

## HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

**BILL #:** CS/HB 1633 Okaloosa Gas District, Okaloosa, Santa Rosa, and Walton Counties

**SPONSOR(S):** State Affairs Committee, Drake

**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local Administration & Veterans Affairs Subcommittee	15 Y, 0 N	Darden	Miller
2) Tourism, Infrastructure & Energy Subcommittee	14 Y, 3 N	Willson	Keating
3) State Affairs Committee	20 Y, 0 N, As CS	Miller	Williamson

### SUMMARY ANALYSIS

The Okaloosa Gas District (District) is an independent special district formed in 1953 to own and operate natural gas transmission and distribution systems in Okaloosa County. The service area of the District has since expanded to include portions of Santa Rosa and Walton Counties. The District provides natural gas services to approximately 45,000 residential and commercial customers, as well as several military installations.

A five-member board of directors governs the District, with four members appointed by the city commissions of the members of the District and one member appointed by the Okaloosa County Board of County Commissioners. Members of the board do not receive compensation, but are entitled to reimbursement for expenses and a "director's fee" of up to \$25 per month for board meetings they attend.

The bill expands the service area of the District to include all of Santa Rosa and Walton Counties, clarifying areas that would be included in the present boundaries of the District but for their explicit exclusion in the charter: the City of Milton and its rights to serve gas customers within its territorial grants, the City of Defuniak Springs and its gas distribution system, the Town of Jay, and the City of Gulf Breeze and certain adjoining areas. The bill provides that a defined area that is currently claimed as service area by both the District and City of Gulf Breeze is neither included nor excluded from the service area of the District, but that the Florida Public Service Commission will make a final determination of its status.

The bill also expands the District's board of directors to include members appointed by the county commissions of Santa Rosa and Walton Counties and increases the maximum "director's fee" to \$244 per month.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### **Background**

The Okaloosa Gas District (District) is an independent special district formed in 1953 to own and operate natural gas transmission and distribution systems in Okaloosa County.<sup>1</sup> The service area of the District has since expanded to include portions of Santa Rosa and Walton Counties.<sup>2</sup> The District provides natural gas services to approximately 45,000 residential and commercial customers, as well as several military installations.<sup>3</sup> The District also sells natural gas to the cities of Milton and Gulf Breeze for distribution by their municipal utility systems.

The District projects annual revenues for fiscal year 2020-2021 of \$48.6 million, derived almost entirely from gas sale revenues.<sup>4</sup>

The District's charter states that the municipalities of Crestview, Niceville, Valparaiso, and Fort Walton Beach are "members" of the District.<sup>5</sup> Other municipalities in Okaloosa County may join the District by adopting a resolution, filed with the Secretary of State, requesting to join the District and stating the municipality will be bound by the duties applicable to other members. The board of directors of the District must approve this request for it to take effect. The charter also provides that other municipalities in counties adjoining Okaloosa County may become members of the District if their membership has been authorized by special act.

A five-member board of directors governs the District, with one member appointed by the governing body of each member municipality and one member appointed by the Okaloosa County Board of County Commissioners.<sup>6</sup> Members of the board serve a four-year term. Elected officials may serve as members of the board, except that no member of the Okaloosa County Board of County Commissioners may serve as a member.

Members of the board of directors do not receive compensation, but are reimbursed for actual expenses incurred in the performance of their official duties and may receive, subject to the discretion of the board, a "director's fee" of up to \$25 for each director's meeting attended, not to exceed one meeting per month.

The City of Milton<sup>7</sup> provides natural gas services to customers within service areas designated by law in 1961<sup>8</sup> and 1971.<sup>9</sup>

#### **Effect of Proposed Changes**

The bill expands the service area of the District to include all of Santa Rosa and Walton Counties, clarifying areas that would be included in the present boundaries of the District but for their explicit exclusion in the charter: the City of Milton and its rights to serve gas customers within its territorial grants, the City of Defuniak Springs and its gas distribution system, the Town of Jay, and the City of Gulf Breeze and certain adjoining areas. The bill also provides that a defined service area that is presently claimed by both the District and the City of Gulf Breeze is neither included nor excluded from

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<sup>1</sup> Ch. 29334, Laws of Fla. (1953).

<sup>2</sup> See ch. 2000-443, s. 2(3), Laws of Fla.

<sup>3</sup> *About Us*, Okaloosa Gas District, <https://www.okaloosagas.com/about-us> (last visited Mar. 18, 2021).

<sup>4</sup> *FY 2021 Budget*, Okaloosa Gas District, available at <https://www.okaloosagas.com/district-documents> (last visited Mar. 18, 2021).

<sup>5</sup> Ch. 2000-443, s. 2(5), Laws of Fla.

<sup>6</sup> Ch. 2000-443, s. 2(8), Laws of Fla.

<sup>7</sup> Formerly known as the Town of Milton. See ch. 13105, Laws of Fla. (1927). The City was re-chartered and renamed the City of Milton in 1959. See ch. 59-1574, Laws of Fla.

<sup>8</sup> Ch. 61-2489, Laws of Fla.

<sup>9</sup> Ch. 71-773, Laws of Fla.

the service area of the District, but the Florida Public Service Commission will make a final determination of its status.

The bill expands the board of directors of the District to include:

- One member appointed by the Santa Rosa County Board of County Commissioners; and
- One member appointed by the Walton County Board of County Commissioners.

The bill increases the maximum “director’s fee” paid to members of the board from \$25 to \$244, reflecting inflation since the initial amount was set in 1953.<sup>10</sup>

**B. SECTION DIRECTORY:**

Section 1: Amends ch. 2000-443, Laws of Fla., to expand and clarify the territorial limits of the District, revise the membership of its board, and increase the meeting attendance fee paid to each member of the board.

Section 2: Provides an effective date of upon becoming a law.

**II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS**

A. NOTICE PUBLISHED? Yes  No

IF YES, WHEN? January 31, 2021

WHERE? The *Northwest Florida Daily News*, a daily newspaper of general circulation distributed in Okaloosa, Santa Rosa, and Walton Counties.

B. REFERENDUM(S) REQUIRED? Yes  No

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes  No

D. ECONOMIC IMPACT STATEMENT FILED? Yes  No

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

The bill neither provides authority for nor requires rulemaking by executive branch agencies.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

On April 15, 2021, the State Affairs Committee adopted an amendment and reported the bill favorably as a committee substitute. The amendment clarified the boundaries of the District in relation to the City of Milton and its rights to serve gas customers, and the City of DeFuniak Springs and its gas distribution system.

<sup>10</sup> \$25.00 in January, 1953, had the buying power of approximately \$244.81 in December, 2020. See U.S. Bureau of Labor Statistics, “CPI Inflation Calculator,” at [CPI Inflation Calculator \(bls.gov\)](https://www.bls.gov/inflation-calculator/) (last visited April 15, 2021).

This analysis is drawn to the committee substitute adopted by the State Affairs Committee.