

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Date: March 20, 1998 Revised: \_\_\_\_\_

Subject: Proposing a Constitutional Amendment Relating to Bonds for Pollution Control and Abatement

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Gee</u>	<u>Voigt</u>	<u>NR</u>	<u>Favorable</u>
2.	_____	_____	<u>WM</u>	_____
3.	_____	_____	<u>RC</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

**I. Summary:**

The bill would place a constitutional amendment on the ballot at the next general election or at an earlier special election authorized for that purpose. The amendment would revise the debt service requirements for bonds for pollution control and abatement and other water facilities from not exceeding 75 percent of the pledged revenues to not exceeding 90 percent of pledged revenues.

**II. Present Situation:**

Article VII, Section 14 of the State Constitution authorizes the issuance of bonds for pollution control and abatement and other water facilities. These provisions operate in conjunction with provisions in s. 403.1834, F.S., which provide for up to \$300 million to be issued in any fiscal year. Under the current program, the Department of Environmental Protection (DEP) and the State Board of Administration (SBA) work together to inform local governments about the availability of this funding mechanism. When one or more local governments decide to participate in the program, the SBA puts together a bond package that may combine the funding requirements of several local governments with the receiving local governments for the payment of debt service for the bond issue from the revenue generated from the new water, sewer, or solid waste facility.

In spite of a tremendous backlog of sewer projects (estimated at \$2.5 billion based on a list of applications to DEP for low interest loans pursuant to s. 403.1835, F.S.), no local governments have availed themselves of the pollution control bond program authorized by the Constitution for the past 5 years, at a time when bond rates have been favorable. The federal Environmental Protection Agency has estimated that Florida has a 20-year backlog of need for sewer projects estimated to be over \$5 billion.

Discussion with officials at the Department of Environmental Protection and the State Board of Administration (who work together in administering the pollution control bond program) about why the program is underutilized have suggested that the debt service requirements are outdated and pose impediments and disincentives on local governments participating in this potentially worthwhile program.

Florida is projected to continue to experience rapid population increases and urbanization. These trends demand an urban infrastructure to serve such a growing population in increasingly more dense settlement patterns. Pollution from inadequate water and sewer facilities often has insidious effects and goes undetected until the cumulative impacts have produced profound changes in natural biological systems, and corrective actions can be enormously expensive. Florida should use all tools available to meet its growing infrastructure needs.

### **III. Effect of Proposed Changes:**

The bill would place a constitutional amendment on the ballot at the next general election or at an earlier special election authorized for that purpose. The amendment would revise the debt service requirements for bonds for pollution control and abatement and other water facilities from not exceeding 75 percent of the pledged revenues to not exceeding 90 percent of pledged revenues.

The proposed change would allow the state to use a less conservative debt service requirement for pollution control bonds. Such a change would be more in line with modern requirements in use by local governments. The result would likely encourage more local governments to participate in the state bonding assistance program and not delay the funding of needed wastewater treatment needs of our growing population.

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

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

If the changes result in local governments electing to use the bonds to fund needed facilities, such facilities could be brought into operation much sooner than otherwise, with consequent benefits for the environment and the public.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.