



The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY



SUNSET MEMORANDUM

Report No. 07-S35

Florida Water Management District Budgets Options for Legislative and Governing Board Consideration

February 15, 2008

Summary

To support the Sunset Review process, the Legislature directed OPPAGA to examine Florida's water management districts.¹ This memo is part of a series that reviews district operations and focuses on district budgets and options for legislative consideration. We identified 15 policy options for the Legislature and district governing boards to consider for reducing water management district reliance on ad valorem tax revenues and state funding. For each option, we describe the associated advantages and disadvantages.

¹ Sections [11.901](#)-11.920, *F.S.*

Gary R. VanLandingham, Ph.D., Director

111 West Madison Street ■ Room 312 ■ Claude Pepper Building ■ Tallahassee, Florida 32399-1475
850/488-0021 SUNCOM 278-0021 FAX 850/487-9083
www.oppaga.state.fl.us

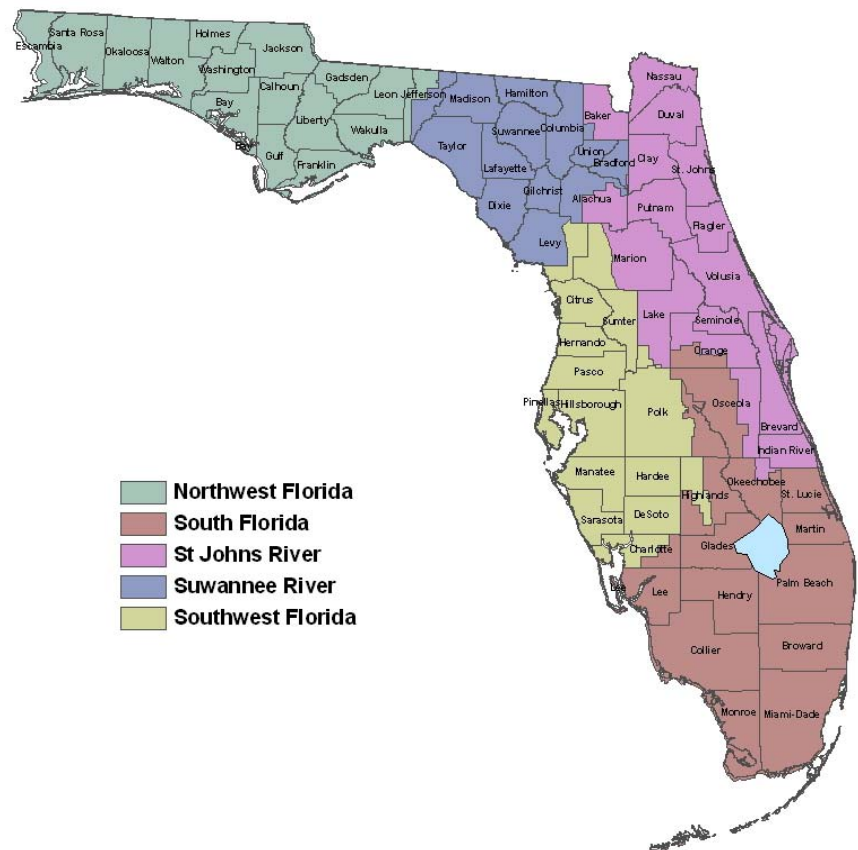
Purpose, Organization, and Responsibilities

Florida's five water management districts are responsible for managing and protecting the state's water resources and related natural systems. As shown in Exhibit 1, the districts' boundaries are based on major watersheds or hydrologic basins and include Northwest Florida, Suwannee River, St. Johns River, Southwest Florida, and South Florida.

The districts are governed by boards whose members are appointed by the Governor and confirmed by the Florida Senate.² District governing boards, which meet on a monthly basis, oversee district operations, establish policy, hire an executive director, issue orders to implement or enforce regulations, and approve contracts. Governing boards are also authorized by the Florida Constitution and state law to levy ad valorem taxes to fund district operations. As specified by the Florida Constitution, four districts are limited to a maximum property tax rate of 1.00 mill, which is \$1 for every \$1,000 of taxable property value; the remaining district, Northwest Florida, is limited to 0.05 mill.

Governing boards in two water management districts have designated sub-districts, which are represented by basins boards.³ Specifically, the Southwest Florida Water Management District has established eight basin boards with 44 members. There are two basins in the South Florida Water Management District; the Big Cypress Basin has a six-member board and the Okeechobee Basin is overseen by the district's governing board.

Exhibit 1
Florida's Water Management Districts



Source: OPPAGA analysis.

Basin boards assist districts in implementing their mission within a hydrological area. The basin boards do not have regulatory authority but are statutorily responsible for planning and developing water resources and water control facilities that connect to and complement the primary engineering works in the basin. The basin boards may also request the district governing board to levy ad valorem taxes within a basin to finance functions.⁴

² The governing board of each district is composed of nine members, except the Southwest Florida Water Management District, which has 13 members. Chapter 2007-120, *Laws of Florida*, revised the composition of the Southwest Florida Water Management District's Governing Board from 11 to 13 members.

³ The basins are represented by boards composed of at least one member from each county in the basin. Basin board members are appointed to three-year terms by the Governor and must be confirmed by the Florida Senate. A governing board member serves as the ex-officio chair of each basin board.

⁴ These taxes are not in addition to the water management district taxes, but represent an allocation of the total authorized millage rate. Specifically, the total authorized millage rate is divided for district and basin purposes and cannot exceed the statutory maximum total millage rate. For example, the statutory

The districts must submit their proposed annual budgets to several entities, including the Governor, the President of the Senate, the Speaker of the House of Representatives, and the chairs of all substantive and fiscal committees by August 1 of each year.⁵ The House and Senate appropriation committee chairs may submit comments and objections to each district on their proposed budgets by September 5. In adopting their final budget, the district governing board must include a written response to any comments and objections of the appropriation chairs.

The Executive Office of the Governor is required to review the districts' proposed budgets and may veto all or part of these proposed budgets. The office must report annually to the Legislature the results of its review of the districts' proposed budgets; the report also identifies those districts that do not comply with reporting requirements. State funds can be withheld from a water management district that fails to comply with these reporting requirements.

The Florida Department of Environmental Protection has general supervisory authority of the water management districts. The department carries out its oversight responsibilities in several ways including receiving copies of district spending plans and budgets; administering trust funds used for land acquisition and management (e.g., Florida Forever Trust Fund); and auditing funds granted or contracted to the districts for water related projects.

The districts' activities are organized among six major programs.

- **District Management and Administration** includes executive direction, ombudsman services, budgeting, the inspector general, and governing board support.
- **Acquisition, Restoration and Public Works** includes developing and constructing capital projects; land acquisition; and restoring lands and water bodies.
- **Regulation** includes water use permitting; water well permitting and contractor licensing; environmental resource and surface water management permitting; and permit administration and enforcement.
- **Operation and Maintenance of Lands and Works** includes operating and maintaining facilities, flood control and water supply structures, lands, and other works.
- **Water Resources Planning and Monitoring** includes water management planning (e.g., water supply planning and protecting water resources); research, data collection, analysis, and monitoring of hydrologic and meteorological data; and technical assistance.
- **Outreach** includes environmental and water conservation education; governmental affairs; and public relation activities, such as public service announcements.

Resources

The total budget for the water management districts is \$2.3 billion for Fiscal Year 2007-08 (see Exhibit 2). The districts receive revenue from six major sources including ad valorem taxes, state appropriations, local revenues, federal revenues, permit fees, and miscellaneous revenues.⁶ Staffing for the districts includes 3,388 full-time equivalent positions and 103 temporary positions.

maximum millage rate in the Southwest Florida Water Management District is one mill, with the maximum millage assessed for district purposes not to exceed 50% of the total authorized millage when there are one or more basins in the district, and the maximum millage assessed for basin purposes not to exceed 50% of the total authorized millage.

⁵ Section 373.536(1), *F.S.*

⁶ Miscellaneous revenues include interfund transfers, interest from investments, and sales of assets.

Exhibit 2

The Water Management District Budgets Total \$2.3 Billion for Fiscal Year 2007-08

District	Non-Dedicated Revenue	Dedicated Revenues	Total Revenues	FTE
South Florida	\$549,349,672	\$734,034,414	\$1,283,384,086	1,808
St. Johns River	210,418,929	189,709,629	400,128,558	715
Southwest Florida	301,930,174	88,093,496	390,023,670	736
Northwest Florida	33,122,669	86,802,739	119,925,408	61
Suwannee River	9,014,696	72,888,579	81,903,275	68
Total Funds	\$1,103,836,140	\$1,171,528,857	\$2,275,364,997	3,388

Source: Water Management Districts. Data reported for Fiscal Year 2007-08 (October 1, 2007, to September 30, 2008).

The districts' receive both dedicated and non-dedicated funding. Dedicated funding is reserved for specified projects such as Everglades restoration. The districts' Fiscal Year 2007-08 dedicated funding of \$1.2 billion includes \$675.8 million in state funding (see Exhibit 3).⁷ Other sources of dedicated funding include local revenues, federal revenues, and permit and license fees. The districts have not generally received state general revenue appropriations.⁸ The districts allocate most state funds (\$574 million or 85%) to acquisition, restoration, and public works programs that fund the districts' land acquisition, water supply, and surface water restoration projects. For example, the districts reported \$152.9 million in dedicated state revenue from the Florida Forever Trust Fund, which primarily funds land acquisition projects.

Exhibit 3

The Water Management District Budgets Include \$675.8 Million in State Funds for Fiscal Year 2007-08

Program Area	Southwest Florida	South Florida	St. Johns River	Suwannee River	Northwest Florida	Total
Water Resource Planning and Monitoring	\$1,440,503	\$33,262,888	\$525,620	\$2,775,900	\$3,302,189	\$41,307,100
Acquisition, Restoration and Public Works	62,341,004	255,926,107	162,657,661	36,422,137	56,471,505	573,818,414
Operation and Maintenance of Lands and Works	11,237,903	22,501,404	8,249,795	5,588,294	6,704,233	54,281,629
Regulation	816,100	0	162,216	923,550	3,816,000	5,717,866
Outreach	133,233	0	0	384,972	127,576	645,781
Management and Administration	0	0	720	0	0	720
Total Funds	\$75,968,743	\$311,690,399	\$171,596,012	\$46,094,853	\$70,421,503	\$675,771,510

Source: Water Management Districts. Data reported for Fiscal Year 2007-08 (October 1, 2007, to September 30, 2008).

⁷ The reported amount includes funds carried over from prior years for multiple-year projects.

⁸ The 2007 Legislature appropriated \$3,840,000 in general revenue to the Northwest Florida Water Management District for implementation of its Environmental Resource Permitting Program.

Non-dedicated funding can be used for a wide range of activities, and totaled \$1.1 billion for Fiscal Year 2007-08. Sources of non-dedicated funds primarily include ad valorem taxes and funds carried over from prior years. Ad valorem taxes accounted for \$869.6 million (see Exhibit 4). The districts decreased their millage rates for Fiscal Year 2007-08 to comply with tax reform legislation passed by the 2007 Legislature.⁹ Ad valorem tax revenues for the districts slightly decreased from the prior year (\$128,288).

Exhibit 4

The Water Management Districts Levied \$869.6 Million in Ad Valorem Taxes in Fiscal Year 2007-08

District	Millage Rate Fiscal Year 2006-07	Ad Valorem Tax Revenue Fiscal Year 2006-07	Millage Rate Fiscal Year 2007-08	Ad valorem Tax Revenue Fiscal Year 2007-08
South Florida ¹	0.5265 to 0.6970	\$553,009,838	0.4814 to 0.6240	\$549,484,359
Southwest Florida ¹	0.4220 to 0.8220	236,160,294	0.3866 to 0.7567	237,527,258
St. Johns River	0.462	142,470,000	0.4158	144,678,000
Suwannee River	0.4914	6,100,000	0.4399	6,100,000
Northwest Florida	0.05	5,196,632	0.041	5,018,859
Total		\$942,936,764		\$942,808,476

¹ The district has basins that levy ad valorem taxes at different rates.

Source: Water Management Districts. Data reported for Fiscal Year 2007-08 (October 1, 2007, to September 30, 2008).

State Funding for Water Management Districts Has Been Reduced, and They Have Taken Steps to Address these Reductions

In addition to rolling back district ad valorem tax rates, during 2007 Special Session C the Legislature reduced state funding for some district programs.¹⁰ This legislation reduced funds distributed to districts from the Water Protection and Sustainability Program Trust Fund by \$18 million: a reduction of \$8 million from district programs that provide financial assistance to local governments for alternative water supply projects and \$10 million from surface water restoration activities.

The districts have taken several actions to address reductions in ad valorem tax rates and state funding. These actions include using funds in reserve accounts and other trust funds to supplement revenues; reducing funds available for alternative water supply development and surface water restoration projects; and reducing travel, conferences, training, and centralized fleet expenditures. For example, St. Johns River reduced its budget by \$7.8 million, including \$4.1 million for the St. Johns River Basin nutrient reduction program, \$2.5 million for storm water treatment projects, and \$1.2 million in contracted services for scientific research activities. Similarly, the Southwest Florida Water Management District reduced funds allocated to two alternative water supply projects by \$2 million. The South Florida Water Management District reduced expenditures for agency-wide travel by \$259,425, employee training by \$519,500, and centralized fleet costs by \$656,950.

⁹ House Bill 1B required a change to the millage rate for independent special districts including water management districts for the Fiscal Year 2007-08 to 3% below the rolled-back rate. The rolled-back rate is the millage that would provide the same amount of tax revenue for the taxing authority as it received in the prior fiscal year.

¹⁰ Chapter 2007-335, *Laws of Florida*.

Options for Legislative and Governing Board Consideration

In addition to the reductions described above, Florida's five water management districts face potential additional reductions due to state budget shortfalls and the recent property tax constitutional amendment.¹¹ The districts have taken some actions to address these budget reductions, but there are other strategies that the Legislature and district governing boards could consider to address ongoing funding concerns. The fiscal impact of these options will depend on implementation timeframes and the number of options adopted. To determine precise fiscal impact estimates, district budget staff should consult with Senate and House appropriations committee staff.

Exhibit 5 below presents 15 policy options for the Legislature and district governing boards to consider for reducing water management district reliance on ad valorem tax revenues and state funding. The exhibit summarizes the policy options and describes the advantages and disadvantages of each option.

Exhibit 5

The Legislature and District Governing Boards Could Consider Several Options to Reduce Reliance on Ad Valorem and State Trust Funds

Option	Advantages	Disadvantages
Option 1 – Increase Less-than-fee Acquisitions		
District governing boards could direct district staff to increase less-than-fee acquisitions. This allows the district to acquire the right to preserve and protect a property's resources at a reduced cost because the land remains in private ownership.	<ul style="list-style-type: none"> ▪ Would reduce land acquisition costs ▪ Land management costs would be borne by the land owner ▪ Land would remain on county tax rolls 	<ul style="list-style-type: none"> ▪ Districts would increase their monitoring activities due to additional conservation easements, which may result in additional costs ▪ Would reduce public access to district-owned lands because private landowners would likely not allow visitors
Option 2 – Lease District-owned Lands		
District governing boards could lease lands for purposes including agriculture, silviculture, livestock grazing, and hunting.	<ul style="list-style-type: none"> ▪ Would reduce reliance on state trust funds currently used for land management ▪ Would reduce land management costs because the leasing entity would have responsibility for such expenses ▪ Existing process for establishing and monitoring conservation easements could be used as a model for such leases 	<ul style="list-style-type: none"> ▪ Districts would have to establish a process for identifying lands that are appropriate for such uses ▪ Districts would have to expand monitoring system currently used for conservation easements, which may result in increased costs ▪ Would reduce public access to district-owned lands
Option 3 – Limit District Land Management to Mission Critical Activities		
District governing boards could limit land management activities to only mission critical functions such as prescribed burning and restoring natural water flow. This would reduce funding for expanding public access and recreational activities such as improving access roads and recreational facilities (e.g. campgrounds and trails).	<ul style="list-style-type: none"> ▪ Would reduce land management costs associated with constructing and maintaining district recreational facilities ▪ Would allow districts to reallocate land management staff to other priority areas 	<ul style="list-style-type: none"> ▪ May reduce public access and use, if infrastructure is not maintained ▪ Could lead to higher long-term costs if infrastructure or land conditions deteriorate

¹¹ The constitutional amendment approved by voters in January 2008 increases the homestead exemption by \$25,000, allows homestead property owners to transfer up to \$500,000 of their Save-Our-Homes benefits to their next homestead, provides a \$25,000 exemption for tangible personal property, and limits the assessment increases for specified nonhomestead real property to 10% each year.

Option	Advantages	Disadvantages
Option 4 – Maximize Opportunities to Increase Cooperative Agreements with Other Agencies		
District governing boards could increase cooperative land management agreements to shift land management activities to other agencies (e.g., Department of Agriculture and Consumer Services, Department of Environmental Protection, Fish and Wildlife Conservation Commission, local governments, federal agencies).	<ul style="list-style-type: none"> ▪ Could reduce district land management costs for activities assumed by another agency, if the agency had local infrastructure (such as adjoining parcels) that allowed economies of scale ▪ Could shift costs to federal or local governments that assumed responsibility for land management ▪ Would allow districts to reallocate land management staff to other priority areas ▪ May facilitate the reduction of district staff 	<ul style="list-style-type: none"> ▪ Districts would lose control of land management activities ▪ Federal or local governments may not have adequate funding to take on additional land management activities
Option 5 – Increase Volunteer and Inmate Labor Use for Land Management Activities		
District governing boards could increase use of volunteers and inmate labor for land management activities (e.g., trail development, trash removal, and removal of invasive nonnative plants)	<ul style="list-style-type: none"> ▪ Would reduce reliance on state trust funds currently used for land management ▪ Would allow activities such as land management to continue in the absence of paid staff ▪ Would increase community involvement 	<ul style="list-style-type: none"> ▪ Would require district staff time to coordinate volunteer activities ▪ Would require districts to develop procedures to protect themselves from liability associated with volunteer injury ▪ Would require district staff to coordinate with law enforcement agencies to ensure proper supervision of inmates
Option 6 – Increase Delegation for Permit Approval		
District governing boards could review permitting criteria, including project size thresholds, to consider delegating additional authority to staff in taking final action on permit applications. Staff would refer any denials of permit applications to the governing board for final action.	<ul style="list-style-type: none"> ▪ Would allow district staff to issue more permits, which reduces the time and costs associated with governing board approval (e.g., preparing a staff report to the governing board, using board meeting time to consider permit applications) ▪ Would decrease the time to issue permits because permit applications would no longer need to wait for the governing board to approve or deny at their monthly meeting 	<ul style="list-style-type: none"> ▪ Would reduce the opportunity for the public to provide feedback regarding permit applications
Option 7 – Reprioritize Compliance Activities		
District governing boards could direct district staff to reprioritize compliance activities, which may result in reducing the amount of regulatory compliance activities conducted (e.g., inspections). For example, district staff could establish a risk-based approach that would emphasize public safety and protection of environmentally sensitive areas.	<ul style="list-style-type: none"> ▪ Would reduce regulatory program costs ▪ Would reduce workload for compliance staff ▪ May facilitate the reduction of district staff 	<ul style="list-style-type: none"> ▪ District staff would have to revise compliance activity procedures ▪ Reduced oversight may increase non-compliance, which may result in reduced water quality, increased negative environmental impacts, and decreased public safety

Option	Advantages	Disadvantages
Option 8 – Reduce Land Acquisition		
District governing boards could delay or eliminate land acquisition projects; the districts annually receive \$105 million in Florida Forever Trust Funds, which are used for land acquisition. For example, districts could institute a one-year acquisition moratorium or could permanently discontinue their acquisition programs.	<ul style="list-style-type: none"> ▪ Would reduce reliance on state trust funds currently used for land acquisition ▪ Would reduce long-term debt obligation and acquisition-related expenditures ▪ Would reduce management costs for lands not acquired ▪ Would enable district staff to concentrate on the management of previously acquired lands ▪ May facilitate the reduction of district staff 	<ul style="list-style-type: none"> ▪ New conservation lands would not be acquired ▪ Some conservation lands may not be available for purchase at a later date ▪ Price of land may increase during the acquisition moratorium ▪ May result in negative environmental impacts (e.g., loss of threatened and endangered species; diminished water quality; growth of exotic, invasive species)
Option 9 – Sell District Lands		
District governing boards could sell lands that are no longer needed for the purposes for which they were acquired or are considered relatively low priority. Florida law authorizes the governing board to surplus conservation lands and dispose of them by a two-thirds vote. For all other lands, the governing board can make a determination that such lands are no longer needed and may dispose of them by majority vote.	<ul style="list-style-type: none"> ▪ Would reduce reliance on state trust funds currently used for land management ▪ If properties were sold to a private entity, land would likely be placed back on local property tax rolls ▪ May facilitate the reduction of district staff 	<ul style="list-style-type: none"> ▪ May negatively affect the state's preservation of natural resources ▪ Prior to sale or transfer, would require determination of compliance with Florida Forever bond covenants
Option 10 – Reduce Water Supply and Water Restoration Project Funding and Activities		
District governing boards could delay or eliminate funding for water supply and water restoration projects. For example, the districts could reduce the amount of cost share funds available to local governments to implement alternative water supply projects.	<ul style="list-style-type: none"> ▪ Would reduce reliance on state funding ▪ Would reduce district expenditures on water supply projects ▪ Would allow district funds and staff to be redirected to other priority areas ▪ Would reduce workload for district staff in planning, managing, and monitoring projects ▪ May facilitate the reduction of district staff 	<ul style="list-style-type: none"> ▪ Would create additional stress to existing water supply sources, especially under drought conditions ▪ Would increase costs for alternative water supplies and restoration projects over time ▪ May result in the loss of matching funding from local and federal government for projects ▪ Local governments would incur additional costs to develop alternative water supplies and restore water bodies ▪ Would limit growth in areas that are not financially able to develop alternative water supplies on their own ▪ Could result in litigation over existing water supplies ▪ Would result in fewer environmental restoration efforts and loss of the associated benefits (e.g., water quality, recreation, public health, and habitat restoration)

Option	Advantages	Disadvantages
Option 11 – Modify Water-Related Tax Structures to Reduce Reliance on Ad Valorem Tax Revenue		
The Legislature could revise the tax structures for some water-related products or services and use the revenues to offset ad valorem taxes. For example, it could eliminate the sales tax exemption on bottled water (s. 212.08(4)(a), <i>F.S.</i>); currently sales tax is not collected for bottled water sold in retail outlets. Another option would be to apply the gross receipts tax to water utilities (s. 203.01, <i>F.S.</i>); currently gross receipts are imposed on the sellers of electricity, natural or manufactured gas, and sellers of communication services.	<ul style="list-style-type: none"> ▪ Would reduce reliance on ad valorem taxes ▪ Would provide a funding source that is directly tied to water supply, which is consistent with districts' mission 	<ul style="list-style-type: none"> ▪ Would require a statutory change ▪ Would increase business taxes and consumer costs ▪ Could decrease sales of bottled water, which would reduce revenue for water vendors
Option 12 – Charge Fees for Access to and Use of District-owned Lands		
District governing boards could charge fees to access district-owned recreational areas. Currently, fees are charged to access state parks. Districts could also charge fees for the use of some recreational infrastructure, such as campsites and boat launches.	<ul style="list-style-type: none"> ▪ Would reduce reliance on state trust funds currently used for land management ▪ Users would help support resource management and recreational activities 	<ul style="list-style-type: none"> ▪ Would increase cost for users ▪ Fees may reduce overall visitation on district-owned lands ▪ May face potential opposition from users
Option 13 – Institute a Re-inspection Fee for Continued Non-Compliance with Permit Conditions and District Regulations		
District governing boards could institute a re-inspection fee for multiple inspections resulting from non-compliance. For example, permittees found to be non-compliant after the first site inspection would have one opportunity to address the specific issue. The district would charge a fee to re-inspect if the permittee remains non-compliant.	<ul style="list-style-type: none"> ▪ Would reduce reliance on ad valorem revenues that are currently used to subsidize regulatory program activities ▪ Regulated entity would bear a higher portion of program costs ▪ Would encourage permittees to address compliance issues immediately rather than risking a re-inspection fee ▪ May reduce re-inspection workload 	<ul style="list-style-type: none"> ▪ District would have to establish a fee schedule and mechanism to collect fees ▪ May increase administrative costs and workload associated with fee collection
Option 14 – Merge Northwest FL and Suwannee River Water Management Districts		
The Legislature could reduce the number of water management districts by merging Northwest Florida and Suwannee River Water Management Districts	<ul style="list-style-type: none"> ▪ Would reduce state general revenue that is currently used to subsidize Northwest Florida's regulatory activities ▪ Would increase operational efficiency (e.g., one governing board, eliminate or consolidate staff, share information technologies) ▪ Would increase economies of scale for land acquisition, water supply projects, contracted services, and administration ▪ Would allow developers that have projects in both districts to interact with a single district 	<ul style="list-style-type: none"> ▪ Would require a constitutional amendment ▪ Would increase taxes for residents within Northwest Florida Water Management District boundaries ▪ May face potential resistance from the affected districts ▪ May incur costs in establishing operations in new locations (e.g., transferring personnel, equipment, office space, and titles to land holdings to the consolidated district offices) ▪ Developing new working relationships with stakeholders could result in short-run disruption of activities

Option	Advantages	Disadvantages
Option 15 – Modify Permit Fees to Avoid Reliance on Local Ad Valorem Tax Revenues		
The Legislature could direct the water management districts to set permit fees at a level to support district environmental resource permitting programs. This would avoid the need to subsidize these activities with property tax revenues.	<ul style="list-style-type: none"> ▪ Would eliminate the need to subsidize program activities using taxpayer dollars (a portion of district ad valorem revenues are currently supplementing the district regulatory program costs) ▪ The regulated entity would bear regulatory program costs, which is consistent with the Legislature's general intent regarding regulatory programs (s. 216.0236, <i>F.S.</i>) 	<ul style="list-style-type: none"> ▪ Would increase the costs of obtaining regulatory permits ▪ Could increase un-permitted activities because individuals might be unwilling to pay increased fees

Source: OPPAGA analysis.