

STORAGE NAME: h0631a.rpp

DATE: April 4, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
REAL PROPERTY AND PROBATE
ANALYSIS**

BILL #: HJR 631

RELATING TO: Ad Valorem Taxation/Water Management

SPONSOR(S): Representatives Ritchie, Maygarden and others

TIED BILL(S): HB 1747 by Representative Ritchie

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

- (1) WATER & RESOURCE MANAGEMENT YEAS 8 NAYS 0
 - (2) REAL PROPERTY AND PROBATE YEAS 6 NAYS 3
 - (3) FINANCE & TAXATION
 - (4) GENERAL GOVERNMENT APPROPRIATIONS
 - (5)
-

I. SUMMARY:

This joint resolution proposes an amendment to Section 9, Article VII, of the State Constitution, to remove the ad valorem tax cap of .05 mill for water management purposes that applies only to the northwest portion of the state, thereby equalizing the constitutional millage limitation for water management purposes at 1.0 statewide.

This joint resolution will require a three-fifths vote of each chamber of the Legislature for passage.

This joint resolution is the first of four steps necessary to authorize a tax increase for the Northwest Florida Water Management District, and thus may have a positive fiscal impact on revenues for that district. See "Fiscal Analysis & Economic Impact Statement".

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

*This bill increases the constitutional cap on the allowed ad valorem tax rate within the Northwest Florida Water Management District; although implementation of any tax increase would require passage of this joint resolution, passage of the amendment by the electorate, passage of implementing legislation, and a decision by the Water Management District to increase the millage rate. An implementing bill, HB 1747, is pending before the Legislature.

B. PRESENT SITUATION:

Florida's five water management districts were created in 1972 at the same time that the Legislature adopted the "Florida Water Resources Act" which was designed to create a comprehensive administrative system of water regulation within the state. The district boundaries were based on hydrogeologic data as well as political considerations, but in the end, the following water management districts were established:

- Northwest Florida Water Management District (NFWWMD)
- Suwannee River Water Management District (SRWMD)
- St. Johns River Water Management District (SJRWMD)
- Southwest Florida Water Management District (SWFWMD)
- South Florida Water Management District (SFWMD)

The Northwest Florida Water Management District stretches from the St. Marks River Basin in Jefferson County to the Perdido River in Escambia County. The District is one of five water management districts in Florida created by the Water Resources Act of 1972. Sixteen counties lie within the Northwest Florida Water Management District: Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Leon, Liberty, Okaloosa, Santa Rosa, Wakulla, Walton and Washington counties and the westernmost portion of Jefferson County. Within the District's 11,305-square-mile area, there are several major hydrologic (or drainage) basins: Perdido River and Bay System, Pensacola Bay System (Escambia, Blackwater and Yellow rivers), Choctawhatchee River and Bay System, St. Andrew Bay System, Apalachicola River and Bay System, Ochlockonee River and Bay System and St. Marks River Basin (Wakulla River). With approximately 1.1 million residents, the northwest region represents about 8 percent of the state's population and 21 percent of its land area. A nine-member Governing Board, appointed by the Governor and confirmed by the Florida Senate, guides District activities. Board members serve four-year

terms without compensation and may be reappointed. An Executive Director oversees a staff of approximately 90 that includes hydrologists, geologists, biologists, engineers, planners, foresters, land managers and various administrative personnel.¹

During the 1975 legislative session, the Legislature provided for a special election on a proposed constitutional amendment to set limits on ad valorem tax assessments levied by local governments. Among the limits proposed was a 1-mill cap (\$1 for every \$1,000 of assessed value) on ad valorem taxes which could be levied for water management purposes in the rest of the state, but which was limited to .05 mill (5 cents per \$1,000 of assessed value) for the northwest portion of the state. At the time, the Legislature heard testimony that water supplies in the northwest part of the state were plentiful and water problems were believed to be much less severe.²

The proposed constitutional amendment passed with a vote of 55 percent to 45 percent, and in 1976, the Legislature amended s. 373.503, F.S., to implement the provisions of the constitutional amendment. The water management districts were authorized to impose the ad valorem tax assessment beginning in 1977, but the Legislature placed statutory caps on the amounts that could be levied by each district.

The governing boards of the districts are authorized to split the taxes levied into a millage necessary to support district activities, and a millage necessary to support the activities of basin boards contained within each district. The actual millage rate for each district is set by the district governing board during its annual budgeting process, however, the district millage in combination with the millage for each individual basin within the district may not exceed the statutory cap. While the other four water management districts have had room to grow, the NFWFMD has been statutorily and constitutionally capped at .05 mill since 1976.

The following chart compares the millage rates, ad valorem tax revenues, general revenue and the total budget of each of the five water management districts (WMD's).³

¹ <http://www.state.fl.us/nfwfmd/brochure/home.htm>

² "A History of Water Management Districts' Ad Valorem Taxing Power Under the Florida Constitution", by L.M. "Buddy" Blain, in The Pump, the newsletter of the NFWFMD newsletter, April 1986.

³ Chart compiled by staff of the Committee on Water & Resource Management.

Comparison of the WMDs' Different Millage Rates, Ad Valorem Tax Revenues, General Revenue, and Total Budget for FY 1999-2000 October 1, 1999 - September 30, 2000					
	NWFWMD	SFWMD	SWFWMD	SJRWMD	SRWMD
Constitutional Cap	.05 mill	1 mill	1 mill	1 mill	1 mill
Statutory Cap	.05 mill	.80 mill	1 mill	.60 mill	.75 mill
FY 99-00 District Millage Rate	.05 mill	.284 mill	.422	.482 mill	.4194 mill
FY 99-00 Basin Boards Millage Rate	-0-	.697 mill in the Okeechobee Basin (High) .562 in the Big Cypress Basin (Low)	.823 mill in the Pineallas-Anclote River Basin (High) .582 in the Manasota Basin (Low)	-0-	-0-
Ad Valorem Tax Revenue	\$1,837,367	\$271,600,000	\$99,153,543	\$63,893,038	\$3,060,000
General Revenue from State for operations	\$1,099,922	-0-	-0-	-0-	\$1,099,922
Total Budget from all sources ⁴	\$ 33,497,809	\$469,121,657	\$197,010,640	\$173,559,937	\$23,545,900

C. EFFECT OF PROPOSED CHANGES:

This joint resolution amends Section 9, Article VII, of the State Constitution to repeal the ad valorem tax millage cap of .05 mill (5 cents for every \$1,000 of assessed value) placed on the northwest portion of the state, thereby equalizing the constitutional millage rate cap for all water management districts at 1.0 mill (\$1 for every \$1,000 of assessed value).

This joint resolution provides an effective date of January 1, 2001.

D. SECTION-BY-SECTION ANALYSIS:

See "Present Situation" and "Effect of Proposed Changes".

⁴ This total budget figure includes federal and state grants, permit fees and income from operations.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

none

2. Expenditures:

The NFWFMD receives general revenue funds for its operating budget from the state. For the 1999-2000 fiscal year, the state appropriated approximately \$1.1 million in general revenue to the district for district operations, and \$300,000 in general revenue for wetlands protection. Also, for fiscal year 1998-1999, the Florida Department of Environmental Protection spent \$1.96 million in general revenue to operate the wetlands permitting program in the Panhandle.

The state general revenue appropriation for the benefit of the NFWFMD should decrease if a tax increase results from passage of this joint resolution. Enactment of a tax increase requires that this joint resolution pass the legislature and be passed at a general election. Furthermore, enacting legislation amending s. 373.503, F.S., would have to be enacted,⁵ and the directors of the NFWFMD would have to vote to increase the millage rate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

If this resolution passes and implementing legislation also passes which allows an increase in the millage rate, then directors of the NFWFMD can increase the millage rate. Accordingly, ad valorem tax revenues to the district could substantially increase.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Property owners within the NFWFMD will be directly impacted by the successful passage and implementation of this joint resolution.

Using a taxable property value of \$100,000, a property owner in the Panhandle currently pays \$5 in ad valorem taxes to the NFWFMD. Should the governing board be authorized to assess an ad valorem tax at the rate of 1.0 mill, that same property owner would pay \$100 in ad valorem taxes to the district.

⁵ HB 1747 provides that, should the authorized constitutional millage rate be increased, the NFWFMD may increase its millage rate ten-fold to 0.5 mills.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

A mandates analysis is not applicable to a joint resolution that is a proposed constitutional amendment.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

A mandates analysis is not applicable to a joint resolution that is a proposed constitutional amendment.

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

A mandates analysis is not applicable to a joint resolution that is a proposed constitutional amendment.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

Section 1, Article XI of the State Constitution provides that proposals to amend one or more articles of the State Constitution must be agreed to by three-fifths of the membership of each house of the Legislature.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

Comments by the Committee on Water & Resource Management

HJR 631 provides voters in the state with the opportunity to raise the constitutional cap of .05 mill on ad valorem assessments in the NFWFMD to 1.0 mill. It should be noted that the constitutional amendment is not self-implementing. Should the voters approve the proposed amendment, the Legislature would have to implement the provisions of the amendment by raising the statutory cap for the NFWFMD, which is set at .05 mill in s. 373.503(3), F.S.

It should also be noted that the voters of the entire state will vote on an amendment affecting only the taxpayers of the NFWFMD.

Comments by the Committee on Real Property & Probate

This joint resolution is similar to SJR 1200. HB 1747, the implementing legislation to this joint resolution, is similar to SB 1452.

The 1998 Annual Report of the NFWFMD states:

The District's Governing Board forwarded a resolution to the Constitution Revision Commission requesting that the District's ad valorem tax millage rate be set at a level equal to those of the other four water management districts. This constitutional inequity in funding has existed since 1976. As a result, the Northwest Florida Water Management District has not been able to implement many of the legislatively mandated and expanded water resource management programs due to limited funding. While the District was hopeful that its long-standing millage rate inequity would be corrected by the Constitution Revision Commission, it was not approved for placement on the November ballot. As water resource concerns continue to grow in the northwest, this funding inequity will increasingly prove to be a major obstacle in providing for the continuing protection of our important water resources.⁶

HJR 631 amends Article VII, Section 9, of the Florida Constitution, to raise the millage cap to 1.0 mills for the Northwest portion of the state. This amendatory language is identical to the language in Proposal 120 considered by the Constitution Revision Commission. On February 25, 1998, Proposal 120 failed 13-15.⁷

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON WATER & RESOURCE MANAGEMENT:

Prepared by:

Staff Director:

Karon A. Molloy

Joyce Pugh

AS REVISED BY THE COMMITTEE ON REAL PROPERTY AND PROBATE:

Prepared by:

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⁶ <http://www.state.fl.us/nwfwmd/pubs/annrpt98/AnReport98.htm>

⁷ Transcript of Constitution Revision Commission, February 25, 1998, at page 92.