorized millage rates in Section 1 of the bill allocate the constitutionally maximum authorized millage limits between specified mission areas and programs and activities and have no direct effect on actual expenditures. Any future effect on taxes or fees that might result from water management district budgets would require specific action by the Governor, Legislature and district governing board.

B. Private Sector Impact:

Increased gubernatorial and legislative oversight of water management district budgets will provide for more efficient and effective use of property taxes for water management purposes.

C. Government Sector Impact:

The bill could have a negative or positive fiscal impact on the water management districts depending on what action the Legislature takes each year in setting their maximum authorized millage rate or maximum revenue limit for specified programs.

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.