

**HOUSE OF REPRESENTATIVES
FINAL BILL ANALYSIS**

BILL #: SB 1986

FINAL HOUSE FLOOR ACTION:

SPONSOR(S): Budget

117 Y's 0 N's

COMPANION None
BILLS:

GOVERNOR'S ACTION: Pending

SUMMARY ANALYSIS

SB 1986 passed the House on March 9, 2012. The bill amends several sections of chapter 373, F.S., regarding water management districts.

The bill does the following:

- Removes both the Fiscal Year 2011-2012 property tax limits and the requirement that the district revert to the prior year limits if the Legislature fails to set new limits;
- Authorizes the Legislature to enact legislation to set the millage rate or maximum amount of property tax for each district;
- Provides a process for water management districts to submit their preliminary budgets to the Legislature for review and the districts to formally respond to legislative comments;
- Specifies that the preliminary budget reviewed by the Legislature is the basis for developing each district's tentative budget for the new fiscal year;
- Provides criteria for the Legislative Budget Commission to use in approving the tentative budget and to reject certain budget proposals;
- Provides an additional opportunity for the Legislature to review and comment prior to the adoption of final water management district budgets;
- Authorizes the governing board of a water management district to provide group insurance for its employees and the employees of another water management district; and
- Allows each water management district to build and operate a public information system and exempts local government review or approval of such systems.
- Revises the definitions of the terms "regularly established position" and "temporary position" for purposes of district positions within the state retirement system.

The bill could have a negative or positive fiscal impact on the water management districts depending on what action the Legislature may take each year in setting their maximum authorized millage rate.

Subject to the Governor's veto powers, section 1 of the bill is effective October 1, 2012, and sections 2-6 are effective July 1, 2012.

A. EFFECT OF CHANGES:

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. 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. With the exception of an increase to the St. Johns River Water Management District in the mid-1980s, however, 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 resulting from 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 chapter 2011-67, L.O.F., 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 1 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, chapter 2011-67, L.O.F., 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 Fiscal Year 2011-2012 limits 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 1. 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.

Effect of Changes

The bill amends s. 373.503, F.S., authorizing the Legislature to enact legislation to set the millage rate or maximum amount of property tax for each water management district. 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 and removes a provision requiring that the maximum property tax revenue for water management districts revert to the amount authorized for the prior year if the Legislature does not set the amount.

The bill creates s. 373.535, F.S., requiring each water management district to submit a preliminary budget by January 15 for legislative review to the President of the Senate, the Speaker of the House of Representatives, and the chairs of each legislative committee and subcommittee having substantive or fiscal jurisdiction over water management districts as determined by the President of the Senate or the Speaker of the House of Representatives. Each water management district shall use the preliminary budget as the basis for developing the tentative budget for the next fiscal year. The preliminary budget submitted by each water management district must include the following:

- A section that identifies and provides justification and source of income for outreach, management, and administration;
- A section that identifies the justification for expenditures by core mission area of responsibility and the source of funds needed for activities related to water supply, water quality, flood protection and floodplain management, and natural systems;
- A section reviewing the adopted and proposed budget allocations by program area and the performance metrics for the prior year; and
- An analysis that determines the adequacy of fiscal resources available to the district and the adequacy of proposed district expenditures related to the core mission areas of responsibility for water supply, water quality, flood protection and floodplain management and natural systems.

If applicable, water management districts must specify that that the district's first obligation for payment is debt service on bonds and certificates of participation.

The bill specifies that the Legislature may annually review water management district's preliminary budget, including items specific to regulation, outreach, management, and administration program areas. The President of the Senate and the Speaker of the House of Representatives may submit comments regarding the preliminary budget on or before March 1 of each year to the water management district and provide a copy of the comments to the Executive Office of the Governor. Each water management district shall respond to the comments in writing on or before March 15 of each year to the President of the Senate, the Speaker of the House of Representatives, and the Executive Office of the Governor. Following the review, if the Legislature does not enact legislation regarding the water management district's millage rate or property tax on or before July 1, the water management district may proceed with budget development.

The bill amends s. 373.536, F.S., with the following:

- Water management district budget amendments greater than \$1 million must be reviewed and approved by the Executive Office of the Governor, which shall provide notice of approval to the Legislative Budget Commission.
- Descriptions of budget control mechanisms submitted to the Office of the Governor are subject to review and approval.
- If a water management district receives unanticipated funds, the final budget may be amended to include those funds upon review and approval of the Executive Office of the Governor and notice of intention to amend is provided to the Legislative Budget Commission.
- A governing board is not restricted by the budget to expend funds related to a disaster or emergency arising to prevent or avert a disaster. In such an event, the governing board shall notify the Legislative Budget Commission within 30 days of taking action.
- Monthly financial statements provided to the governing board and posted on a water management district's website are to be in the form and manner prescribed by the Department of Financial Services.

The bill removes the Legislative Budget Commission authority to disapprove, in whole or in part, the budget of each water management district and authorizes the Executive Office of the Governor to approve, in addition to disapprove, each water management district budget.

The bill authorizes the Legislative Budget Commission to reject the following water management district budget proposals:

- A single land purchase over \$10 million, except for land exchanges;
- Any cumulative land purchases exceeding \$50 million in a single fiscal year;
- Any issuance of debt on or after July 1, 2012;
- Any program expenditures in relation to outreach, management, and administration program areas in excess of 15 percent of a water management district's total budget; and
- Any individual variance in excess of 25 percent in a water management district's tentative budget from the district's preliminary budget.

The bill specifies that any provision in a water management district's tentative budget that is rejected by the Executive Office of the Governor or the Legislative Budget Commission may not be included in the tentative budget and may not be acted upon through any other means without the prior approval of the entity rejecting the provision. The bill specifies that a water management district must submit, in addition to the Governor, the President of the Senate, and the Speaker of the House of Representatives, a tentative budget to the chairs of all relevant legislative committees and subcommittees as determined by the President of the Senate and the Speaker of the House of Representatives. The tentative budget must include a description of any significant changes and be based on amendments made to the preliminary budget submitted to the Legislature as previously mentioned. The bill specifies that the format for the tentative budget be prescribed by the Executive Office of the Governor, in consultation with the Legislature and must include an accounting of the source, balance, and projected future use of unobligated funds. By September 5, the chairs of each relevant committee and subcommittee may transmit to each water management district comments and objections to the proposed budgets. The governing board is required to include a response to such comments and objections in the record of the final budget governing board meeting and transmit the record to the Executive Office of the Governor, the Department of Environmental Protection, and the chairs of the appropriations committees.

The bill modifies the water management district's 5 year water resource development work program to include a funding plan and adds water supply and alternative water supply components to the plan.

The bill amends s. 373.605, F.S., authorizing a water management district to provide group insurance for its employees and the employees of another water management district.

The bill creates s. 373.618, F.S., authorizing each water management district to own, acquire, develop, construct, operate, and manage a public information system and exempts local government review or approval of such public information systems. Furthermore, water management district funds may not be used to pay cost to acquire, develop, construct, operate, or manage a public information system. Necessary funds for these information systems must be paid for and collected from private sponsors who may display commercial messages.

The bill modifies s. 121.021, F.S., revising the definitions of the terms "regularly established position" and "temporary position" for purposes of district positions within the state retirement system, effective October 1, 2012.

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

2. Expenditures:

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. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: None.

D. FISCAL COMMENTS: None