Governor's Commission for a Sustainable South Florida

Funding the Restudy of the Central and Southern Florida Project

March 3, 1999

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The Governor's Commission for a Sustainable South Florida

March 9, 1999

The Honorable Jeb Bush
Governor, State of Florida
The Capitol, Room 1501
Tallahassee, Florida 32399-0001

Dear Governor Bush:

On January 27, 1999 I sent you the Restudy Plan Report of the Governor Commission for a Sustainable South Florida which contained 61 recommendations aimed ensuring a full range of state, stakeholder and citizen input into the development of the Comprehensive Plan for the C&SF Project Restudy due to Congress on July 1, 1999. At that time, I noted that we would also soon be providing you and the Restudy process-related agencies with additional recommendations concerning the Draft Restudy Implementati Plan issued on January 25, 1999, and recommendations concerning funding for this effort.

I am pleased to provide you with the Commission's preliminary recommendation for Funding the Restudy of the Central and Southern Florida Project, which was unanimously adopted at our meeting on March 2-3, 1999. The recommendations provided to remedy the historically disproportionate allocation of Preservation 2000 funds over the past 10 years. The taxpayers in the geographic area of the South Florida Water Management District represent 51 percent of Florida's total property tax base. Further, percent of the state's population lives within that area. The future success of the Preservation 2000 Program should fairly allocate funding to this area, particularly in light the substantial needs for funding of this historic project, which deserves the highest priority.

It is my hope that these recommendations can assist you and the Florida Legislature devising an acceptable and reliable funding basis for this most important initiative.

As always, the Commission stands ready to assist you in resolving this and other contentious issues involving the sustainability of South Florida.

Sincerely,

Richard A. Pettigrew
Chairman

Enclosure

C:\ The Honorable Frank Brogan, Lt. Governor
J. Allison DeFoor, II, Everglades Policy Coordinator, Office of the Governor
South Florida Legislative Delegation
South Florida Water Management District Governing Board
South Florida Ecosystem Restoration Task Force
FUNDING REPORT RECOMMENDATIONS

A. Overview

The Commission is providing a preliminary evaluation of potential funding for the Restudy with recommendations that provide a starting point for further analyses by the Governor’s Office, the Florida Legislature and federal partners.

Construction and land acquisition costs to implement the October 15, 1998, Draft Comprehensive Plan for the C&SF Project Restudy are estimated at $7.8 billion. Annual Operations and Maintenance (O&M) costs for the Restudy components are estimated to be $165 million above current O&M costs. However, these estimated levels of funding may not be sufficient to implement the Plan. Given the Plan’s magnitude and current uncertainties associated with storage technologies and ecosystem restoration needs, these cost estimates must be viewed as preliminary.

There are several components in the Plan for which cost savings may be realized and should be investigated. For instance, the Plan allocates $800 million for construction and $84.3 million for O&M of two water reuse facilities in South and West Miami-Dade County, for which the Commission believes lower cost alternatives may be available. In addition, the Aquifer Storage and Recovery (ASR) component assumes costly pre-treatment processes (estimated cost of pre-treatment is $702.6 million) which are now not expected to be necessary due to anticipated revisions of applicable U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (DEP) regulations. The Commission and the South Florida Water Management District (SFWMD) had requested these revisions. These revisions have now been approved by John Hankinson, EPA Region IV Administrator, in February 9, 1999 letters to Samuel Poole, Executive Director for the SFWMD and to Richard Pettigrew, as Chairman of the Governor’s Commission. Significant cost reductions in O&M could also be realized if ASR pre-treatment costs are reduced, or if other sources of water for Biscayne Bay (other than reuse) are found. These cost reductions could range from $16 million for O&M of ASR pre-treatment processes to $84.3 million for O&M of the two Dade County reuse facilities.

The Restudy cost estimates carry contingencies of up to 50% for land acquisition, and up to 30% for construction and O&M costs. The Commission acknowledges that the uncertainties associated with the Comprehensive Plan, such as implementing regional scale ASR, may negate or significantly reduce expected cost savings. Nevertheless, it may be possible to reduce the cost of implementing the draft Comprehensive Plan to $6 billion or less, if most-likely actual costs are used.

The Commission believes that appropriate cost contingencies should be built into specific authorization requests to Congress and that such contingencies be specifically identified and justified. To match the federal government’s 50% cost share, funding sources from State, regional and local sources will be needed to supplement existing SFWMD funding sources in order to finance the State’s 50% cost share. An important
goal of this Plan is to find a true balance between the various users of water in the region while providing for a sustainable Everglades ecosystem. The Commission believes that the Comprehensive Plan should be funded to the degree necessary to achieve the goals of the Restudy.

Additionally, extension of authorization and funding for Critical Projects must continue to be an important element above and beyond the Restudy, because the Restudy's implementation will take several years.

The SFWMD entered into a contract with Government Services Group, Inc. (GSG) and Nabors, Giblin & Nickerson, P.A. (NG&N) in 1998 to develop a feasible set of funding strategies and to identify possible financial resources available to the SFWMD for its five-year and twenty-year capital improvement projects. The SFWMD amended the contract to include a task that specifically addressed the funding of the Central and Southern Florida Restudy Plan.

The GSG/NG&N Draft Funding the Central and Southern Florida Comprehensive Review Study (C&SF Restudy): South Florida Water Management District (December 3, 1998) identified the SFWMD's existing constitutional and statutory authority for alternative funding sources. They include but are not limited to:

- Counties and municipalities have the home rule power to impose fees and special assessments by ordinance absent an inconsistent legislative act or preemption by the legislature;

- The SFWMD’s power, as an independent special district, to impose or implement alternative funding sources depends on the specific legislative authorization;

- The SFWMD’s existing authority to impose fees or special assessments is limited. Any use of fees or special assessments as potential funding sources will most likely require additional general law authorization;

- All new forms of SFWMD taxes require general law authorization;

- All bonds issued by the SFWMD and payable from ad valorem taxes require approval by the electors of the SFWMD;

- The SFWMD has the existing statutory power to issue revenue bonds payable from revenues of the SFWMD other than ad valorem taxes without the approval of the electors. These revenues would include any new tax source granted to the SFWMD by general law or existing State tax revenues shared with the SFWMD by general law authorization;

- To the extent financially feasible, the SFWMD could acquire lands by issuing certificates of participation or bonds payable from lease purchase agreements; and
• The SFWMD can expand its express statutory authorization to impose or implement alternative revenue sources through interlocal agreement or special district formation with counties, municipalities or other special districts.

The Commission has considered a variety of potential funding strategies including those listed above but has not been able to reach consensus on the exact mix of financing opportunities that should be used to fund the Restudy. However, it has achieved consensus on the recommendations that follow.

B. Land Acquisition Funding

The 1996 Water Resources and Development Act (WRDA) established that the Restudy project components included in the recommended plan will be funded on a 50% federal and 50% State cost share. Much of State’s 50% cost share is expected to come from the purchase of lands needed to support Restudy Plan components. The Restudy team has estimated a land acquisition funding need of $2.3 billion for the recommended plan. However, this figure includes up to a 50% contingency factor. Therefore, actual costs may be significantly less than currently estimated. As of August 1998, SFWMD expenditures have totaled approximately $70 million on land acquisition to support implementation of the Restudy Plan. Additionally, the State’s Conservation and Recreational Lands (CARL) Program released $31 million in 1998 to purchase land in the Water Preserve Area (WPA) footprint. The $2.3 billion estimated for land acquisition needs has the potential to make up about 2/3rds of the 50% State share required in WRDA 1996.

In addition, it is expected that the State will be given credit for lands acquired, including current and future sources of federal dollars intended for State purposes, and for local land acquisition programs used to purchase lands in support of the Restudy Plan (e.g., lands acquired with Dingell/Johnson Funds, Federal Highway Administration Funds, or local environmental bond programs).

Potential sources of land acquisition funds include continuation of the Preservation 2000 Program (P-2000) through the enactment of the “Forever Florida” Amendment, CARL, the Water Management Trust Fund, local land acquisition programs, watershed protection districts, and public/private partnerships.

RECOMMENDATIONS

1. Consistent with the Commission's Report on the Draft Implementation Plan of the C&SF Project Restudy (March 3, 1999) Land Acquisition section recommendations, funding for land acquisition should be available throughout the entire implementation process to purchase land from willing sellers that is necessary to meet restoration objectives when such land becomes available, thereby avoiding unnecessary and costly condemnation procedures later in the process. To the extent possible, all land purchases associated with C&SF Restudy components and other project elements should be expedited.
2. In estimating the cost of the total plan, such cost should be stated in present day dollars. Standard Corps of Engineers engineering/construction and real estate practices should be adhered to, with reasonable contingency costs being explicitly stated.

3. In its report to Congress, the Corps should identify those funds spent on State and local land acquisition programs, pilot studies, and other projects related to Restudy components that have been or should be credited by the Secretary of the Army as part of the State’s 50/50 cost share.

4. The Governor and Florida Legislature should support congressional approval of proposals that would offer property owners tax credits to assist local governments that purchase lands for conservation purposes. Such programs could be of great utility to Everglades restoration, particularly for acquisition of the WPA/East Coast Buffer footprint, and as a source of financial assistance to local government partners.

5. The Governor and Florida Legislature should support congressional approval of proposals that would rejuvenate the State grants program of the Land and Water Conservation Fund, which until the 1980s, supplied the State and local governments with federal grants to acquire State lands. Enactment of such proposals would provide another source of funding to State and local governments for Everglades restoration.

6. Funding requirements of the Restudy by the local sponsor should be focused on acquiring lands for Restudy components. The Governor and Florida Legislature should consider the following potential options:

a. Support the reauthorization of the P-2000 Program to a level of $400 million/yr. with 25% of the bond funds dedicated to South Florida Restudy purposes. In addition, allocations to the SFWMD have been 30% of the total funds allocated to all the WMDs. These Legislative allocations have created funding shortfalls and are unfair to South Florida taxpayers and the SFWMD because they have fallen short of its proper allocation by 12% to 21% despite the great growth pressures and the serious adverse impacts on its natural areas. The Legislature should allocate the State funds dedicated to the water management districts based on either their respective populations or property tax base (approximately 42% of the State’s current population reside within the boundary of the SFWMD and the property tax base of the area is 51% of the State’s total).

b. Support the creation by the Legislature of an Everglades Land Acquisition Trust Fund annually funded from a dedicated State tax revenue source such as a 3-cent/$100.00 of value increase in the SFWMD share of documentary stamp taxes which could yield approximately $30 million/yr. This amount could be bonded to yield approximately $300 million.
7. Where possible, other State agencies that are allocated funds under the reauthorized P-2000 Program should focus their land acquisition efforts in South Florida to maximize support of the State's 50% cost share by buying lands eligible under the Restudy for matching purposes.

8. Where agricultural lands are acquired in advance of capital construction, land should be temporarily leased back for agricultural use. Lease payments should be used to reduce the overall cost of the Restudy to the taxpayer.

C. Streamline SFWMD Permitting Process

Currently, SFWMD permit application fees do not cover the full cost of all permit application processing and compliance monitoring. An increase in application fees and streamlining of the permitting process could free SFWMD funds for anticipated increases in O&M costs due to the Restudy. Currently, the SFWMD collects approximately $1.8 million/yr. in permit application fees or 42% of the recoverable costs. However, the cost of the regulatory program which includes permit processing, compliance and enforcement is approximately $12 million/yr. Fee recovery options currently being considered by the SFWMD Governing Board include: Option 1 - 100% cost recovery for all projects; Option 2 - 100% cost recovery, except for smaller projects that will pay a reduced fee; or Option 3 - no increases from the current amount. Option 2 would, on an annual basis, generate approximately 84% of the recoverable costs. In addition, longer-term permits will further reduce the permit-related costs of the SFWMD and would provide reduced costs and greater certainty to those investing in major capital facilities dependent on water supply.

RECOMMENDATIONS

9. Consideration should be given to longer-term consumptive use permits not to exceed 20 years, subject to appropriate permit modifications ("reopeners") where certain contingencies occur or over allocation exists.

10. Implement an increase in SFWMD permit application fees to cover the full cost of processing pursuant to appropriate rule making. Fees should be graduated so as to cover the actual administrative costs associated with the consideration and review of permit applications.
REFERENCE LIST
