

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS
FINAL BILL ANALYSIS**

BILL #: CS/CS/HB 523 Halifax Hospital Medical Center, Volusia County
SPONSOR(S): Ways & Means Committee; Local, Federal & Veterans Affairs Subcommittee; Santiago
TIED BILLS: IDEN./SIM. **BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local, Federal & Veterans Affairs Subcommittee	15 Y, 0 N, As CS	Miller	Miller
2) Ways & Means Committee	15 Y, 0 N, As CS	Curry	Langston
3) State Affairs Committee	21 Y, 0 N	Miller	Williamson
FINAL HOUSE FLOOR ACTION: 117 Y's 0 N's			
GOVERNOR'S ACTION: Approved			

SUMMARY ANALYSIS

CS/CS/HB 523 was passed by the House on April 17, 2019, and subsequently passed the Senate on May 1, 2019.

Halifax Hospital was created in 1925 to provide health care and medical services within defined geographic boundaries in Volusia County. The district is authorized to levy ad valorem taxes on nonexempt property within its boundaries to finance district operations. Since 1979, the district has created and operated health care facilities and services both within and without its territorial boundaries.

The bill amends the charter of the Halifax Hospital Medical Center providing express authority for certain operations and services outside the district boundaries in Brevard, Flagler, Lake, and Volusia Counties. This authority includes all facilities and services in which the district was engaged as of January 1, 2019. The bill expressly prohibits using revenues derived from ad valorem taxes or non-ad valorem assessments levied within the district for any purpose outside the district. The bill also authorizes the district to own, operate facilities, and provide Hospice services throughout Florida.

According to the Economic Impact Statement, the bill will facilitate the timely completion and opening of a hospital in the City of Deltona and beginning in fiscal year 2021-2022, it projects annual revenues will exceed annual expenditures for the hospital. The district projects that by its sixth year of operation the hospital will have created 519 jobs and have an annual economic impact of \$107 million. Further, it projects this extension of services and facilities will continue to reduce the district's reliance on ad valorem tax collections to help fund its operations.

The bill was approved by the Governor on May 10, 2019, ch. 2019-172, L.O.F., and became effective on that date.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Present Situation

A "special district" is a unit of local government created for a particular purpose, with jurisdiction to operate within a limited geographic boundary. Special districts are created by general law,¹ special act,² local ordinance,³ or by rule of the Governor and Cabinet.⁴ A special district has only those powers expressly provided by, or reasonably implied from, the authority provided in the district's charter. Special districts provide specific municipal services in addition to, or in place of, those provided by a municipality or county.⁵

A "dependent special district" is a special district where the membership of the governing body is identical to the governing body of a single county or municipality, all members of the governing body are appointed by the governing body of a single county or municipality, members of the district's governing body are removable at will by the governing body of a single county or municipality, and the district's budget is subject to the approval of the governing body of a single county or municipality.⁶ An "independent special district" is any district that is not a dependent special district.⁷

The charter of a newly-created district must state whether it is dependent or independent.⁸ Charters of independent special districts must address and include a list of required provisions, including the purpose of the district, its geographical boundaries, taxing authority, bond authority, and selection procedures for the members of its governing body.⁹

Special districts do not possess "home rule" powers and may impose only those taxes, assessments, or fees authorized by special or general law. The special act creating an independent special district may provide for funding from a variety of sources while prohibiting others. For example, ad valorem tax authority is not mandatory for a special district.¹⁰

Special districts may enter into interlocal agreements with one or more other local governmental units.¹¹ Under such an agreement, the special district may exercise jointly with the other participating local governments those powers, privileges, or authorities which they have in common and each may exercise separately.¹²

¹ S. 189.031(3), F.S.

² *Id.*

³ S. 189.02(1), F.S.

⁴ S. 190.005(1), F.S. *See, generally,* s. 189.012(6), F.S.

⁵ 2018 – 2020 *Local Gov't Formation Manual*, p. 62, at

<https://myfloridahouse.gov/Sections/Documents/loaddoc.aspx?PublicationType=Committees&CommitteeId=3025&Session=2019&DocumentType=General Publications&FileName=2018-2020 Local Government Formation Manual Final.pdf> (last accessed 2/28/2019).

⁶ S. 189.012(2), F.S.

⁷ S. 189.012(3), F.S.

⁸ S. 189.031(5), F.S.

⁹ S. 189.031(3), F.S. (setting forth the minimum charter requirements).

¹⁰ Art. VII, s. 9(a), Fla. Const.

¹¹ S. 163.01(2), (3)(b), F.S.

¹² S. 163.10(4), F.S.

Halifax Hospital Medical Center

Created in 1925 as the Halifax Hospital District,¹³ the Halifax Hospital Medical Center (commonly known as Halifax Health)¹⁴ is an independent special district located in a portion of Volusia County.¹⁵ Halifax Hospital Medical Center provides a broad array of medical and health care services through a number of facilities in Volusia and Flagler Counties. These facilities include inpatient hospitals located in the cities of Daytona Beach and Port Orange, a Level II Trauma Center, Level III Neonatal Intensive Care Unit, and the following community health and medical facilities:

1. Deltona: Halifax Health Primary Care
2. Edgewater: Halifax Health Hospice Care.
3. New Smyrna Beach: Halifax Health Center for Oncology; Halifax Health Family Practice.
4. Orange City: Halifax Health Hospice Care.
5. Ormond Beach:
 - a. Halifax Health Center for Oncology.
 - b. Halifax Health Hospice Care.
 - c. Halifax Health Laboratory Services.
 - d. Halifax Health Children's Medical Center.
 - e. Halifax Health Primary Care.
 - f. Halifax Health Care for Women.
 - g. Halifax Health EmployMed.
 - h. Halifax Health/Brooks Rehabilitation Outpatient Rehabilitation Center.
 - b. Halifax Health Urgent Care.
6. Palm Coast (Flagler County):
 - a. Halifax Health Children's Medical Center
 - b. Halifax Health/Brooks Rehabilitation Outpatient Rehabilitation Center.
7. Port Orange, Florida:
 - a. Halifax Health Center for Oncology.
 - b. Halifax Health Hospice Care.
 - c. Halifax Health Medical Center.
 - d. Halifax Health Laboratory Services.
 - e. Halifax Health Children's Medical Center.
 - f. Halifax Health EmployMed.
 - g. Halifax Health/Brooks Rehabilitation Outpatient Rehabilitation Center.
8. Volusia County, Florida:
 - a. Twin Lakes Center for Oncology.
 - b. Twin Lakes Laboratory Services.
 - c. Twin Lakes Surgery Center.¹⁶

Halifax Hospital Medical Center is governed by a seven member board of commissioners appointed by the Governor.¹⁷ The district has the power of eminent domain;¹⁸ may borrow money;¹⁹ may obtain necessary insurance for its operations, assets, and employees;²⁰ and may create a direct-support organization.²¹ The district may levy ad valorem taxes within the district to pay debt, maintain and

¹³ Ch. 11272, Laws of Fla. (1925).

¹⁴ See Halifax Health, "Our History," at <https://www.halifaxhealth.org> (last accessed 2/27/2019). The official name of the district in the current charter is "Halifax Hospital Medical Center" and is so referenced in this analysis.

¹⁵ Ch. 2003-374, Laws of Fla.

¹⁶ See Halifax Health, "Our Locations," at <https://www.halifaxhealth.org> (last accessed 2/27/2019).

¹⁷ Ch. 2003-374, s. 2 of s. 3, Laws of Fla.

¹⁸ Ch. 2003-374, s. 6 of s. 3, Laws of Fla.

¹⁹ Ch. 2003-374, s. 7(1) of s. 3, Laws of Fla.

²⁰ Ch. 2003-374, ss. 7(6)-(9), 18 of s. 3, Laws of Fla.

²¹ Ch. 2003-374, s. 20 of s. 3, Laws of Fla.

operate facilities, provide indigent care, and otherwise meet the purposes of its enabling act but the levy may not exceed 4 mills annually on nonexempt property.²² The district is authorized to issue “revenue bonds payable from ad valorem taxes, or bonds payable from a combination of the two (sic)...”²³ However, the district may issue general obligation bonds pledging either the full faith and credit or the taxing power of the district only on the prior approval of a majority of the district electors voting in a referendum.²⁴ Bonds issued by the district may be validated under ch. 75, F.S.²⁵

Table 1 shows the gross revenues, ad valorem tax revenues, total expenditures, and outstanding debt of Halifax Hospital Medical Center for the district’s fiscal years 2013 – 2017.²⁶

Table 1

Fiscal Year	Total Revenues	Ad Valorem Tax Revenues	Total Expenditures	Total Outstanding Debt ²⁷
2013	\$419,633,000	\$15,273,000	\$426,440,000	\$340,258,000
2014	\$532,334,000	\$12,465,000	\$560,656,000	\$341,784,000
2015	\$514,009,000	\$13,149,000	\$504,275,000	\$347,097,000
2016	\$587,065,000	\$13,252,000	\$531,334,000	\$346,770,000
2017	\$600,344,000	\$11,252,000	\$562,730,000	\$340,165,000

For the 2018 – 2019 fiscal year, Halifax Hospital Medical Center levied ad valorem taxes at the rate of 0.3781 mills, for a total levy of \$6,048,000.²⁸

Section 5 of the Halifax Hospital Medical Center Charter

As adopted originally, the charter for Halifax Hospital District authorized the establishment, construction, operation, and maintenance of hospitals as necessary for the use of the people in the district.²⁹ The 1925 enabling act and subsequent amendments³⁰ were recodified in 1979.³¹ Halifax Hospital Medical Center interpreted a change in the first sentence of the basic authorization section in the 1979 charter³² as allowing the district to provide services and open facilities outside the borders of the district.³³ Applying this interpretation, the district established and operated extra-territorial facilities

²² Ch. 2003-374, s. 9(2) of s. 3, Laws of Fla.

²³ Ch. 2003-374, s. 8(1) of s. 3, Laws of Fla. This sentence in the enabling act does not appear to include or directly reference a payment source other than ad valorem taxes.

²⁴ Ch. 2003-374, s. 8(1) of s. 3, Laws of Fla.

²⁵ Ch. 2003-374, s. 8(10) of s. 3, Laws of Fla.

²⁶ Data from Dept. of Financial Services, “Local Government General Ad Hoc Report (Halifax Hospital Medical Center)” (2013 – 2017), at <https://apps.fldfs.com/LocalGov/Reports/AdHoc.aspx> (last accessed 2/27/2019).

²⁷ Data from Dept. of Financial Services, “Local Government Total Report,” at <https://apps.fldfs.com/LocalGov/Reports/default.aspx> (last accessed 2/27/2019).

²⁸ https://www.halifaxhealthdistrict.org/wp-content/uploads/Halifax_Hospital_Medical_Center_Tax_Levy_FY_2018.pdf (last accessed 2/13/2019)

²⁹ Ch. 11272, s. 5, Laws of Fla. (1925).

³⁰ Chs. 13489 & 13490, Laws of Fla. (1927); ch. 16037, Laws of Fla. (1933); ch. 17977, Laws of Fla. (1937); ch. 19097, Laws of Fla. (1939); chs. 21748 & 21749, Laws of Fla. (1943); chs. 22688 & 22689, Laws of Fla. (1945); chs. 26280, 26283, 26292, Laws of Fla. (1949); ch. 27944, Laws of Fla. (1951); chs. 29579 & 29580, Laws of Fla.; ch. 31333, Laws of Fla. (1955); chs. 57-1925, 59-1952, 59-1953, 59-1954, 61-2961, 61-2963, 61-2964, 63-2019, 65-2353, 65-2354, 65-2356, 67-2155, 67-2156, 72-710, 72-711, 72-712, 74-622, 77-661, 77-662, Laws of Fla.

³¹ Ch. 79-577, Laws of Fla.

³² Ch. 79-577, s. 5, Laws of Fla.

³³ See Amended Brief of Halifax Hospital Medical Center, 17-18, 20, *Halifax Hospital Medical Center v. State of Fla., et al.*, Case No. SC18-683 in the Florida Supreme Court (filed 6/19/2018) [herein Appellant’s Initial Brief]; Reply Brief of Halifax Hospital Medical Center, 3-5, *Halifax Hospital Medical Center v. State of Fla., et al.*, Case No. SC18-683 in the Florida Supreme Court (filed 9/19/2018) [herein Appellant’s Reply Brief]. At the time these arguments were made, the legal standard for reviewing an agency’s

and services for a number of years.³⁴ The text on which the district relies was substantially unchanged when the 1979 charter and subsequent amending acts³⁵ were again recodified in 2003.³⁶ Table 2 compares the text of the basic authorization section in the three versions of the district's charter.

Table 2

1925 Charter s. 5	1979 Charter s. 5	2003 Charter s. 5 of s. 3
Said Board of Commissioners is hereby authorized and empowered to establish, construct, operate and maintain such hospital or hospitals as in their opinion shall be necessary for the use of the people of said district. Said hospital or hospitals shall be established (<i>sic</i>) constructed, operated and maintained by said Board of Commissioners for the preservation of the public health, and for the public good and for the use of the public of said district; and maintenance of such hospital or hospitals within said district are hereby found and declared to be a public purpose and necessary for the preservation of the public health and for the public use and for the welfare of said district and inhabitants thereof. The location of such hospital or hospitals shall be determined by the Board.	The district may establish, construct, operate, and maintain such hospitals, medical facilities clinics, and out-patient facilities and services as are necessary. The hospitals, medical facilities or clinics, and out-patient facilities and services shall be established, constructed, operated, and maintained by the district for the preservation of the public health, for the public good and for the use of the public of the district; and maintenance of such hospitals, medical facilities, clinics, and out-patient facilities and services in the district are hereby found and declared to be a public purpose and necessary for the general welfare of the residents of the district. The location of such hospitals, medical facilities, clinics, or out-patient facilities shall be determined by the board.	The district may establish, construct, operate, and maintain such hospitals, medical facilities, and other health care facilities and services as are necessary. The hospitals, medical facilities, and other health care facilities and services shall be established, constructed, operated, and maintained by the district for the preservation of the public health, for the public good, and for the use of the public of the district. Maintenance of such hospitals, medical facilities, and other health care facilities and services in the district is hereby found and declared to be a public purpose and necessary for the general welfare of the residents of the district.

Each version of the charter for the Halifax Hospital Medical Center required the act be liberally interpreted to achieve its stated purposes.³⁷

Deltona Hospital Litigation

The City of Deltona is the most populous municipality in Volusia County, with an estimated population of 91,007 as of April 1, 2018.³⁸ Deltona also is one of the largest municipalities in Florida without an acute care hospital within its boundaries.³⁹ To improve the provision of health care services within the City, Deltona and Halifax Hospital Medical Center entered discussions for the district to obtain necessary licensure, construct, operate, and maintain a 96 bed hospital facility within the City. The district applied for a Certificate of Need from the Agency for Health Care Administration (AHCA), which

determination of its operative law required the court to give deference to the agency's interpretation if further interpretation was necessary. On November 6, 2018, the voters of Florida approved proposed Amendment 6 to the Florida Constitution, creating art. V, s. 21, which prohibits a reviewing court from deferring to an agency's interpretation of law and requiring an original, or *de novo* review by the court. That amendment was effective on January 8, 2019. Art. XI, s. 5(e), Fla. Const. The Supreme Court found the laws at issue were unambiguous and could be applied by the Court without need for other rules of interpretation. *Halifax Hospital Medical Center v. State of Florida*, No. SC18-683 (Fla. Apr. 18, 2019), 4.

³⁴ Appellant's Initial Brief, 8.

³⁵ Chs. 79-578, 84-539, 89-409, 91-352, Laws of Fla.

³⁶ Ch. 2003-374, Laws of Fla.

³⁷ Ch. 11272, s. 20, Laws of Fla. (1925); ch. 79-577, s. 15, Laws of Fla.; ch. 2003-374, s. 15 of s. 3, Laws of Fla.

³⁸ Office of Economic and Demographic Research, "Florida Population Estimates of Counties and Municipalities (April 1, 2018)," at http://edr.state.fl.us/Content/population-demographics/data/2018_Pop_Estimates_Revised.pdf (last accessed 3/2/2019).

³⁹ Appellant's Initial Brief, 8.

was approved in February 2016.⁴⁰ The only opposition to the proposed Deltona hospital was filed by Central Florida Regional Hospital, Inc., which AHCA did not consider because this hospital is outside the district in which Deltona is located.⁴¹ On November 6, 2017, Deltona and the district entered into an interlocal agreement for the district to construct and operate health facilities within the City.⁴²

In 2016, a resident and taxpayer within the district, Nancy Epps, brought suit challenging the authority of the district to construct and operate a hospital in the City of Deltona, which is outside the boundaries of the district.⁴³ That matter is still pending.

To finance the development and completion of the Deltona hospital, on January 8, 2018, the Board of the district adopted a resolution to issue \$115 million in bonds using the district's authority.⁴⁴ Following the statutory procedure,⁴⁵ the district filed a complaint in the Circuit Court to validate the bonds.⁴⁶ Ms. Epps intervened in the bond validation case⁴⁷ challenging the district's authority to issue bonds for a facility located outside of the district. On April 17, 2018, the Circuit Court ruled in the bond validation case that the district's charter authorized the construction and operation of health care facilities and provision of services within the district only. The Circuit Court found the district was not authorized to construct the Deltona hospital which is outside the geographical boundaries of the district, and accordingly, refused to validate the proposed bond issue.⁴⁸ Halifax Hospital Medical Center appealed that ruling to the Florida Supreme Court.⁴⁹ On April 18, 2019, the Supreme Court affirmed the decision of the circuit court, holding that the district's enabling law did not expressly authorize any operation outside the district boundaries.⁵⁰

Effect of Proposed Changes

The bill amends the district charter to provide express authority for certain operations and services outside the district boundaries. The district will be authorized to establish, own, construct, equip, operate, manage, and maintain hospitals and other types of health care facilities in Brevard, Flagler, Lake, and Volusia Counties. This authority includes all facilities and services in which the district was engaged as of January 1, 2019. The district will be expressly prohibited from using any revenues from ad valorem taxes or non-ad valorem special assessments levied within the district for any purpose outside the district boundaries. The district also will be authorized to own, operate facilities, and provide Hospice services pursuant to Part IV of Chapter 400, F.S., both within and beyond the district boundaries throughout the State of Florida.

⁴⁰ See Agency for Health Care Administration, "State Agency Action Report CON Application for Certificate of Need – Halifax Hospital Medical Center/CON #10429," at <http://apps.ahca.myflorida.com/certneedweb/decisions.aspx?TYPEDATE=H1602> (last accessed 3/2/2019).

⁴¹ *Id.*, 24-25.

⁴² Appellant's Initial Brief, 10. See s. 163.01, F.S.

⁴³ *Nancy Epps v. Halifax Hospital Medical Center*, case no. 2016-30830-CICI, in the 7th Judicial Circuit Court in and for Volusia County, Florida.

⁴⁴ Appellant's Initial Brief, 10. See ch. 2003-374, s. 8 of s. 3, Laws of Fla.

⁴⁵ Ch. 75, F.S.

⁴⁶ *Halifax Hospital Medical Center v. State of Florida, et al.*, Case no. 2018 30059 CICI, in the 7th Judicial Circuit Court in and for Volusia County, Florida.

⁴⁷ See s. 75.07, F.S.

⁴⁸ "Order on Motion for Final Judgment," Case no. 2018 30059 CICI (4/17/2018).

⁴⁹ "Notice of Appeal (4/26/2018)," at

<http://onlinedockets.flcourts.org/DocketResults/CaseDocket?Searchtype=Case+Number&CaseYear=2018&CaseNumber=683> (last accessed 3/2/2019). The Supreme Court has jurisdiction to hear direct appeals from bond validation proceedings. Art. V, s. 3(b)(2), Fla. Const.; s. 75.08, F.S.

⁵⁰ *Halifax Hospital Medical Center v. State of Florida*, No. SC18-683 (Fla. Apr. 18, 2019).

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Economic Impact Statement (EIS) projects that by its sixth year of operation the new hospital in the City of Deltona will have created 519 jobs within the state and have an annual economic impact of \$107 million.⁵¹ The district further projects this extension of services and facilities will continue to reduce the district's reliance on ad valorem tax collections to fund operations. The EIS projects increased revenues of \$25.73 million in FY 2019-2020 and \$38.01 million in FY 2020-2021.

2. Expenditures:

To complete construction, equip, and operate the Deltona hospital, the EIS projects expenditures of \$33.74 million in FY 2019-2020 and \$39.41 million in FY 2020-2021. Beginning in FY 2021-2022, the EIS projects annual revenues will exceed annual expenditures for the Deltona hospital.⁵²

C. ECONOMIC IMPACT STATEMENT FILED? Yes No

D. NOTICE PUBLISHED? Yes No

IF YES, WHEN? December 21, 2018

WHERE? Daytona Beach News-Journal, Volusia County, Florida

E. REFERENDUM(S) REQUIRED? Yes No

IF YES, WHEN?

⁵¹ See 2019 Economic Impact Statement, 8-9, at <https://myfloridahouse.gov/Sections/Bills/billsdetail.aspx?BillId=63374> (last accessed 4/22/2019).

⁵² *Id.* at 38.