

**STORAGE NAME:** h4745.ca

**DATE:** April 20, 1998

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
COMMUNITY AFFAIRS  
BILL RESEARCH & ECONOMIC IMPACT STATEMENT - LOCAL LEGISLATION**

**BILL #:** HB 4745

**RELATING TO:** Volusia County/Volusia County Health Care District

**SPONSOR(S):** Representatives Bainter, Wiles, and Lynn

**COMPANION BILL(S):** SB 2672 (i)

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

- (1) COMMUNITY AFFAIRS
  - (2)
  - (3)
  - (4)
  - (5)
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**I. SUMMARY:**

This bill states that an independent special taxing district called the Volusia County Health Care District is created. As such, the taxing authority of the three current hospital districts in Volusia County is revoked, effective January 1, 2000.

The bill provides for certain millage caps on ad valorem tax rates and the prohibition of future sales or leases of hospital facilities in Volusia County. It authorizes the Volusia County Legislative Delegation to contract for a study relating to funding of health care needs for indigent persons and to design a plan to implement the Volusia County Health Care District. Finally, the bill requires a financial-related audit for each of the hospital districts in Volusia County. Section one of the bill is predicated on a referendum to be held in November, 1999.

## II. SUBSTANTIVE RESEARCH:

### A. PRESENT SITUATION:

The West Volusia Hospital Authority, Southeast Volusia Hospital District, and Halifax Hospital Medical Center are listed in the **1997 Official List of Special Districts** as independent special districts. These districts were created by special acts chapter 57-2085, Laws of Florida, as amended; chapter 65-2362, Laws of Florida, as amended; and chapter 79-577, Laws of Florida, as amended, respectively. Each district exercises its own taxing authority pursuant to the appropriate special act.

In 1997, the three specified Volusia County hospital taxing districts established a task force to determine how the provisions of locally funded health care and human services could be improved. The task force, named the Volusia Health Care and Human Services Task Force (task force) consists of the Volusia County Council, and the above named hospital districts.

The task force concluded that the current system of operation could and should be improved. The task force examined the current system and four major alternative systems in extensive detail. Models for the alternative systems are the: 1) Management Services Organization (MSO) model; 2) Authority model; 3) Single District model; and 4) County Government model. Of the four models, the three hospital districts endorsed the MSO model for these reasons, the model:

- △ Is quick and easy to implement;
- △ Addresses, directly, opportunities for improvement, system coordination, and planning, health and human services coordination;
- △ Provides a minimal disruptive approach to change in a health care system that is complex and currently operating at an acceptable level; and
- △ Approaches change conservatively by first testing proposed improvements.

According to a task force report, the task force prefers to operate under the MSO model because it is driven by interlocal agreements. Such agreements provide the districts with flexibility and the ability to set its own standards relating to the level of health care services they provide, unlike the Single District model.

The Single District model is driven by statutory requirements and is structured as an independent district with county-wide responsibilities. This model is designed to provide an effective way to address county-wide health needs and provide standardization of services across the county. Its advantages include central administration, uniform base level services, flexibility to provide higher level of services, and reimbursement for all providers. The disadvantages of the Single District model includes that: 1) it is complicated to establish, 2) county residents have to assume the liabilities of the districts, 3) it would incur the cost of a referendum, and 4) the establishment of a single tax rate raises taxes for some residents.

According to the Volusia County Attorney's office, Volusia County is strongly opposed to the use of a County Government model to operate the county's health care districts.

Such a move may: 1) significantly raise the millage rate of county government, restricting the county's capability to address other critical needs in the county; 2) limit the time given to health care due to the current broad scope and complexity of county government; 3) cause dedicated funding for health care to be lost; and 4) cause Volusia County to assume the liabilities of the districts and the liability risks of health care. Basically, Volusia County wants assurances that this bill does not give the county the responsibility for administering taxing authority for hospital districts because it is not in the health care business. Furthermore, such an arrangement requires the county to aggregate millage; thus, the county moves closer to the constitutional 10 mill limit for ad valorem assessments.

Section 189.404(5), Florida Statutes, provides that after October 1, 1997, the charter of any newly created special district shall contain and, as practical, the charter of a preexisting special district shall be amended to contain, a reference to the status of the special district as dependent or independent. When necessary, the status statement shall be amended to conform with the department's determination or declaratory statement regarding the status of the district. This bill complies with the required status statement provision.

Pursuant to s. 189.404(2)(a), Florida Statutes, the Legislature prohibits special laws which create independent districts that do not, at a minimum, conform to the minimum requirements in s. 189.404(3), Florida Statutes. Independent districts created after September 30, 1989, must address and require certain provisions in their charters. The following describes the requirements and whether this bill meets those requirements.

- ⊕ **District purpose:** The provisions of this bill fail to establish a purpose for the District. The bill establishes a purpose for levying ad valorem taxes at a certain rate, however, such provision does not appear to reach the threshold of a general purpose of the district.
- ⊕ **Powers, functions, and duties of the district regarding ad valorem taxation, bond issues and other revenue-raising capabilities, budget matters, lien issues, and other similar issues:** The bill requires that the powers and duties of the District be established after passage of the bill rather than setting forth such powers and duties that are part of the bill's provisions.
- ⊕ **The methods for establishing the district:** The bill fails to provide how the district is to establish construct, operate, and maintain its district.
- ⊕ **The method for amending the charter of the district:** The bill makes no mention of a method for amending the District's charter.
- ⊕ **The membership and organization of the governing board of the district:** The bill adequately provides for the District's membership, organization of the governing board of the district.
- ⊕ **The maximum compensation of a governing board member:** The bill is silent as to any compensation due a District's board member.
- ⊕ **The administrative duties of the governing board of the district:** The bill does not list such duties for the District's membership.

- ⊡ **The applicable financial disclosure, noticing, and reporting, requirements:** The bill does not provide provisions to adequately meet this requirement.
- ⊡ **If the district has authority to issue bonds, the procedures and requirements for issuing bonds:** The bill does not state whether the District is authorized to issue bonds.
- ⊡ **The procedures for conducting any district elections or referendum and the qualifications of an elector of the district:** The bill fails to provide constitutional or otherwise procedures for conducting a referendum.
- ⊡ **The methods for financing the district:** The bill provides for the requirements of certain millage cap rates; however, the bill does not contain any direct provisions for its financing.
- ⊡ **The method(s) for collecting non-ad valorem assessments, fees, or service charges:** The bill does not address this item.
- ⊡ **Geographic boundary limitations:** The bill states that the District consists of all of the territory of Volusia County; however, the bill fails to provide a specific legal description or statutory reference to an appropriate legal description of the Volusia County boundaries.

Based on the number of minimum requirements missing from the bill, it appears that the bill does not legally create an independent district. Although the bill does not purport to create a hospital authority, the provisions of the bill do not meet the requirements of a hospital authority pursuant to part III of chapter 154, Florida Statutes.

B. EFFECT OF PROPOSED CHANGES:

This bill appears to create an independent special taxing district known as the Volusia County Health Care District (District) which consists of all of Volusia County. However, the bill does not meet the requirements of s. 189.404, Florida Statutes. The District is governed by a five-member board of directors appointed by the Volusia County Council. The five members must come from a list of nine persons nominated by the Volusia County Legislative Delegation and serve four-year terms.

The bill provides that the District may impose ad valorem taxes at a rate not to exceed 2.1 mills, effective January 1, 2000. Such taxes are for the purpose of funding health care services for needy persons. Also on that date, the taxing authority of the West Volusia Hospital Authority, Southeast Volusia Hospital District, and Halifax Hospital Medical Center is revoked. However, for the next fiscal year immediately following the date on which this bill becomes law, the ad valorem millage rate that may be imposed by the specified special taxing districts must not exceed:

- ⊡ 2.1 mills for the Halifax Hospital Medical Center;
- ⊡ 2.1 mills for the Southeast Volusia Hospital District; and
- ⊡ 1.8 mills for the West Volusia Hospital Authority.

Under the bill, the Halifax Hospital Medical Center, Southeast Volusia Hospital District, and West Volusia Hospital Authority are prohibited from selling or leasing their hospital facilities without legislative approval. The bill provides that any lease contract currently in effect that expires before October 1, 1999, cannot be renewed.

Further, any negotiation for the sale of a hospital facility shall cease. The bill exempts existing lease contracts currently in effect. The bill authorizes the West Volusia Hospital Authority to make necessary alterations or corrections in existing leases which remain in effect after October 1, 1999, to comply with the laws of Florida or state or federal court decisions.

The bill requires the Volusia County Legislative Delegation (delegation) to contract for a study pertaining to the provision of health care to the needy and for a design of a plan to implement the District. The delegation must establish a procedure for selecting a vendor to perform the contracted services. Such vendor is responsible for submitting a report, with draft legislation, to the delegation by January 15, 1999. The plan must consider the recommendations of the local task forces in determining how a **single tax district** is implemented.

The cost of the study must not exceed \$250,000. The Halifax Hospital Medical Center, Southeast Volusia Hospital District, and West Volusia Hospital Authority must be parties to the contract only for the limited purpose of paying for the design of the plan on a pro rata basis up to an aggregate total of \$250,000. The bill provides that the vendor must bill these districts in the following manner:

- △ Southeast Volusia Hospital District, 18 percent of the contract amount;
- △ West Volusia Hospital Authority, 18 percent of the contract amount; and
- △ Halifax Hospital Medical Center, 55 percent of the contract amount.

The bill provides for certain recommendations to be included in the report. Such recommendations include the:

- △ Powers and duties of the Volusia County Health Care District;
- △ Composition, powers, and duties of the district's governing body;
- △ Retention of the existing governing bodies of the existing special taxing district hospitals as the governing bodies of the hospitals once the special district taxing powers and duties are transferred to the Volusia County Health Care District;
- △ Determination of how all health care providers will be able to access dollars for indigent health care services;
- △ Financial impact to establish incremental taxing districts on a city-to-city basis; and
- △ Negative effect, if any, on health care delivery especially to existing clinics and cooperative programs.

The bill also requires a financial-related audit of each hospital district in Volusia County by an independent public accountant. The bill requires the Auditor General to contract for such services. Two resulting reports are required, one on December 31, 1998, for the fiscal year ending 1997, and the other on December 31, 1999, for fiscal year ending in 1998. The accountant must submit the report to the delegation. The audit must detail specific items including all income from each district's tax assessment, direct expenditures for indigent care from the tax fund, the number of indigent clients served and other related indigent care information, and other information concerning the districts' use of tax assessment that the Auditor General deems appropriate.

**C. LAWS OF FLORIDA/FLORIDA STATUTES AFFECTED:**

The bill creates a special act.

**D. 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?

N/A

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

No.

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?

The taxing authority of the West Volusia Hospital Authority, Southeast Volusia Hospital District, and Halifax Hospital Medical Center is transferred to the Volusia County Health Care District, effective January 1, 2000.

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

N/A

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

The Volusia County Health Care District is responsible for the administering health care services for Volusia County.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

The bill places the Volusia County Health Care District in a posture to raise the millage rates in the West Volusia Hospital District.

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

N/A

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

Yes. For the next fiscal year immediately following the date on which this bill becomes law, the millage cap rates of the three existing specified districts are reduced.

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

N/A

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

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

It is not immediately clear from the bill who or what the bill might actually benefit. Perhaps, the people of Volusia County might benefit since the bill does **not** require that the county take on the taxing authority and administration of hospital services. Also, the citizens benefit if the effect of the bill reduces health care costs, provides for a more uniform and efficient operation of health care services, and increases opportunities to integrate health and human services. According to the Economic Impact Statement, the community's tax rate will decrease, thus, taxing individuals and businesses at a lower rate.

The bill may produce a more competitive environment for Memorial Health Systems, a not-for-profit, private hospital located in Volusia County. Memorial Health Systems is currently operating three hospitals in Volusia County. This may occur because the bill's provision may result in changes to the funding distribution among the hospital districts based on the indigent health care services delivered.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

**E. SECTION-BY-SECTION RESEARCH:**

**Section 1--** Creates the Volusia County Health Care District as an independent special taxing district consisting of all of Volusia County; provides for a five-member governing body and terms for the same; provides that the Volusia County Health Care District may levy ad valorem taxes at a limited rate for the purpose of funding indigent health care, effective January 1, 2000; revokes the taxing authority of three special districts: 1) West Volusia Hospital Authority, 2) Southeast Volusia Hospital District, and 3) Halifax Hospital Medical Center, effective January 1, 2000.

**Section 2--** Reduces the millage caps that the specified special districts may impose for the next fiscal year immediately following the date on which this bill becomes law.

**Section 3--** Prohibits the West Volusia Hospital Authority, Southeast Volusia Hospital District, and Halifax Hospital Medical Center from selling or leasing their hospital facilities without legislative approval; provides for the disposition of lease contracts ending October 1, 1999, and current sale negotiations of hospital facilities; exempts existing lease contracts currently in effect from the prohibition of this section; and makes special provisions for West Volusia Hospital Authority to allow it to correct or modify existing leases which remain in effect October 1, 1999, pursuant to the laws of Florida, or state and federal court decisions.

**Section 4--** Requires the Volusia County Legislative Delegation (delegation) to contract for a comprehensive review of indigent care issues and design a plan to implement the Volusia County Health Care District; provides for the selection of a vendor to perform the specified contractual services of the delegation; requires a report to the delegation relating to the review and plan by January 15, 1999; requires that the plan consider the local task forces' recommendations in determining how a single tax district should be implemented; authorizes the delegation to spend up to \$250,000 for the review and plan; requires the vendor to charge the Southeast Volusia County Hospital District 18 percent, the West Volusia Hospital Authority 27 percent, and the Halifax Hospital Medical Center

55 percent of the contract amount; and lists the recommendations that must be included in the report to the delegation.

**Section 5--** Requires the Auditor General to contract with an independent public accountant to perform a financial-related audit of each of the hospital districts in Volusia County and report such findings to the delegation on December 31, 1998, and December 31, 1999; and establishes specific informational requirements of the audit.

**Section 6--** Provides that this bill takes effect upon becoming law, except that, section 1 of the bill takes effect after voter approval in a referendum election to be held in November 1999; provides for notice of election; establishes the manner of payment of the referendum; provides the actual wording of the question to be placed on the ballot for the referendum election.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes  No

IF YES, WHEN? March 7, 1998

WHERE? The News-Journal; Daytona Beach, Florida

B. REFERENDUM(S) REQUIRED? Yes  No

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes, attached  No

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached  No

IV. COMMENTS:

The West Volusia Hospital Authority expresses concern on behalf of the public it serves that its current millage rate of 1.87 mills may increase to 2.1 mills after January 1, 2000. The Economic Impact Statement observes that the bill reduces the millage rate of Halifax Hospital Medical Center from 2.1893 to 2.1, Southeast Volusia Hospital District from 2.13244 to 2.1, and West Volusia Hospital Authority from 1.872 to 1.8, prior to January 1, 2000. The statement also states that the bill caps future millage rates at these levels which is a significant decrease from the current caps which are 4 mills for Halifax, 6 mills for West Volusia Hospital Authority and 4 mills for Southeast Volusia Hospital District.

In addition, the West Volusia Hospital Authority indicates that the bill's financial-related audit requirement requires existing Volusia County hospital districts to spend additional money for a special audit. The West Volusia Hospital Authority states that it already has in-house certified public accountants (CPA's) and independent CPA firms to regularly perform its audits.

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V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VI. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

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