

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Committee on Rules

BILL: CS/CS/SB 1724

INTRODUCER: Community Affairs Committee; Regulated Industries Committee; and Senator Martin

SUBJECT: Utility Services

DATE: February 16, 2026

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Schrader</u>	<u>Imhof</u>	<u>RI</u>	<u>Fav/CS</u>
2.	<u>Hackett</u>	<u>Fleming</u>	<u>CA</u>	<u>Fav/CS</u>
3.	<u>Schrader</u>	<u>Kruse</u>	<u>RC</u>	<u>Pre-meeting</u>

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/CS/SB 1724 revises requirements for municipal utilities that provide water and wastewater, natural gas, or electric services outside their corporate boundaries. The bill amends s. 180.19, F.S., to require, before the agreement becomes effective, that new service agreements be in writing and subject to public input through meetings held within each municipality and unincorporated areas to be served, as well as annual customer meetings thereafter. The section also limits the use of gross utility revenues from such served areas for general government purposes to 10 percent and requires excess revenues, after recovery of actual costs, to be reinvested in the municipal utility or returned to customers.

The bill also amends s. 180.191, F.S., to eliminate, for such served areas, authorized 25 percent surcharges and reduce the allowable rate differential cap from 50 percent to 25 percent above rates charged within the municipality providing service. The bill also requires rate parity under certain circumstances for municipal water and wastewater services.

For such municipal utilities providing services outside of their municipal boundaries, the bill also adds a reporting requirement to the Public Service Commission (PSC), the results of which must be compiled and provided to the Governor, President of the Senate, and the Speaker of the House of Representatives.

The bill has an effective date of July 1, 2026.

II. Present Situation:

Florida Public Service Commission

The Florida Public Service Commission (PSC) is an arm of the legislative branch of government.¹ The role of the PSC is to ensure Florida's consumers receive utility services, including electric, natural gas, telephone, water, and wastewater, in a safe and reliable manner and at fair prices.² In order to do so, the PSC exercises authority over utilities in one or more of the following areas: rate base or economic regulation; competitive market oversight; and monitoring of safety, reliability, and service issues.³

Electric and Gas Utilities

The PSC monitors the safety and reliability of the electric power grid⁴ and may order the addition or repair of infrastructure as necessary.⁵ The PSC has broad jurisdiction over the rates and service of investor-owned electric and gas utilities⁶ (defined as “public utilities” under ch. 366, F.S.).⁷ However, the PSC does not fully regulate municipal electric utilities (utilities owned or operated on behalf of a municipality) or rural electric cooperatives. The PSC does have jurisdiction over these types of utilities with regard to rate structure, territorial boundaries, and bulk power supply operations and planning.⁸ For municipal gas utilities, the PSC has authority over territorial boundary disputes and agreements.

Municipally-owned utility rates and revenues are regulated by their respective local governments or local utility boards. Rates and revenues for a cooperative utility are regulated by its governing body elected by the cooperative's membership.

Municipal Electric and Gas Utilities, and Special Gas Districts, in Florida

A municipal electric or gas utility is an electric or gas utility owned and operated by a municipality. A “special gas district” is a dependent or independent special district, set up pursuant to ch. 189, F.S., to provide natural gas service.⁹ Chapter 366, F.S., provides the majority of electric and gas utility regulations for Florida. While ch. 366, F.S., does not provide a definition, per se, for a “municipal utility,” variations of this terminology and the concept of these types of utilities appear throughout the chapter. Currently, Florida has 33 municipal electric

¹ Section 350.001, F.S.

² See Florida Public Service Commission, *Florida Public Service Commission Homepage*, <http://www.psc.state.fl.us> (last visited Feb. 9, 2026).

³ Florida Public Service Commission, *About the PSC*, <https://www.psc.state.fl.us/about> (last visited Feb. 9, 2026).

⁴ Section 366.04(5) and (6), F.S.

⁵ Section 366.05(1) and (8), F.S.

⁶ Section 366.05, F.S.

⁷ Section 366.02(8), F.S.

⁸ Florida Public Service Commission, *About the PSC*, *supra* note 3.

⁹ Section 189.012(6), F.S., defines a “special district” as “a unit of local government created for a special purpose, as opposed to a general purpose, which has jurisdiction to operate within a limited geographic boundary and is created by general law, special act, local ordinance, or by rule of the Governor and Cabinet.”

utilities that serve over 14 percent of the state’s electric utility customers.¹⁰ Florida also has 27 municipally-owned gas utilities and four special gas districts.¹¹

Water and Wastewater Utilities

Florida’s Water and Wastewater System Regulatory Law, ch. 367, F.S., regulates water and wastewater systems in the state. Section 367.011, F.S., grants the PSC exclusive jurisdiction over each utility with respect to its authority, service, and rates. For the chapter, a “utility” is defined as “a water or wastewater utility and, except as provided in s. 367.022, F.S., includes every person, lessee, trustee, or receiver owning, operating, managing, or controlling a system, or proposing construction of a system, who is providing, or proposes to provide, water or wastewater service to the public for compensation.” In 2024, the PSC had jurisdiction over 153 investor-owned water and/or wastewater utilities in 40 of Florida’s 67 counties.¹²

Section 367.022, F.S., exempts certain types of water and wastewater operations from PSC jurisdiction and the provisions of ch. 367, F.S. (except as expressly provided in the chapter). Such exempt operations include: municipal water and wastewater systems, public lodging systems that only provide service to their guests, systems with a 100-person or less capacity, landlords that include service to their tenants without specific compensation for such service, and mobile home parks operating both as a mobile home park and a mobile home subdivision that provide “service within the park and subdivision to a combination of both tenants and lot owners, provided that the service to tenants is without specific compensation,” and others.¹³ The PSC also does not regulate utilities in counties that have exempted themselves from PSC regulation pursuant to s. 367.171, F.S. However, under s. 367.171(7), F.S., the PSC retains exclusive jurisdiction over all utility systems whose service crosses county boundaries, except for utility systems that are subject to interlocal utility agreements.

Municipal Water and Sewer Utilities in Florida

A municipality¹⁴ may establish a utility by resolution or ordinance under s. 180.03, F.S. A municipality may establish a service area within its municipal boundary or within five miles of its corporate limits of the municipality.¹⁵

Under s. 180.19, F.S., a municipality may permit another municipality and the owners or association of owners of lands outside of its corporate limits or within another municipality’s corporate limits to connect to its utilities upon such terms and conditions as may be agreed upon between the municipalities.

¹⁰ Florida Municipal Electric Association, *About Us*, <https://www.flpublicpower.com/about-us> (last visited Feb. 9, 2026).

¹¹ Florida Public Service Commission, *2025 Facts and Figures of the Florida Utility Industry*, pg. 14, Apr. 2025 (available at: <https://www.floridapsc.com/pscfiles/website-files/PDF/Publications/Reports/General/FactsAndFigures/April%202025.pdf>).

¹² Florida Public Service Commission, *2025 Facts and Figures of the Florida Utility Industry*, p. 4, <https://www.floridapsc.com/pscfiles/website-files/PDF/Publications/Reports/General/FactsAndFigures/April%202025.pdf> (last visited Feb. 9, 2026).

¹³ Section 367.022, F.S.

¹⁴ Defined by s. 180.01, F.S., “as any city, town, or village duly incorporated under the laws of the state.”

¹⁵ Section 180.02, F.S., *see also* s. 180.06, F.S.

The PSC does not have jurisdiction over municipal water and sewer utilities, and as such, has no authority over the rates or territories for such utilities.¹⁶ Municipally-owned water and sewer utility rates and revenues are regulated by their respective local governments, sometimes through a utility board or commission.

Municipal Water and Sewer Utility Rate Setting

The PSC does not have jurisdiction over municipal water and sewer utilities, and as such, has no authority over the rates for such utilities. Municipally-owned water and sewer utility rates, revenues, and territories are regulated by their respective local governments, sometimes through a utility board or commission.

Municipal Water and Sewer Utility Rates for Customers Outside of Corporate Limits

Section 180.191, F.S., provides limitations on the rates that can be charged to customers outside their municipal boundaries. The first option is that such a municipality may charge the same rates outside as inside its municipal boundaries, but may add a surcharge of not more than 25 percent to those outside the boundaries (s. 180.191(1)(a), F.S., rate design).¹⁷ The fixing of rates, fees, or charges for customers outside of the municipal boundaries, in this manner, does not require a public hearing.

Alternatively, a municipality may charge rates that are just and equitable and based upon the same factors used in fixing the rates for the customers within the boundaries of the municipality. In addition, the municipality may add a 25 percent surcharge (s. 180.191(1)(b), F.S., rate design). When a municipality uses this methodology, the total of all rates, fees, and charges for the services charged to customers outside the municipal boundaries may not be more than 50 percent in excess of the total amount the municipality charges consumers within its municipal boundaries, for corresponding service.¹⁸ Under this scenario, the rates, fees, and charges may not be set until a public hearing is held and the users, owners, tenants, occupants of the property served or to be served, and all other interested parties have an opportunity to be heard on the rates, fees, and charges. Any change in the rates, fees, and charges must also have a public hearing unless the change is applied pro rata to all classes of service, both inside and outside of the municipality.¹⁹

The provisions of s. 180.191, F.S., may be enforced by civil action. Whenever any municipality violates, or if reasonable grounds exist to believe that a municipality is about to violate, s. 180.191, F.S., an aggrieved party may seek preventive relief, including an application for a

¹⁶ The PSC can, however, consider municipal water or wastewater utility territory when it is granting or amending a certificate of authority for an investor-owned water or wastewater utility to operate within a county under the PSC's jurisdiction (but it is not bound by such decisions of local government). Section 367.045(5)(b), F.S., provides that, "when granting or amending a certificate of authorization, the commission need not consider whether the issuance or amendment of the certificate of authorization is inconsistent with the local comprehensive plan of a county or municipality unless a timely objection to the notice required by this section has been made by an appropriate motion or application. If such an objection has been timely made, the commission shall consider, but is not bound by, the local comprehensive plan of the county or municipality."

¹⁷ Section 180.191(1)(a), F.S.

¹⁸ Section 180.191(1)(b), F.S.

¹⁹ *Id.*

permanent or temporary injunction, restraining order, or other order.²⁰ A prevailing party under such an action may seek treble damages and, in addition, a reasonable attorney's fee as part of the cost.²¹

City of Miami Gardens v. City of North Miami Beach

The Norwood Water Treatment Plant (Norwood Plant), operated by the City of North Miami Beach (NMB), treats and distributes water for North Miami Beach's municipal water and wastewater utility which provides service to customers in NMB and the City of Miami Gardens. Though owned by NMB, the plant is physically located outside of the geographic boundaries of that municipality in what is now, since May 13, 2003,²² within the geographic boundaries of Miami Gardens.²³

On January 7, 2003, NMB adopted an ordinance, pursuant to s. 180.191, F.S., increasing the surcharge on its water and wastewater customers residing outside of its municipal boundaries. On May 22, 2017, NMB entered into an agreement for a private entity to maintain, repair and manage the Norwood Plant; however, NMB retained ownership of the plant.²⁴

In December of 2018, Miami Gardens brought a class action lawsuit, which sought to represent not only itself, but also its residents who purchase water from the Norwood Plant. In part, Miami Gardens sought a declaratory judgment seeking the answers to three questions:

- If NMB assigned to a private contractor all operational responsibility for water utilities it owns that are located outside its geographical bounds, is NMB still “operating” those water utilities?
- If NMB is no longer “operating” water utilities it owns that are located outside its geographical bounds, may NMB lawfully charge a 25 percent surcharge on water provided to consumers within the City of Miami Gardens?
- Does s. 180.191, F.S., provide for the imposition of a 25 percent surcharge per billing cycle by NMB upon the City of Miami Gardens and the members of the class for water drawn from the aquifer located within the boundaries of the City of Miami Gardens which is processed in and never leaves the boundaries of the municipality?²⁵

After the parties were given a chance to resolve the dispute for six months, the trial court eventually dismissed the complaint on four bases:

- NMB had terminated the contract with the private entity to operate the Norwood Plant, and thus the complaint was moot;
- The complaint was not supported by the plain language of s. 180.191(1), F.S;
- Statute of limitations, as the complaint had been filed 15 years after Miami Gardens was incorporated and 16 years after the surcharge had been put in place (citing to the four-year statute of limitations provided in s. 95.11(3), F.S); and

²⁰ Section 180.191(2), F.S.

²¹ Section 180.191(4), F.S.

²² Miami Gardens was incorporated on May 13, 2003.

²³ *City of Miami Gardens v. City of N. Miami Beach*, 346 So. 3d 648, 650–51 (Fla. 3d DCA 2022). The City of North Miami Beach operated the Norwood Plant before the City of Miami Gardens was incorporated.

²⁴ *Id.* at 651.

²⁵ *Id.*

- Sovereign immunity.²⁶

Miami Gardens appealed this dismissal to the Florida Third District Court of Appeal. The Third District Court reversed the dismissal and remanded the case back to the trial court, stating that:

- Sovereign immunity did not bar the claims of Miami Gardens. The court found that sovereign immunity did not apply in this matter since s. 180.191(4), F.S., clearly provides a financial damages remedy for actions pursuant to s. 180.191, F.S. In addition, the court found that sovereign immunity did not apply to refunds of previously paid illegal fees;
- Miami Gardens' allegation that an NMB-owned water treatment plant, contracted to be operated by a private party, was not entitled to assess a 25 percent surcharge on non-NMB residents, was sufficient to state a claim under s. 180.191, F.S.; and
- The matter was not moot, even though, since October 30, 2019, NMB had removed the surcharges for the services supplied to the City of Miami Gardens itself (but not for other residential and business customers) and, as of August 6, 2020, NMB had terminated its contract with the private entity operating the plant. The court found that Miami Gardens and its class still had a case and controversy as to whether it, and its residents, were due a refund and that the cessation of the surcharge was not permanent.²⁷

On January 16, 2025, the trial court issued a final order approving a settlement that pays \$9 million to Miami Gardens and its class from NMB.²⁸

III. Effect of Proposed Changes:

Section 1 of the bill amends s. 180.19, F.S., to place additional requirements on when municipal water and wastewater, natural gas, and electric utilities may permit any other municipality and the owners or association of owners of lots or lands outside of its corporate limits or within the limits of any other municipality, to connect with or use such utilities. The section requires new agreements to provide such service be in writing.²⁹ In addition, the agreement may not become effective until an appointed representative³⁰ of the municipality providing or intending to provide the utility service (serving municipality), has participated in a public meeting in conjunction with the governing body³¹ of each municipality and unincorporated area to be served (receiving entities). Such meeting:

- Need not be a separate public meeting;
- Must be held within each receiving entity;
- Is to be held for the purposes of providing information and soliciting public input on:
 - The nature of the services to be provided or changes to the services being provided;

²⁶ *Id* at 653.

²⁷ *Id* at 653-58.

²⁸ *City of Miami Gardens v. City of North Miami Beach*, No. 2018-042450-CA-01 (Fla. 11th Cir. Ct. Jan. 16, 2025)(final order and judgment approving settlement agreement).

²⁹ The section applies to any “new agreement, or an extension, renewal, or material amendment of an existing agreement, to provide electric, water, or sewer utility service at retail.”

³⁰ The section defines “appointed representative” as “an executive-level leadership employee of a municipality, or of such municipality’s related and separate utility authority, board, or commission, specifically appointed by the governing body to serve as its representative for the purposes of this subsection.”

³¹ The section defines “governing body” as the “governing body of a municipality in which services are provided or proposed to be extended; or the board of county commissioners of a county in which services are provided or proposed to be extended, if services are provided or proposed to be extended in an unincorporated area within the county.”

- The rates, fees, and charges to be imposed for the services provided or intended to be provided, including any differential with the rates, fees, and charges imposed for the same services on customers located within the boundaries of the serving municipality, the basis for the differential, and the length of time that the differential is expected to exist;
- The extent to which revenues generated from the provision of the services will be used to fund or finance nonutility government functions or services; and
- Any other matter deemed relevant by the serving municipality and receiving entities.

For municipal water and wastewater utilities, the rates charged by the serving municipality to the receiving entities must comply with the requirements of s. 180.191, F.S.

In addition to the initial meeting specified above, the section also requires an annual customer meeting to be conducted by a representative of the serving municipality, in conjunction with the receiving entities, within each receiving entity. The purpose of this meeting is to solicit public input on utility-related matters—including fees, rates, charges, and services.

Section 2 of the bill amends s. 180.191(1)(a), F.S., limiting, for municipal water and wastewater utilities, surcharges assessed from serving municipalities to receiving entities. For s. 180.191(1)(a), F.S., rate design, the section eliminates the authorized 25 percent surcharge on rates, fees, and charges. For s. 180.191(1)(b), F.S., rate design, the section also eliminates the authorized 25 percent surcharge. However, a municipal water or wastewater utility may continue to impose the surcharge on consumers outside the municipal boundaries to the extent necessary to comply with the terms of any bond covenants in effect as of July 1, 2024. Such surcharges must be phased out upon the retirement, expiration, or refinancing of such applicable debt obligations.

In addition, the section amends the provision establishing a cap on the total of all rates, fees, and charges assessed to customers of a receiving entity. The amendment reduces the cap from no more than 50 percent in excess of the total rates, fees, and charges assessed to consumers within the boundaries of the receiving municipality for corresponding services, to no more than 25 percent in excess of those amounts.

Section 3 creates s. 180.192, F.S., initiating a reporting requirement for serving municipalities providing electric, natural gas, water, or wastewater service to receiving entities. The section requires serving municipalities to provide a report for each type of utility service it provides, to the PSC, disclosing:

- The number and percentage of customers that receive utility services provided by the serving municipality at a location outside the boundaries of the municipality;
- The volume and percentage of sales made to such customers, and the gross revenues generated from such sales; and
- Whether the rates, fees, and charges imposed on customers that receive services at a location outside the municipality's boundaries are different than the rates, fees, and charges imposed on customers within the boundaries of the municipality, and, if so, the amount and percentage of the differential.

The report is due to the PSC by January 1, 2028, and then annually thereafter. After receipt of said reports, the PSC, by March 31, 2028 (and annually thereafter), must compile this

information and submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

The section clarifies that the PSC's authority provided in the bill to require annual reports from municipal electric, water, and wastewater utilities is limited solely to that reporting requirement. In addition, it provides that the section does not modify or extend the authority of the PSC otherwise provided by law with respect to any municipal utility that is required to comply pursuant to the reporting requirement provided in the section.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Article VII, s. 18 of the Florida Constitution governs laws that require counties and municipalities to spend funds, limit the ability of counties and municipalities to raise revenue, or reduce the percentage of state tax shared with counties and municipalities.

Subsection (b) of Art. VII, s. 18 of the Florida Constitution provides that except upon approval of each house of the Legislature by two-thirds vote of the membership, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989. However, the mandates requirements do not apply to laws having an insignificant impact,³² which is \$2.4 million or less for Fiscal Year 2026-2027.³³

The bill eliminates, for municipal water and wastewater utilities providing services outside of its corresponding municipal boundaries, a 25 percent surcharge it may charge to such customers. In addition, the bill, under certain circumstances, reduces the amount such utilities may charge such persons over-and-above what it charges customers located within its corresponding municipal boundaries. If the anticipated effect of this provision is a significant reduction in a municipality's ability to raise revenue, the bill requires approval by two-thirds vote of the membership of both chambers of the legislature.

To the extent that the limitation on fees, which are meant to cover actual costs, requires municipalities to take actions requiring the significant expenditure of funds, the bill requires a finding of important state interest and approval by two-thirds vote of the membership in order to bind municipalities. Staff is not aware of any estimates on anticipated costs associated with the bill.

B. Public Records/Open Meetings Issues:

None.

³² An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year multiplied by \$0.10. See FLA. SENATE COMM. ON COMTY. AFFAIRS, *Interim Report 2012-115: Insignificant Impact*, (Sept. 2011), <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited Feb. 9, 2026).

³³ Based on the Demographic Estimating Conference's estimated population adopted on June 30, 2025, <https://edr.state.fl.us/Content/conferences/population/archives/250630demographic.pdf> (last visited Feb. 9, 2026).

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Municipal utility customers that are located outside the municipality that operates the utility may see utility rate, fee, and charge reductions for such services.

C. Government Sector Impact:

Municipal governments that operate a municipal utility that serves customers that are located outside of the municipality other than the municipality that operates the utility, may see a reduction in utility revenue under the provisions of the bill. In addition, such governments may see an increase in regulatory and administrative costs in complying with the meeting and reporting requirements of the bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 180.19 and 180.191.
This bill creates the following sections of the Florida Statutes: 180.192.

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS/CS by Community Affairs on February 10, 2026:

The CS returns municipal natural gas utilities to fall under the bill's provisions.

CS by Regulated Industries on February 3, 2026:

The committee substitute amended SB 1724 in the following ways:

- Removed municipal natural gas utilities from the bill's provisions.
- Removed a provision that limited the amount of gross municipal utility revenues that may be used for general government purposes.
- Removed a provision requiring rate, fee, and charge parity when a municipal water or wastewater utility provides service to another municipality using a facility or water or sewer plant located within the second municipality.
- Provided that a municipal water or wastewater utility may continue to impose a surcharge on consumers outside the municipal boundaries only to the extent necessary to comply with the terms of bond covenants in effect as of July 1, 2024. Such surcharges must be phased out upon retirement, expiration, or refinancing of the applicable debt obligation.
- Clarified that the PSC's authority provided in the bill to require annual reports from municipal electric, water, and wastewater utilities is limited solely to that reporting requirement.
- Made technical revisions.

- B. **Amendments:**

None.