

STORAGE NAME: h0311s1a.gg
DATE: March 26, 1997

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
GENERAL GOVERNMENT APPROPRIATIONS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 311

RELATING TO: The Preservation 2000 program

SPONSOR(S): Committee on Water and Resource Management and Representative(s) Smith and Minton

STATUTE(S) AFFECTED: Sections 259.032 and 373.59, Florida Statutes (F.S.)

COMPANION BILL(S): SB 838 (s)

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

- (1) WATER & RESOURCE MANAGEMENT YEAS 9 NAYS 0
- (2) GENERAL GOVERNMENT APPROPRIATIONS YEAS 6 NAYS 0
- (3)
- (4)
- (5)

I. SUMMARY:

CS/HB 311 would broaden eligibility requirements for the payment in lieu of taxes program. Under the program, counties (and certain other local governments) that meet specified conditions are compensated for actual loss of property tax revenue resulting from land acquisitions by the state or a water management district through the Preservation 2000 (P2000) program. The payments are made for a period of 10 years.

One of the current conditions of eligibility for a county is that it must levy an ad valorem property tax rate of at least 9 mills. CS/HB 311 would reduce that to a minimum of 8.25 mills.

The Department of Environmental Protection (DEP) estimates that six additional counties would be eligible to join the 20 counties already receiving payment in lieu of taxes -- depending on whether the state or a water management district has acquired land within those six counties.

CS/HB 311 has an indeterminate, but likely minimal, fiscal impact. Lands acquired under the P2000 program typically are unimproved or in agricultural production, which means they qualify for a lower property tax rate. In fiscal year 1995, the state and the water management districts spent less than \$285,000 for payment in lieu of taxes.

The bill would take effect July 1, 1997.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

With the passage of Chapter 90-217, Laws of Florida, the Legislature created the Florida Preservation 2000 program (P2000) to acquire lands for preservation, conservation and recreation. Envisioned as a 10-year, \$3 billion bond program, P2000 remains the nation's most ambitious attempt to protect natural resource lands and the biodiversity associated with them. The proceeds of the annual \$300 million bond issue are shared among the Conservation and Recreation Lands (CARL) program; the five water management districts; the Florida Game and Fresh Water Fish Commission; the Florida Department of Agriculture and Consumer Services' Division of Forestry; DEP's Division of Recreation and Parks and Office of Greenways and Trails; and the Florida Communities Trust. As of November 1996, about 818,480 acres of land had been acquired for nearly \$1.29 billion.

Much of that acreage has been acquired in the unincorporated areas of rural counties. Two years into the P2000 program, concerns were voiced that state and water management district acquisition of large tracts of land disproportionately placed financial burdens on small, rural counties. When the government agencies acquired land through the P2000 program, that land was removed from the counties' tax rolls, resulting in a reduction of ad valorem tax revenues for those counties. Exacerbating the tax loss was the fact that many small, rural counties already were levying property taxes at or near the constitutional cap of 10 mills. An analysis by the Joint Legislative Management Committee comparing the 1991 county tax rolls with the 1991 CARL land-acquisition list revealed that if all the CARL-listed properties were bought with P2000 funds, the total ad valorem tax loss for the 67 counties would be \$4.24 million.

The Legislature in 1992 created the payment-in-lieu of taxes program (Chapter 92-288, Laws of Florida) in response to the financial concerns of small, rural counties who levy millage rates close to the 10-mill cap. The program reimburses eligible counties for actual lost property tax revenues from P2000 acquisitions, for a period of 10 years. For the purposes of payment in lieu of taxes, P2000 acquisitions by state agencies through the CARL program are counted separately from P2000 acquisitions by water management districts.

Payment in lieu of taxes to compensate for state land acquisitions is appropriated from the CARL Trust Fund, and for water management district acquisitions from the Water Management Lands Trust Fund. Three of the five water management districts have been making payments in lieu of taxes -- the Suwannee River and Northwest Florida districts (which include most of the state's small, rural counties within their boundaries) and the Southwest Florida district.

The eligibility criteria have been slightly reworded over the years. Currently, payment in lieu of taxes is available to:

- o Counties which levy an ad valorem tax of at least 9 mills or the amount of the tax loss from all completed P2000 acquisitions in the county exceeds .01 percent of the county's total taxable value, and which have a population of 75,000 or less. Seventeen counties currently are eligible for payment in lieu of taxes because

they meet the millage requirements. One other county, Walton, is eligible beginning this year because P2000 acquisitions exceed the threshold of property tax revenue loss to the county.

- o Counties with a population of less than 100,000 which contain all or a portion of an area of critical state concern, and to local governments within these counties. "Local governments" is defined as municipalities, school boards, mosquito control districts and other local government entities that levy an ad valorem tax, with the exception of water management districts. Only Franklin and Monroe Counties are eligible for payment in lieu of taxes under this category. The eligibility of local governments within these counties is less than a year old, and DEP may receive applications from them for payment in lieu of taxes.
- o Cities which have a population of 10,000 or less and which levy a millage rate of at least 9 mills or the amount of the tax loss from all completed P2000 acquisitions exceeds .01 percent of the city's total taxable value. This eligibility also became law less than a year ago.

In fiscal year 1995-1996, DEP paid \$189,589 to eligible counties for payment in lieu of taxes; the Suwannee River Water Management District paid out \$63,669; the Northwest Florida Water Management District paid \$18,342; and the Southwest Florida Water Management District paid \$9,331. The St. Johns River and South Florida water management districts have no counties within their boundaries which meet all of the qualifications for reimbursement, according to staff.

B. EFFECT OF PROPOSED CHANGES:

CS/HB 311 potentially would expand the eligibility of the payment in lieu of taxes program to six additional counties. Those counties are: Columbia, DeSoto, Hendry, Jackson, Putnam and Okeechobee, based on their 1996 millage rates. Whether these counties actually receive any reimbursement would depend on whether the state or the water management districts have acquired lands within their boundaries for the P2000 program.

The bill would not broaden eligibility requirements for other types of local governments.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

- a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

- (2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

- (3) any entitlement to a government service or benefit?

Yes. CS/HB 311 would make as many as six additional counties eligible for the payment-in-lieu of taxes program, which is designed to compensate principally rural, small counties for property tax revenues lost when the state or a water management district buys natural resource lands.

- b. If an agency or program is eliminated or reduced:

- (1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Not applicable.

- (2) what is the cost of such responsibility at the new level/agency?

Not applicable.

- (3) how is the new agency accountable to the people governed?

Not applicable.

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

Not applicable.

4. Individual Freedom:

Not applicable.

5. Family Empowerment:

Not applicable.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends s. 259.032(12)(b), F.S., to reduce from 9 mills to 8.25 mills the minimum millage rate requirement for counties to be eligible for payment in lieu of taxes from the Conservation and Recreation Lands Trust Fund.

Section 2: Amends s. 373.59(14)(b), F.S., to reduce from 9 mills to 8.25 mills the minimum millage rate requirement for counties to be eligible for payment in lieu of taxes from the Water Management Lands Trust Fund.

Section 3: Provides that this act shall take effect July 1, 1997.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Indeterminate, but probably minimal, according to DEP. Many of the lands which the state acquires through the P2000 program qualify for the agricultural (or "greenbelt") property valuation, and thus their property taxes are low. Over the last four years, DEP has paid out less than \$400,000 for payment in lieu of taxes. In each of those years, DEP budgeted between \$1 million to \$2 million for the program; the unspent balance was returned to the CARL Trust Fund for land acquisition.

3. Long Run Effects Other Than Normal Growth:

Indeterminate. Eligibility for the payment in lieu of taxes program is flexible, because of outside factors. For example, a county commission could decide to lower or raise its millage rate. Or, a county could experience a boom in population and construction, and the total taxable value of its land could rise. These factors are impossible to predict, and so the exact number of counties eligible for the program can change from year to year.

4. Total Revenues and Expenditures:

See A.2.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

From the water management district perspective, the fiscal impact on water management district budgets is likely minimal.

The impact on county budgets is likely more significant. For small, rural counties at or near the 10-mill cap, a loss of even \$10,000 to \$20,000 in property tax revenues may mean the difference between having or not having an extra patrol officer, improvements to a local park, or a part-time court clerk. Extending eligibility for payment in lieu of taxes to additional counties could fill holes in these local governments' budgets, and build support for the P2000 program. Also, a local government eligible for payment in lieu of taxes would not have to raise ad valorem rates on privately owned property simply to supplement its tax base that has been reduced through public land acquisition.

3. Long Run Effects Other Than Normal Growth:

Indeterminate. As mentioned in A.3. above, a county's eligibility for the payment in lieu of taxes program can change through factors which are outside of the control of the P2000 program.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Private property owners would benefit because a county government eligible for payment in lieu of taxes would not necessarily have to raise millage rates to compensate for property tax revenues lost due to public land acquisition.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The mandates provision is not applicable to an analysis of CS/HB 311 because the bill does not require counties or municipalities to spend funds or to take actions requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Not applicable.

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

Not applicable.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The original HB 311 sought to reduce from .01 percent to .005 percent the threshold which the tax loss from all completed P2000 acquisitions in a county has to exceed the county's total taxable value, in order for that county to qualify for payment in lieu of taxes. On February 26, 1997, the House Committee on Water and Resource Management adopted two amendments that retained the current tax-loss threshold, and instead reduced the millage rate criterion from 9 mills to 8.25 mills. The bill, as amended, then passed the committee by a vote of 9-0. With the sponsor's concurrence, the committee also voted unanimously to recommend to the Council on Governmental Responsibility that CS/HB 311 be closed to future amendments.

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The House Committee on General Government Appropriations adopted one amendment on March 26, 1997 that applies the .01 percent threshold to the amount of taxable value loss rather than the current tax-loss threshold.

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VII. SIGNATURES:

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Prepared by:

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Joyce Pugh

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