

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 345 County Boundaries

SPONSOR(S): Hogan Johnson and others

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local, Federal & Veterans Affairs Subcommittee		Rivera	Miller
2) Ways & Means Committee			
3) State Affairs Committee			

SUMMARY ANALYSIS

The Florida Constitution provides for the state to be divided by law into political subdivisions called counties. Counties may be created, abolished or changed by law, with provision for the payment or apportionment of the public debt. The boundary lines for Florida’s 67 counties are described by the Florida Statutes. Since 1925, approximately 33 general laws revising existing county boundaries have passed the Florida Legislature.

Indian River and St. Lucie Counties are contiguous non-chartered counties located on the southeastern coast of Florida. As of 2018, St. Lucie County had a population of 302,432 and Indian River County had a population of 151,825.

Owners of a parcel of land located in both counties requested the entire parcel of land be placed within Indian River County. The counties agreed in 1991 to the construction of a home on the portion of the property within St. Lucie County and divided the taxes and fees between them, but there was no agreement made about the provision of services to the property.

After discussions about the boundary change, the counties agreed to place the .65-acre plot of land currently within the boundaries of St. Lucie County to Indian River County in exchange for a 5.56-acre plot currently within Indian River County to St. Lucie County.

The bill revises the boundary between Indian River and St. Lucie Counties to place 5.56 acres of land currently within Indian River County to within the St. Lucie County boundary and .65 acres currently within St. Lucie County to within the Indian River County boundary.

St. Lucie County may lose approximately \$7,000 in ad valorem tax income because the 5-acre plot is undeveloped land. However, the county expects to earn more than the lost revenue when the planned land development is completed. Indian River County assessed taxes on the property to be transferred property at little over \$1000 in 2019.

The bill takes effect upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Constitutional and Statutory Provisions Relating to Counties

Section 1 (a) of Art. VIII of the State Constitution, provides that:

[t]he state shall be divided by law into political subdivisions called counties. Counties may be created, abolished or changed by law, with provision for payment or apportionment of the public debt.

Local governments are granted broad home rule authority under the State Constitution. Specifically, non-charter county governments may exercise those powers of self-government that are provided by general or special law.¹ Counties operating under a county charter have all powers of self-government not inconsistent with general law or special law approved by the vote of the electors.² Chapter 125, F.S., outlines the powers and duties of Florida counties. Chapter 7, F.S., describes the boundary lines for Florida's 67 counties. Since 1925, approximately 33 general laws revising existing county boundaries have passed the Legislature.³

Property Taxes in Florida

The Florida Constitution reserves ad valorem, or property, taxation to local governments and prohibits the state from levying ad valorem taxes on real and tangible personal property.⁴ The ad valorem tax is an annual tax levied by counties, cities, school districts, and some special districts based on the value of real and tangible personal property as of January 1 of each year.⁵ The Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes⁶ and provides for specified assessment limitations, property classifications and exemptions.⁷ After the property appraiser considers any assessment limitation or use classification affecting the just value of a property, an assessed value is produced. The assessed value is then reduced by any exemptions to produce the taxable value.⁸

Determination of Millage

Each county property appraiser must complete an assessment of the value of all property within the appraiser's jurisdiction and certify to the taxing authorities the taxable value of such property no later than July 1 of each year, unless the Department of Revenue (DOR) grants an extension.⁹ The taxable value of a parcel includes both the value of structures and other improvements on the parcel and the

¹ Art. VIII, s. 1(f), Fla. Const.

² Art. VIII, s. 1(g), Fla. Const.

³ Local, Federal & Veterans Affairs Subcommittee, *The Local Government Formation Manual 2018-2020*, Appendix D, available at <https://www.myfloridahouse.gov/Sections/Documents/loadoc.aspx?PublicationType=Committees&CommitteeId=3025&Session=2020&DocumentType=General Publications&FileName=2018-2020 Local Government Formation Manual.pdf> (last visited January 24, 2020)(hereinafter Local Government Manual).

⁴ Art. VII, s. 1(a), Fla. Const.

⁵ S. 192.001(12), F.S., defines "real property" as land, buildings, fixtures, and all other improvements to land. The terms "land," "real estate," "realty," and "real property" may be used interchangeably. Section 192.001(11)(d), F.S., defines "tangible personal property" as all goods, chattels, and other articles of value (but does not include the vehicular items enumerated in article VII, section 1(b) of the Florida Constitution and elsewhere defined) capable of manual possession and whose chief value is intrinsic to the article itself.

⁶ Art. VII, s. 4, Fla. Const.

⁷ Art. VII, ss. 3, 4, and 6, Fla. Const.

⁸ S. 196.031, F.S.

⁹ S. 193.023(1), F.S. An extension can only be granted for good cause.

value of the land on which those structures and improvements sit.¹⁰ The property appraiser also ensures that all real property is listed on the real property assessment roll.¹¹ The certification from the property appraiser to each taxing authority must include the procedure for calculating the “rolled-back rate”¹² as well as the maximum millage rate.¹³

Each taxing authority uses the taxable value provided by the property appraiser to prepare a proposed millage rate that is levied on each parcel’s taxable value.¹⁴ Every taxing authority must compute proposed or final millage rates based on utilizing at least 95 percent of the taxable value of the property within the boundaries of the taxing authority. Each taxing authority must prepare and submit its tentative budget as prescribed by law.¹⁵

Within 35 days of the property appraiser’s certification, each taxing authority must inform the property appraiser of its proposed millage rate, its rolled-back rate, and the date, time, and location of the public hearing¹⁶ which will consider the proposed millage rate and tentative budget.¹⁷ From this information, the property appraiser prepares notices of proposed property taxes, commonly referred to as TRIM Notices.¹⁸ A taxing authority that fails to provide timely notice to the property appraiser is prohibited from levying a millage rate higher than the rolled-back rate for the upcoming fiscal year.¹⁹

Indian River and St. Lucie Counties

St. Lucie and Indian River Counties are contiguous, non-charter counties located in southeastern Florida. St. Lucie County was established in 1844 and Indian River County was carved out of St. Lucie County in 1925.²⁰ In 2018, Indian River County reported a population of 151,825.²¹ Its county seat is Vero Beach. In 2018, St. Lucie County reported a population of 302,432.²² Fort Pierce serves as its county seat.²³

Land owners, Oskar and Gretchen Szentirmai, own property located on the east side of Highway A1A (the "Szentirmai property") in Vero Beach. Over half of the Szentirmai property is in Indian River

¹⁰ See *The Appraisal Process and Your Taxes*, Hillsborough County Property Appraiser, available at <http://www.hcpafl.org/Property-Info/The-Appraisal-Process-Your-Taxes> (last visited January 24, 2020) (process for calculating property tax values).

¹¹ S. 193.085(1), F.S.

¹² S. 200.065(1), F.S., defines “rolled-back rate” as “[A] millage rate which, exclusive of new construction, additions to structures, deletions, increases in the value of improvements that have undergone a substantial rehabilitation which increased the assessed value of such improvements by at least 100 percent, property added due to geographic boundary changes, total taxable value of tangible personal property within the jurisdiction in excess of 115 percent of the previous year’s total taxable value, and any dedicated increment value, will provide the same ad valorem tax revenue for each taxing authority as was levied during the prior year less the amount, if any, paid or applied as a consequence of an obligation measured by the dedicated increment value.”

¹³ S. 200.065(5), F.S., defines “maximum millage rate” is the millage rate a local government may levy by a simple majority vote of its governing body.

¹⁴ S. 200.065(2)(a)1., F.S.

¹⁵ See s. 200.065(2)(a)2.-4., F.S., requiring county commissions to prepare and submit budgets in accordance with s. 129.03, F.S., requiring school districts to prepare and submit budgets in accordance with Ch. 1011, F.S., and requiring other taxing authorities to prepare and consider budgets in accordance with s. 200.065 and other provisions of law.

¹⁶ During the public hearing, the governing body of the taxing authority may recompute the proposed millage rate and publicly announce the percentage (if any) by which the recomputed millage rate exceeds the rolled-back rate. If the recomputed millage rate exceeds the rolled-back rate, the percentage difference is included in the notice of proposed tax increase issued pursuant to s. 200.065(3)(a), F.S. See s. 200.065(2)(c), F.S.

¹⁷ S. 200.065(2)(b), F.S.

¹⁸ In 1980, the Florida Legislature passed the Truth in Millage (TRIM) Act which required property appraiser to send Truth-in-Millage or TRIM notices to property owners detailing important tax information. See s. 200.069, F.S.

¹⁹ S. 200.065(2)(b), F.S.

²⁰ See Ch. 10148, s. 1, Laws of Fla. (1925).

²¹ Office of Economic & Demographic Research (OEDR), *County Profile: Indian River County*, available at <http://edr.state.fl.us/Content/area-profiles/county/indianriver.pdf> (last visited January 24, 2020).

²² OEDR, *County Profile: St. Lucie County*, <http://edr.state.fl.us/Content/area-profiles/county/stlucie.pdf> (last visited January 24, 2020).

²³ *Supra* note 3, Appendix B.

County; however, .65 acres is in St. Lucie County. In 1991, both counties agreed on the construction of a home that lies on the county line as well as the division of impact fees and taxes from the resulting land development. The agreement did not address issues relating to providing services and the Szentirmais are now seeking to have the county boundary line changed to place the entire Szentirmai property within Indian River County.²⁴

After discussions between county officials, the counties agreed to exchange land in both counties. Property located on the west side of Highway A1A, owned by SBM Associates, LLC, within Indian River County (the "SBM property") will be exchanged for the Szentirmai property. The property is 5.56 acres of undeveloped land that is in the planning stages of development. Representatives of SBM Associates, LLC indicated their initial support of the boundary change.²⁵

According to the 2019 TRIM Notices, Indian River County assessed \$1,091.23 on the SBM property and St. Lucie County assessed \$8,097.54 on the Szentirmai property. Although St. Lucie calculates its net loss of tax income at \$7,006.31, it expects to gain substantially more tax income from the SBM property after development.²⁶ Indian River County expects its financial impact to be minimal.²⁷

Effect of Proposed Bill

The bill revises the boundaries of Indian River and St. Lucie counties. It amends s. 7.31, F.S., to place 5.56 acres of land currently in Indian River County within the St. Lucie County boundary and .65 acres of land currently in St. Lucie County within the Indian River County boundary. The bill takes effect upon becoming law.²⁸

B. SECTION DIRECTORY:

Section 1. Amends s. 7.31, F.S., revising Indian River County boundaries.

Section 2. Amends s. 7.59, F.S., revising St. Lucie County boundaries.

Section 3. Provides an effective date upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

²⁴ See St. Lucie County Attorney, *Board of County Commissioners Agenda Request 10.A.1*, available at <https://stluciecofl.civicclerk.com/Web/GenFile.aspx?ar=661> (last visited January 24, 2020).

²⁵ *Id.*

²⁶ See St. Lucie County Attorney, *Board of County Commissioners Agenda Request 10.A.1*, available at <https://stluciecofl.civicclerk.com/Web/GenFile.aspx?ar=661> (last visited January 24, 2020).

²⁷ See Indian River County Legislative Affairs & Communications Manager, *19-0939 Staff Report*, available at <https://ircgov.legistar.com/LegislationDetail.aspx?ID=4164482&GUID=CF35D42C-AE9E-4FC6-8A2E-9F037DB3A5D0&Options=&Search=> (last visited January 24, 2020).

²⁸ See Appendix A, Indian River County Board of County Commissioners, *IRC-SLC Parcel Swap Map*, available at <https://ircgov.legistar.com/View.ashx?M=F&ID=7704977&GUID=511519BA-D924-4ABA-951D-960B94C977D6> (last visited January 24, 2020).

The fiscal impacts are limited to Indian River and St. Lucie Counties. See Fiscal Comments Section.

2. Expenditures:

The counties will no longer have the current expenditures associated with their transferred properties, but may assume expenditures associated with their newly acquired properties.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The transferred properties will be under different taxing authorities which may effect on their current taxing schemes. In 2018, Indian River County had a population of 151,825²⁹ and a taxable value of \$17,381,933,356.³⁰ Total taxes levied per capita were \$718.³¹ St. Lucie County had an estimated 302,432³² residents and a taxable value of \$20,444,235,500.³³ Total taxes levied per capita in St. Lucie County were \$602.³⁴

Ad valorem millage rates in the two counties for 2018 were as follows:

<u>St. Lucie County</u> ³⁵		<u>Indian River County</u> ³⁶	
County		County	
	7.6540		3.7431
School	6.3350	School	6.7930
Special Districts	3.8021	Special Districts	3.4155 (Non County-wide)

D. FISCAL COMMENTS:

Revenue Sharing

A number of taxes are distributed to counties pursuant to an allocation formula including the Constitutional Fuel Tax, County Fuel Tax, County Revenue Sharing Program and Local Government Half-Cent Sales Tax Program. Components of the allocation formulas are often a county's land area or population.

Constitutional Fuel Tax

¼	X	<u>County Area</u>
		State Area
¼	X	<u>County Population</u>
		State Population
½	X	<u>Total Tax Collected Countywide during the previous fiscal year</u>
		Total Tax Collected Statewide during the previous fiscal year

²⁹ Office of Economic & Demographic Research (OEDR), *County Profile: Indian River County*, <http://edr.state.fl.us/Content/area-profiles/county/indianriver.pdf> (last visited January 24, 2020).

³⁰ OEDR, *2018 Florida County Ad Valorem Tax Profile: County Government Levies ONLY*, <http://edr.state.fl.us/Content/local-government/data/data-a-to-z/advaltxco.xls> (last visited January 24, 2020).

³¹ *Id.*

³² OEDR, *County Profile: St. Lucie County*, <http://edr.state.fl.us/Content/area-profiles/county/stlucie.pdf> (last visited January 24, 2020).

³³ OEDR, *2018 Florida County Ad Valorem Tax Profile: County Government Levies ONLY*, <http://edr.state.fl.us/Content/local-government/data/data-a-to-z/advaltxco.xls> (last visited January 24, 2020).

³⁴ *Id.*

³⁵ OEDR, *County Profile: St. Lucie County*, <http://edr.state.fl.us/Content/area-profiles/county/stlucie.pdf> (last visited January 24, 2020).

³⁶ OEDR, *County Profile: Indian River County*, <http://edr.state.fl.us/Content/area-profiles/county/indianriver.pdf> (last visited January 24, 2020).

The Department of Revenue (DOR) calculated St. Lucie County's estimated distribution of the Constitutional Fuel Tax for the local fiscal year ending September 30, 2020 will be \$3,057,264. Indian River County's estimated distribution was calculated to be \$1,892,419.³⁷

<u>County Fuel Tax</u>		
¼	X	<u>County Area</u> State Area
¼	X	<u>County Population</u> State Population
½	X	<u>Total Tax Collected County Retail Sales and Use in the Prior FY</u> Total Tax Collected Statewide on Retail Sales and Use in the Prior FY

DOR calculated St. Lucie County's estimated distribution of the County Fuel Tax for the local fiscal year ending September 30, 2020 will be \$1,344,967. Indian River County's estimated distribution was calculated to be \$832,024.³⁸

County Revenue Sharing Program

Apportionment Factor =	County Population Factor	+	Unincorporated County Population Factor	+	County Sales Tax Collection Factor
					3

DOR calculated St. Lucie County's estimated distribution from the County Revenue Sharing Program for the local fiscal year ending September 30, 2020 will be \$5,150,208. Indian River County's estimated distribution was calculated to be \$3,884,590.

Local Government Half-Cent Sales Tax Program

DOR calculated St. Lucie County's countywide distribution of the Local Government Half-Cent Sales Tax will be \$21,408,006 for the local fiscal year ending September 30, 2020. DOR calculated Indian River County's share will be \$14,528,086.³⁹

Taxes and Assessments

St. Lucie County will lose \$8,097.54 in revenue associated with taxes and assessments paid on the Szentirmai property transferred to Indian River County, while Indian River County will gain any revenues. Indian River County will lose \$1, 091.23 in revenue associated with taxes and assessments paid on the SBM property transferred to St. Lucie County.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require cities or counties to spend funds or take an action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

³⁷ Department of Revenue (DOR), *Constitutional Fuel Tax Revenue Estimates for the Local Fiscal Year Ending September 30, 2020*, available at <http://edr.state.fl.us/Content/local-government/data/county-municipal/index.cfm> (last visited January 24, 2020).
³⁸ DOR, *County Fuel Tax Revenue Estimates for the Local Fiscal Year Ending September 30, 2020*, available at <http://edr.state.fl.us/Content/local-government/data/county-municipal/index.cfm> (last visited January 24, 2020).
³⁹ DOR, *Local Government Half-Cent Sales Tax Revenue Estimates for the Local Fiscal Year Ending September 30, 2020*, available at <http://edr.state.fl.us/Content/local-government/data/county-municipal/index.cfm> (last visited January 24, 2020).

2. Other:

None.

B. RULE-MAKING AUTHORITY:

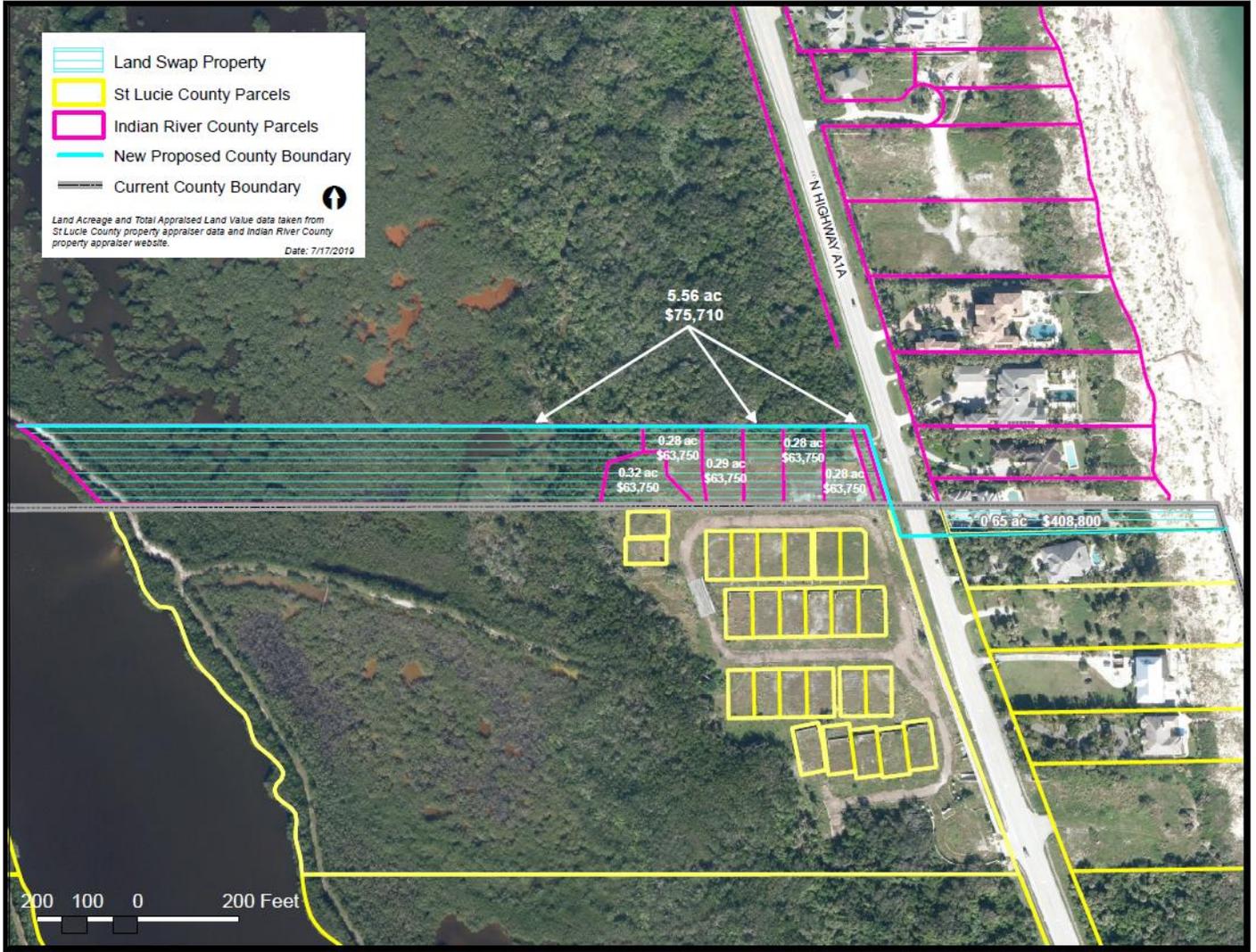
The bill neither provides authority nor requires rulemaking by executive branch agencies.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

APPENDIX A⁴⁰



⁴⁰ See Indian River County Board of County Commissioners, *IRC-SLC Parcel Swap Map*, available at <https://ircgov.legistar.com/View.ashx?M=F&ID=7704977&GUID=511519BA-D924-4ABA-951D-960B94C977D6> (last visited January 24, 2020).