

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1614

SPONSOR: Comprehensive Planning, Local and Military Affairs and Senator Latvala

SUBJECT: Local Government Utilities Assistance

DATE: April 10, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Branning</u>	<u>Voigt</u>	<u>NR</u>	<u>Fav/1 amendment</u>
2.	<u>Bowman</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable/CS</u>
3.	_____	_____	<u>AGG</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill provides legislative intent regarding the condition or operation of privately owned water-wastewater utility systems and facilities. The bill provides for a pilot program to financially assist local governments in acquiring privately owned water-wastewater utilities. A Local Government Utilities Assistance Program is established in the Department of Environmental Protection. The pilot program will be implemented in Pasco County and is to be funded by reallocating certain moneys from the Solid Waste Management Trust Fund.

II. Present Situation:

In Florida there are an estimated 2,500 permitted wastewater facilities and approximately 7,000 permitted drinking water facilities. Sometimes private utilities are formed to serve an area whose population may not be large enough to allow operation and maintenance of the utility to function profitably for extended periods of time.

Without adequate financial resources to operate the utility, problems can arise with compliance with environmental and public health laws. Raising a sufficient amount of operating funds for the utility to comply with environmental and public health laws can result in monthly utility rates for customers that are significantly higher than other nearby utilities operated by general purpose local governments that have a service area and number of customers that allow more economical operating costs.

Often times, a solution to these types of problems created by private utilities with small customer bases, is to consolidate their service area with a general government utility and purchase the assets from private utility. However, for these transactions to proceed smoothly, detailed plans are needed to assist with the negotiations for the sale or consolidation. Also, a funding source is

needed that could be pledged for bond proceeds or otherwise committed for use in the initial buyout or development of detailed plans for these transactions.

III. Effect of Proposed Changes:

This committee substitute establishes a Local Government Utilities Assistance Program where the Department of Environmental Protection assists local governments in acquiring privately owned water-wastewater utilities that are struggling financially to operate in compliance with water quality standards and public health requirements. In order to qualify for financial assistance, the local government must meet the following criteria:

1. The quality of water or wastewater service provided by the privately owned water-wastewater utility is consistently inadequate to meet public health and safety standards.
2. The privately owned water-wastewater utility cannot make the improvements necessary to alleviate public health or water quality threats through its own resources without raising rates beyond a level commensurate with community standards.
3. The operation of the privately owned water-wastewater utility represents a public health or water quality threat that would be better addressed through public ownership.
4. The private utility desires to sell.

“Community standards” regarding water and sewer utility rates are defined to mean rates that are on a par with other rates in the county, or similar utility jurisdictions in surrounding counties. A “privately owned water-wastewater utility” is defined to mean a water or wastewater utility whose assets are privately owned.

If the local government demonstrates that acquisition of a privately owned water-wastewater utility meets the above criteria, the department may authorize financial assistance for the acquisition.

For fiscal years 2001-2002 and 2002-2003, one-half of the moneys that would otherwise be distributed to the Solid Waste Management Trust Fund, not to exceed \$2.5 million, must be distributed to the assistance program for a pilot program in Pasco County. The department may use up to 2 percent of the funds appropriated for the program to pay the costs of administration.

By January 1, 2004, the department is required to provide the Governor, President of the Senate and Speaker of the House of Representatives with a report on the Pasco County pilot program which evaluates the need to expand the Local Government Utilities Assistance Program to address the acquisition or consolidation of publicly owned water-wastewater utilities that threaten water quality or public health.

The effective date of the bill is July 1, 2001.

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:

For eligible utilities, the customer impact would be beneficial if environmental and health problems are resolved through acquisition of a water-wastewater utility by a local government that has a more economical base of customers. The impact on future rate levels charged by the acquiring local government may vary on a case-by-case basis.

C. Government Sector Impact:

No estimate is available at this time on the amount of funds needed for a pilot program in Pasco County.

Up to \$2.5 million in sales tax revenue that otherwise would be transferred to the Solid Waste Management Trust Fund would be diverted to fund the Pasco County utilities acquisition pilot program. The historical use of these funds is for the Solid Waste Management Trust Fund and to provide grants to local recycling programs. The emerging Senate Appropriations Bill has already diverted a substantial portion of the Solid Waste Management Funds and this additional amount may exhaust any remaining funds for local government grants or DEP staff functions relating to solid waste management.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.