

STORAGE NAME: h0631a.wrm

DATE: March 30, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
WATER & RESOURCE MANAGEMENT
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 & PROBATE
 - (3) FINANCE & TAXATION
 - (4) GENERAL GOVERNMENT APPROPRIATIONS
 - (5)
-

I. SUMMARY:

HJR 631 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.

HJR 631 also proposes the creation of Section 26, in Article XII of the State Constitution, to provide that if adopted at the November 2000 General Election, the amendment to Section 9, Article VII, of the State Constitution will take effect on January 1, 2001.

HJR 631 will require a three-fifths vote of each chamber of the Legislature for passage.

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 checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input 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:

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)

Sixteen counties lie within the boundaries of the NFWWMD including Bay, Escambia, Leon, Okaloosa, and Santa Rosa.

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 at .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.

The proposed 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 NFWWMD 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.

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					
	NFWWMD	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	\$ 33,497,809	\$469,121,657	\$197,010,640	\$173,559,937	\$23,545,900

C. EFFECT OF PROPOSED CHANGES:

HJR 631 proposes to amend 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 to be used for water management purposes at 1.0 mill (\$1 for every \$1,000 of assessed value).

HJR 631 also proposes to create Section 26, in Article XII of the State Constitution, to provide that if adopted at the November 2000 General Election, the amendment to Section 9, Article VII, of the State Constitution will take effect on January 1, 2001.

D. SECTION-BY-SECTION ANALYSIS:

None.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

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, DEP spent \$1.96 million in general revenue to operate the wetlands permitting program in the Panhandle.

The state could see some general revenue savings if HJR 631 is successfully amended into the State Constitution and implemented by the Legislature.

2. Expenditures:

If HJR 631 fails to pass the Legislature; fails to be amended into the State Constitution; or fails to be implemented by the Legislature and the NFWFMD, the state may have to continue supporting district operations and wetlands permitting through general revenue appropriations.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Ad valorem tax revenues to the district should increase based on the successful passage of HJR 631 as an amendment to the State Constitution; implementation by the Legislature in adjusting the .05 mill statutory limitation on ad valorem tax assessments; and action by the district's governing board to raise the millage rate. The amount of the revenue increase is indeterminate since a new millage rate is yet to be determined.

However, the district collected \$1.9 million in ad valorem revenues using a millage that is 1/20th of the constitutional cap of 1.0 mill (.05 x 20 = 1.0 mill). If the district had been able to levy at the maximum millage, it would have collected \$38 million in ad valorem revenues (\$1.9 million x 20).

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The taxpayers of the NFWFMD will be directly impacted by the successful passage and implementation of HJR 631, both as voters and as property owners. It should be noted that although residents of the Panhandle will have the opportunity to vote to increase their property taxes, so will voters in the rest of the state.

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Using a taxable property value of \$50,000, a property owner in the Panhandle currently pays \$2.50 in ad valorem taxes to the district. Should the governing board be authorized to assess at a value of 1.0 mill, the same property owner would pay \$50 in ad valorem taxes to the district.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The mandates provision is not applicable to HJR 631 because the proposed resolution does not require cities or counties to expend funds, or to take actions requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

HJR 631 does not reduce the revenue raising authority of counties or municipalities.

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

HJR 631 does not reduce the state tax revenues shared with counties or municipalities.

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:

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 on 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.

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON WATER & RESOURCE MANAGEMENT:

Prepared by:

Staff Director:

Karon A. Molloy

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