

# BUDGET WATCH



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## ***Funding of Alternative Water Supply Projects*** **Earmarking of Water Projects Bypasses State Law That Was Passed Last Year**

The Florida House of Representative's current proposed state budget for FY 2006-07 includes a very important \$60 million appropriation for alternative water supply projects. However, the House attached proviso language to that appropriation specifying what projects would be funded. This conflicts with a state law that was enacted just last year that created a thorough, competitive selection process for these projects.

As part of the 2005 Florida Legislature's efforts on growth management and funding local infrastructure needs, major legislation dealing with the state's water needs was enacted last year to address water supply, water quality, and water infrastructure.

Senate Bill 444 (2005-291, Laws of Florida) marked the realization that funding for alternative water supplies needs to be a state priority. It was the culmination of a long effort by a broad coalition of businesses, environmental groups, and local governments. The legislation's goals were to develop alternative water supplies, encourage cooperation between various public entities to achieve economies of scale and efficiencies in project construction, avoid competition for limited traditional sources of water, and enhance growth management concurrency.

Alternative sources of water, which ease demand on traditional sources such as groundwater, are a key to the state's water future. These include desalination, reuse of reclaimed water and storm water runoff, and enhanced storage of groundwater and surface water.

The Legislature also provided for a dedicated source of funding for the new program. Revenues from the state's documentary stamp tax in the amount of \$100 million annually were redirected to the Water Protection and Sustainability Trust Fund. In the first year of the program (2005-06), an additional \$100 million in non-recurring General Revenue was provided. In addition to alternative water supplies, funding is also provided for the total maximum daily load program (monitoring and preventing water pollution), surface water improvement and management, and small county wastewater grants.

After last year's \$100 million investment in alternative water supply projects, \$60 million a year will be spent on these projects. The law dictates how the money is to be distributed among the state's water management districts (WMDs):

30% (\$18 million) to South Florida WMD  
25% (\$15 million) to Southwest Florida WMD  
25% (\$15 million) to St. Johns WMD  
10% (\$6 million) to Suwannee River WMD  
10% (\$6 million) to Northwest Florida WMD

To be eligible for funding, the law requires that a project be for construction of an alternative water supply. From those eligible projects, the law states that the WMD "governing boards shall determine those projects that will be selected for financial assistance." The law also directs the water management districts to select projects for funding that are included in, or are consistent with the regional water supply plans developed by the districts.

Although the law allows the governing board some flexibility to consider its own factors, it lists specific criteria for evaluating and selecting priority projects, including:

- The extent the project provides substantial environmental benefits by reducing consumption.
- The extent the project reduces competition for water supplies.
- The extent the project replaces traditional sources.
- The project's cost-benefit (water supplied vs. cost).
- If the project promotes regional solutions.
- The percentage of project costs to be funded by the water supplier or user.
- Whether it has enough preliminary planning to ensure feasibility.
- Whether the project is a phase of a project already underway.

The district must hold at least one public meeting prior to adoption of a list of eligible projects.

### **The House Budget Ignores the Water Protection and Sustainability Law**

The House and Senate have passed their versions of the state budget for FY 2006-07. Both budgets contain the \$60 million appropriation for Alternative Water Supply (Line-item 1827). However, in the budget passed by the House, the appropriation includes proviso language specifying the local projects that are to be funded. The thirty-one named projects take up almost \$35 million of the \$60 million appropriation. Unfortunately, the majority of the projects are not in the water management districts' regional water supply plans and many appear to not even be alternative water supply projects.

Proviso language for this appropriation is not needed and, in fact, violates the law passed just last year. That law spelled out a process for selecting the projects to be funded. The Senate rightly attached no proviso to its appropriation, meaning the projects to be funded will be selected as the law prescribes.

Local projects that are earmarked for funding outside of a selection process that is specified in law are a classic example of budget “turkeys.” When a legislator succeeds in getting his or her project included at the expense of others that were selected through the statutory process, the integrity of that process, and the budget process itself, is impugned.

This is not to say that the added projects lack merit or are not needed by the local area. However, earmarking this funding for specific member projects removes the integration of project selection with water management district planning. This bypasses the safeguards provided by the Water Protection and Sustainability Program and it is less likely these projects have the attributes and promote the goals envisioned by the law. When legislators’ local projects are funded at the expense of ones that went through a thorough, competitive process, it is less likely that the best projects were selected and that taxpayers got the best return on their investment. It also jeopardizes the multijurisdictional approach to water supply development.

By mandating projects in the budget that are outside of the statutory selection process, the state could also lose the leveraging of funds envisioned by the Water Protection and Sustainability law. The match requirements of the law turns the \$60 million state investment into a nearly \$200 million investment by the state, water management districts, and project recipient. The WMD must, at a minimum, match the state dollar for dollar. (The Suwannee River and Northwest Florida districts are exempt from the requirement but encouraged to contribute the match). Further, the recipient of the aid must pay at least 60% of the project’s cost. (WMDs may waive this requirement for disadvantaged small counties and may use ad valorem taxes or federal funds to help applicants meet the match requirement.)

This sharing of the financial burden was central to Florida’s new water law. It is unclear if the WMD and local government matching requirements would apply to these earmarked funds.

### **Proviso Should Be Removed By Conference Committee**

The House and Senate begin budget conference committee meetings this week to iron out differences in the two chamber’s budgets. Florida TaxWatch reiterates its standing recommendation that the final budget should minimize earmarking local projects, especially when a statutory process for selecting projects exists.

**The proviso attached to line-item 1827 should be removed to allow for the selection of projects to receive Water Protection and Sustainability funding to adhere to state law.**

The local water needs of this state are immense and the desire of legislators to help fund projects in their areas is understandable. The state made the right decision to help fund water projects around Florida. But funding decisions must be made in a comprehensive manner that maximizes limited available dollars. Selection should be based on a competitive process, using criteria that ensure the state's goals for such funding are advanced.

That is exactly the kind of process that was created by the Legislature. This year's Legislature should abide by the law that it passed only last year.

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