



**LOCAL & FEDERAL AFFAIRS
COMMITTEE**

MEETING PACKET

**Tuesday, April 8, 2014
11:30 a.m.
Webster Hall (212 Knott)**

**Will W. Weatherford
Speaker**

**Eduardo "Eddy" Gonzalez
Chair**



The Florida House of Representatives

Local & Federal Affairs Committee

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Chair

AGENDA

Webster Hall (212 Knott)
Tuesday, April 8, 2014, 11:30 a.m.

- I. CALL TO ORDER AND WELCOME REMARKS**
- II. CONSIDERATION OF THE FOLLOWING BILL(S):**
 - CS/HB 587 Charitable Exemption from Ad Valorem Taxation by Finance & Tax Subcommittee, Metz
 - HM 925 Supportive Housing for the Elderly Program by Pafford
 - HM 1169 Disaster Savings Accounts by Diaz, M.
 - HM 1427 Citrus Greening Disease by Albritton
- III. ADJOURNMENT**

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 587 Charitable Exemption from Ad Valorem Taxation

SPONSOR(S): Metz

TIED BILLS: IDEN./SIM. BILLS: SB 626

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Subcommittee	17 Y, 1 N, As CS	Wolfgang	Langston
2) Local & Federal Affairs Committee		Miller <i>E.H.M.</i>	Rojas <i>J.R.</i>
3) Appropriations Committee			

SUMMARY ANALYSIS

The committee substitute creates s. 196.1955, F.S., allowing property owned by an exempt organization to receive an exemption from ad valorem taxes for educational, literary, scientific, religious or charitable purposes if the institution has taken "affirmative steps" to prepare the property for a charitable purpose. If the property is not in actual use for an exempt purpose within 5 years, the property owner must pay back taxes owed plus 15 percent interest. A tax lien will be placed on the property for purposes of collecting these taxes unless the property owner is continuing to take affirmative steps, in which case the property owner may continue to receive the exemption.

The bill has an effective date of July 1, 2014.

The Revenue Estimating Conference determined that the committee substitute will have a negative, annual impact on local government revenues of -\$1.2 million beginning in fiscal year 2015-2016.

This bill may be county or municipality mandates requiring a two-thirds vote of the membership of the House. See Section III.A.1 of the analysis.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Article VII, s. 4 of the Florida Constitution requires that all property be assessed at just value for ad valorem tax purposes. Just value has been interpreted by the courts to mean fair market value, or the amount a "purchaser willing but not obliged to buy, would pay to one willing but not obliged to sell."¹ Section 193.011, F.S., requires property appraisers to consider eight factors in determining the property's just valuation.²

Article VII, s. 4 of the Florida Constitution provides exceptions to this requirement for agricultural land, land producing high water recharge to Florida's aquifers, and land used exclusively for noncommercial recreational purposes, all of which may be assessed solely on the basis of their character or use. Tangible personal property that is held as inventory may be assessed at a specified percentage of its value or may be totally exempted by the Legislature; currently the Legislature completely exempts inventory.³ The Florida Constitution also limits the amount by which the assessed value may increase in a given year for certain classes of property.⁴

Article VII, s. 3 of the Florida Constitution permits a number of tax exemptions. In addition to exemptions for municipal purposes, Article VII, s. 3 provides that such portions of property used predominately for educational, literary, scientific, religious or charitable purposes may be exempted by general law from taxation. The Legislature has fully implemented these constitutional exemptions. Sections 196.195 and 196.196, F.S., set forth the criteria used to determine whether property is entitled to an exemption for use as a charitable, religious, scientific, or literary purpose. Specific provisions exist for property for hospitals, nursing homes, and homes for special services;⁵ property used for religious purposes;⁶ educational institutions⁷ and charter schools;⁸ labor organization property;⁹ nonprofit community centers;¹⁰ biblical history displays;¹¹ and affordable housing.¹²

Property Entitled to Charitable, Religious, Scientific, or Literary Exemptions

In determining whether the use of a property qualifies the property for an ad valorem tax exemption under s. 196.196, F.S., the property appraiser must consider the nature and extent of the charitable or other qualifying activity compared to other activities performed by the organization owning the property, and the availability of the property for use by other charitable or other qualifying entities.¹³ Only the portions of the property used predominantly for the charitable or other qualified purposes may be exempt from ad valorem taxation. If the property owned by an exempt entity is used exclusively for exempt purposes, it shall be totally exempt from ad valorem taxation.

¹ See *Walter v. Shuler*, 176 So. 2d 81, 86 (Fla. 1965) (quoting *Root v. Wood*, 21 So.2d 133 (Fla. 1945)); *Deltona Corp. v. Bailey*, 336 So. 2d 1163 (Fla. 1976); *Southern Bell Tel. & Tel. Co. v. Dade County*, 275 So. 2d 4 (Fla. 1973).

² See s. 193.011(1)-(8), F.S.

³ Section 196.185, F.S.

⁴ See FLA. CONST. art. VII, s. 4(d) & (g)

⁵ Section 196.197, F.S.

⁶ Sections 196.197(3) and 196.196(3), F.S.

⁷ Section 196.198, F.S.

⁸ Section 196.198, F.S.

⁹ Section 196.198, F.S.

¹⁰ Section 196.198, F.S.

¹¹ Section 196.198, F.S.

¹² Section 196.196(5), F.S.

¹³ Section 196.196(1)(a)-(b), F.S.

Property used for a house of worship, affordable housing, or educational purposes may be exempt if the entity has taken affirmative steps to prepare the property for specified exempt uses. The term "affirmative steps" is defined by statute to mean:

- environmental or land use permitting activities,
- creation of architectural or schematic drawings,
- land clearing or site preparation,
- construction or renovation activities, or
- other similar activities that demonstrate a commitment to a religious use.¹⁴

If affordable housing is granted a charitable exemption while performing these affirmative steps, but transfers the property for purposes other than affordable housing, or if the property is not actually used as affordable housing within 5 years after the exemption is granted, then the property is subject to back taxes, 15 percent interest, and a penalty of 50 percent of the taxes owed.¹⁵ The 5-year limitation may be extended if the holder of the exemption continues to take affirmative steps to develop the property for affordable housing.¹⁶

Charitable organizations are not entitled to exemptions while affirmative steps are being taken. In *Smith v. American Lung Ass'n of Gulfcoast Florida, Inc.*, the Second District Court of Appeals held that a charitable organization was not entitled to an exemption while it was constructing its headquarters even though it would be entitled to an exemption once the headquarters was completely built.¹⁷

Charitable Organizations

Under section 501(c)(3) of the Internal Revenue Code, an organization may only be tax-exempt if it is organized and operated for exempt purposes, including charitable and religious purposes. None of the organization's earnings may benefit any private shareholder or individual, and the organization may not attempt to influence legislation as a substantial part of its activities. Charitable purposes include relief of the poor, the distressed or the underprivileged, the advancement of religion, and lessening the burdens of government.

Section 196.012(7), F.S., defines a charitable purpose as a function or service which is of such a community service that its discountenance could legally result in the allocation of public funds for the continuance of the function or the service.

Determining Profit vs. Non-Profit Status of an Entity

Section 196.195, F.S., outlines the statutory criteria that a property appraiser must consider in determining whether an applicant for a religious, literary, scientific, or charitable exemption is a nonprofit or profit-making venture. When applying for an exemption under this section, an applicant is required to provide the property appraiser with "such fiscal and other records showing in reasonable detail the financial condition, record of operations, and exempt and nonexempt uses of the property . . . for the immediately preceding fiscal year."¹⁸

The applicant must show that "no part of the subject property, or the proceeds of the sale, lease, or other disposition thereof, will inure to the benefit of its members, directors, or officers or any person or firm operating for profit or for a nonexempt purpose."¹⁹

¹⁴ Sections 196.196(3),(5) and 196.198, F.S.

¹⁵ Section 196.196(5), F.S.

¹⁶ Section 196.196(5), F.S.

¹⁷ 870 So. 2d 241 (Fla. 2d DCA 2004).

¹⁸ Section 196.195(1), F.S.

¹⁹ Section 196.195(3), F.S.

Based on the information provided by the applicant, the property appraiser must use the specified statutory criteria outlined in subsection (2) of s. 196.195, F.S., to determine whether the applicant is a nonprofit or profit-making venture or if the property is used for a profit-making purpose.²⁰

A religious, literary, scientific, or charitable exemption may not be granted until the property appraiser, or value adjustment board on appeal, has determined the applicant to be nonprofit under s. 196.195, F.S.²¹

Proposed Changes

The committee substitute creates s. 196.1955, F.S., allowing property owned by an exempt organization to receive an ad valorem exemption for educational, literary, scientific, religious or charitable purposes if the property owner has taken "affirmative steps" to prepare the property for an exempt purpose. The committee substitute consolidates the existing provisions allowing affordable housing, religious houses of worship, and educational property to receive the exemption while affirmative steps are being taken into one provision that would allow all educational, literary, scientific, religious or charitable property to use this exemption. If the property is not in actual use for an exempt purpose within 5 years, the property owner must pay back taxes owed plus 15 percent interest. A tax lien will be placed on the property for purposes of collecting these taxes unless the property owner is continuing to take affirmative steps, in which case the property owner may continue to receive the exemption.

The bill defines "affirmative steps," consistent with existing law, to be:

- environmental or land use permitting activities,
- creation of architectural or schematic drawings,
- land clearing or site preparation,
- construction or renovation activities, or
- other similar activities.

The bill clarifies that if an exemption is improperly granted as a result of a mistake by the property appraiser, the property owner does not owe interest.

The bill also makes technical and conforming changes to ss. 196.196 & 196.198, F.S.

The bill has an effective date of July 1, 2014.

B. SECTION DIRECTORY:

Section 1: Creates s. 196.1955, F.S., allowing property to be exempt for educational, literary, scientific, religious or charitable purposes while the property owner is making affirmative steps to put the property in use for such purpose. Provides for remedies if the property is not put to such use within 5 years.

Section 2: Conforms and makes technical corrections to s. 196.196, F.S., by deleting language made unnecessary by the creation of s. 196.1955, F.S., and renumbering certain subsections.

Section 3: Conforms and makes technical corrections to s. 196.198, F.S., by deleting language made unnecessary by the creation of s. 196.1955, F.S., and creating certain subsections and paragraphs.

Section 4: Provides an effective date.

²⁰ Section 196.195(2)(a)-(e), F.S.

²¹ Section 196.195(4), F.S.

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:

2. The Revenue Estimating Conference determined that the committee substitute will have a negative, annual impact on local government revenues of -\$1.2 million beginning in fiscal year 2015-2016.

3. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Exempt organizations will receive an ad valorem exemption while they are taking affirmative steps toward a charitable purpose. They will receive a tax benefit because they will not have to wait until they are in actual use for educational, literary, scientific, religious or charitable purposes before receiving the exemption.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Article VII, section 18(b) of the Florida Constitution requires any general law that reduces a local government's authority to raise revenues in the aggregate to be passed by a two-thirds vote of the membership of each house of the Legislature. This provision may apply because the committee substitute is expected to reduce local government revenues. However, the committee substitute may qualify for an exemption under article VII, section 18(d) of the Florida Constitution as an insignificant fiscal impact.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 26, 2014, the Finance & Tax Subcommittee adopted an amendment to this bill. The amendment expanded the bill to apply to allow the an exemption for educational, literary, scientific, religious or charitable purposes while the property owner is taking affirmative steps. The amendment provides for repercussions if the property is not in actual use for these purposes within 5 years (although an extension can be granted when affirmative steps continue to be made). The amendment deletes duplicative language made unnecessary by the new language.

This analysis is drawn to the committee substitute.

1 A bill to be entitled
 2 An act relating to the charitable exemption from ad
 3 valorem taxation; creating s. 196.1955, F.S.;

4 providing that property owned by an exempt
 5 organization is exempt from ad valorem taxation if the
 6 organization has taken affirmative steps to prepare
 7 the property for an exempt purpose; defining the term
 8 "affirmative steps"; requiring property appraisers to
 9 record a notice of tax lien against property owned by
 10 an organization granted an exemption for preparing the
 11 property for an exempt purpose under certain
 12 circumstances; subjecting such property to ad valorem
 13 taxation under certain circumstances; providing
 14 procedures and requirements for filing a tax lien;
 15 amending s. 196.196, F.S.; deleting provisions that
 16 provide criteria for an exemption from ad valorem
 17 taxation for property owned by an exempt organization
 18 that has taken affirmative steps to prepare the
 19 property for use as a house of public worship or for
 20 affordable housing; amending s. 196.198, F.S.;

21 deleting a provision that provides criteria for an
 22 exemption from ad valorem taxation for property owned
 23 by an educational institution that has taken
 24 affirmative steps to prepare the property for
 25 educational use; providing an effective date.

27 Be It Enacted by the Legislature of the State of Florida:

28

29 Section 1. Section 196.1955, Florida Statutes, is created
30 to read:

31 196.1955 Preparing property for educational, literary,
32 scientific, religious, or charitable use.-

33 (1) Property owned by an exempt organization is used for
34 an exempt purpose if the owner has taken affirmative steps to
35 prepare the property for an exempt educational, literary,
36 scientific, religious, or charitable use and no portion of the
37 property is being used for a nonexempt purpose. As used in this
38 section, the term "affirmative steps" means environmental or
39 land use permitting activities, creation of architectural plans
40 or schematic drawings, land clearing or site preparation,
41 construction or renovation activities, or other similar
42 activities that demonstrate a commitment to prepare the property
43 for an exempt use.

44 (2) If property owned by an organization granted an
45 exemption under this section is transferred for a purpose other
46 than an exempt use or is not in actual exempt use within 5 years
47 after the date that the organization is granted an exemption,
48 the property appraiser making such determination shall serve
49 upon the organization that received the exemption a notice of
50 intent to record in the public records of the county a notice of
51 tax lien against any property owned by that organization in the
52 county, and such property must be identified in the notice of

53 tax lien. The organization owning such property is subject to
 54 the taxes otherwise due and owing as a result of the failure to
 55 use the property in an exempt manner plus 15 percent interest
 56 per annum.

57 (a) The lien, when filed, attaches to any property
 58 identified in the notice of tax lien owned by the organization
 59 that received the exemption. If the organization no longer owns
 60 property in the county but owns property in any other county in
 61 the state, the property appraiser shall record in each such
 62 county a notice of tax lien identifying the property owned by
 63 the organization in each respective county, which shall become a
 64 lien against the identified property.

65 (b) Before such lien may be filed, the organization so
 66 notified must be given 30 days to pay the taxes and interest.

67 (c) If an exemption is improperly granted as a result of a
 68 clerical mistake or an omission by the property appraiser, the
 69 organization improperly receiving the exemption may not be
 70 assessed interest.

71 (d) The 5-year limitation specified in this subsection may
 72 be extended if the holder of the exemption continues to take
 73 affirmative steps to develop the property for the purposes
 74 specified in this subsection.

75 Section 2. Subsections (3), (4), and (5) of section
 76 196.196, Florida Statutes, are amended to read:

77 196.196 Determining whether property is entitled to
 78 charitable, religious, scientific, or literary exemption.-

79 ~~(3) Property owned by an exempt organization is used for a~~
 80 ~~religious purpose if the institution has taken affirmative steps~~
 81 ~~to prepare the property for use as a house of public worship.~~
 82 ~~The term "affirmative steps" means environmental or land use~~
 83 ~~permitting activities, creation of architectural plans or~~
 84 ~~schematic drawings, land clearing or site preparation,~~
 85 ~~construction or renovation activities, or other similar~~
 86 ~~activities that demonstrate a commitment of the property to a~~
 87 ~~religious use as a house of public worship. For purposes of this~~
 88 ~~subsection, the term "public worship" means religious worship~~
 89 ~~services and those other activities that are incidental to~~
 90 ~~religious worship services, such as educational activities,~~
 91 ~~parking, recreation, partaking of meals, and fellowship.~~

92 ~~(3)(4)~~ Except as otherwise provided in this section
 93 herein, property claimed as exempt for literary, scientific,
 94 religious, or charitable purposes which is used for profitmaking
 95 purposes is ~~shall be~~ subject to ad valorem taxation. Use of
 96 property for functions not requiring a business or occupational
 97 license conducted by the organization at its primary residence,
 98 the revenue of which is used wholly for exempt purposes, is not
 99 ~~shall not be~~ considered profitmaking ~~profit making~~. In this
 100 connection the playing of bingo on such property shall not be
 101 considered as using such property in such a manner as would
 102 impair its exempt status.

103 ~~(5)(a) Property owned by an exempt organization qualified~~
 104 ~~as charitable under s. 501(c)(3) of the Internal Revenue Code is~~

105 ~~used for a charitable purpose if the organization has taken~~
 106 ~~affirmative steps to prepare the property to provide affordable~~
 107 ~~housing to persons or families that meet the extremely low-~~
 108 ~~income, very low income, low income, or moderate income limits,~~
 109 ~~as specified in s. 420.0004. The term "affirmative steps" means~~
 110 ~~environmental or land use permitting activities, creation of~~
 111 ~~architectural plans or schematic drawings, land clearing or site~~
 112 ~~preparation, construction or renovation activities, or other~~
 113 ~~similar activities that demonstrate a commitment of the property~~
 114 ~~to providing affordable housing.~~

115 ~~(b)1. If property owned by an organization granted an~~
 116 ~~exemption under this subsection is transferred for a purpose~~
 117 ~~other than directly providing affordable homeownership or rental~~
 118 ~~housing to persons or families who meet the extremely low-~~
 119 ~~income, very low income, low income, or moderate income limits,~~
 120 ~~as specified in s. 420.0004, or is not in actual use to provide~~
 121 ~~such affordable housing within 5 years after the date the~~
 122 ~~organization is granted the exemption, the property appraiser~~
 123 ~~making such determination shall serve upon the organization that~~
 124 ~~illegally or improperly received the exemption a notice of~~
 125 ~~intent to record in the public records of the county a notice of~~
 126 ~~tax lien against any property owned by that organization in the~~
 127 ~~county, and such property shall be identified in the notice of~~
 128 ~~tax lien. The organization owning such property is subject to~~
 129 ~~the taxes otherwise due and owing as a result of the failure to~~
 130 ~~use the property to provide affordable housing plus 15 percent~~

131 ~~interest per annum and a penalty of 50 percent of the taxes~~
 132 ~~owed.~~

133 ~~2. Such lien, when filed, attaches to any property~~
 134 ~~identified in the notice of tax lien owned by the organization~~
 135 ~~that illegally or improperly received the exemption. If such~~
 136 ~~organization no longer owns property in the county but owns~~
 137 ~~property in any other county in the state, the property~~
 138 ~~appraiser shall record in each such other county a notice of tax~~
 139 ~~lien identifying the property owned by such organization in such~~
 140 ~~county which shall become a lien against the identified~~
 141 ~~property. Before any such lien may be filed, the organization so~~
 142 ~~notified must be given 30 days to pay the taxes, penalties, and~~
 143 ~~interest.~~

144 ~~3. If an exemption is improperly granted as a result of a~~
 145 ~~clerical mistake or an omission by the property appraiser, the~~
 146 ~~organization improperly receiving the exemption shall not be~~
 147 ~~assessed a penalty or interest.~~

148 ~~4. The 5-year limitation specified in this subsection may~~
 149 ~~be extended if the holder of the exemption continues to take~~
 150 ~~affirmative steps to develop the property for the purposes~~
 151 ~~specified in this subsection.~~

152 Section 3. Section 196.198, Florida Statutes, is amended
 153 to read:

154 196.198 Educational property exemption.—

155 (1) Educational institutions within this state and their
 156 property used by them or by any other exempt entity or

157 | educational institution exclusively for educational purposes are
 158 | exempt from taxation.

159 | (a) Sheltered workshops providing rehabilitation and
 160 | retraining of individuals who have disabilities and exempted by
 161 | a certificate under s. (d) of the federal Fair Labor Standards
 162 | Act of 1938, as amended, are declared wholly educational in
 163 | purpose and are exempt from certification, accreditation, and
 164 | membership requirements set forth in s. 196.012.

165 | (b) Those portions of property of college fraternities and
 166 | sororities certified by the president of the college or
 167 | university to the appropriate property appraiser as being
 168 | essential to the educational process are exempt from ad valorem
 169 | taxation.

170 | (c) The use of property by public fairs and expositions
 171 | chartered by chapter 616 is presumed to be an educational use of
 172 | such property and is exempt from ad valorem taxation to the
 173 | extent of such use.

174 | (2) Property used exclusively for educational purposes
 175 | shall be deemed owned by an educational institution if the
 176 | entity owning 100 percent of the educational institution is
 177 | owned by the identical persons who own the property, or if the
 178 | entity owning 100 percent of the educational institution and the
 179 | entity owning the property are owned by the identical natural
 180 | persons.

181 | (a) Land, buildings, and other improvements to real
 182 | property used exclusively for educational purposes shall be

183 deemed owned by an educational institution if the entity owning
 184 100 percent of the land is a nonprofit entity and the land is
 185 used, under a ground lease or other contractual arrangement, by
 186 an educational institution that owns the buildings and other
 187 improvements to the real property, is a nonprofit entity under
 188 s. 501(c)(3) of the Internal Revenue Code, and provides
 189 education limited to students in prekindergarten through grade
 190 8.

191 (b) If legal title to property is held by a governmental
 192 agency that leases the property to a lessee, the property shall
 193 be deemed to be owned by the governmental agency and used
 194 exclusively for educational purposes if the governmental agency
 195 continues to use such property exclusively for educational
 196 purposes pursuant to a sublease or other contractual agreement
 197 with that lessee.

198 (c) If the title to land is held by the trustee of an
 199 irrevocable inter vivos trust and if the trust grantor owns 100
 200 percent of the entity that owns an educational institution that
 201 is using the land exclusively for educational purposes, the land
 202 is deemed to be property owned by the educational institution
 203 for purposes of this exemption. ~~Property owned by an educational~~
 204 ~~institution shall be deemed to be used for an educational~~
 205 ~~purpose if the institution has taken affirmative steps to~~
 206 ~~prepare the property for educational use. The term "affirmative~~
 207 ~~steps" means environmental or land use permitting activities,~~
 208 ~~creation of architectural plans or schematic drawings, land~~

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209 ~~clearing or site preparation, construction or renovation~~
210 ~~activities, or other similar activities that demonstrate~~
211 ~~commitment of the property to an educational use.~~

212 Section 4. This act shall take effect July 1, 2014.

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HM 925 Supportive Housing for the Elderly Program
SPONSOR(S): Pafford
TIED BILLS: IDEN./SIM. BILLS: SM 576

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local & Federal Affairs Committee		Dougherty	800 Rojas 
2) Economic Affairs Committee			

SUMMARY ANALYSIS

The Section 202 Supportive Housing for the Elderly Program expands the supply of affordable, independent-living housing with supportive services for the low-income elderly. Federal funding for the program drastically decreased in recent years, receiving no funding in 2012 or 2013.

HM 925 urges Congress to restore and adequately fund the Supportive Housing for the Elderly Program.

Copies of the memorial will be provided to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

This memorial has no fiscal impact.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Section 202 Supportive Housing for the Elderly Program¹

Overview

Section 202 of the Housing Act of 1959, entitled Supportive Housing for the Elderly, authorizes the Secretary of Housing and Urban Development (HUD) to provide assistance to private nonprofit organizations and consumer cooperatives² to supply housing for the low-income elderly.³ The purpose of the program is to enable the low-income elderly to live with dignity and independence by expanding the supply of supportive housing that accommodates their special needs and provides a range of services tailored to those needs. It is the only federal program that expressly addresses affordable elderly housing. To date, Section 202 has produced nearly 400,000 quality homes that are highly rated by the low-income, elderly residents.⁴

In recent years, funds for the Section 202 program decreased while costs increase with inflation. Studies show that program costs are reasonable in relation to costs of other development programs and industry norms. Research suggests the Section 202 program may reduce Medicaid expenditures while providing a humane alternative to institutionalization. In recent years, the historically low level of Section 202 annual appropriations provided by Congress, in combination with HUD practices regarding allocation of funds, has resulted in development of multiple, small projects that reduce program efficiency and significantly contribute to project processing delays.

Types of Assistance

HUD provides two types of assistance: capital advances and rent subsidies.⁵ Interest-free capital advances finance the construction, rehabilitation, or acquisition of structures that will serve as supportive housing. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. HUD provides rent subsidies for the projects to help make them affordable. Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are approved initially for three years and are renewable based on the availability of funds. Careful sponsor screening and rental subsidies have resulted in fewer defaults and greater financial stability in the Section 202 program than in most other federal housing programs.⁶

¹ The Supportive Housing for the Elderly Program is authorized under s. 202 of the Housing Act of 1959 (12 U.S.C. 1701q), s. 210 of the Housing and Community Development Act of 1974, P. L. 86-372 (12 U.S.C. 1701q, 73 Stat. 654, 667); the National Affordable Housing Act, P. L. 101-625 (42 U.S.C. 12701); the Housing and Community Development Act of 1992 (P.L. 102-550); the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569), and the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372). Program regulations are found 24 CFR Part 891. More information about the Section 202 program can be found in HUD Handbooks 4571.3, Supportive Housing for the Elderly and 4571.5, Supportive Housing for the Elderly--Conditional Commitment; HUD Notices H96-102 REV 00-23, H2009-10 and H2011-18.

² Private nonprofit organizations and nonprofit consumer cooperatives that meet the threshold requirements contained in the General Section and the program Notice of Funding Availability are the only eligible applicants under this Section 202 program.

³ 12 U.S.C. 1701q.

⁴ *Housing for the Elderly (Section 202): 2013 Summary Statement and Initiatives*, available at <http://portal.hud.gov/hudportal/documents/huddoc?id=housing-elderly-2013.pdf>.

⁵ See http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc/eld202.

⁶ See "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement," U.S. Department of Housing and Urban Development Office of Policy Development and Research, available at www.huduser.org.

Eligible Customers

Occupancy in Section 202 housing is open to any very low-income household comprised of at least one person who is at least 62 years old at the time of initial occupancy. Generally, an income equal to 50 percent of the area median family income, adjusted for household size, qualifies for this program.⁷

Section 202 Housing

Housing made available under the Section 202 program is of good quality, and performs better during on-site physical inspections than other HUD-assisted housing programs. A critical aspect of Section 202 housing is that it can accommodate residents with supportive services as they become frailer.⁸ A majority of Section 202 projects have the capacity to provide an array of communal services for their residents.⁹ Costs of formal services are generally not paid by HUD, but instead are paid through a variety of other sources, principally Medicaid. Examples of formal services are meals, housekeeping, assistance with medications, bathing, etc. Many of these housing options have a service coordinator, a person trained to work with residents and their families when supportive services are needed.¹⁰

Available information on resident satisfaction suggests that residents of Section 202 facilities are more satisfied with their home and immediate surroundings than participants in the Housing Choice Voucher program or unassisted very low-income elderly persons. On average, elderly persons admitted to Section 202 projects generally resided for longer periods of time in this kind of housing than elders admitted to public housing, other multifamily assisted housing, or using Housing Choice Vouchers.¹¹ Waiting lists for Section 202 facilities are long, especially when compared to the number of housing units becoming vacant each year. The relatively high demand for this housing means that applicants frequently must wait over two years for a unit.

Comparative Section 202 Program Costs

A 2002 study by the Government Accountability Office compared the total per-unit costs of six active federal housing assistance programs, including the programs of Section 202 and the Housing Choice Vouchers.¹² The per-unit, 30-year cost of the Section 202 program was 12 percent more than for Housing Choice Vouchers in metropolitan areas, and 39 percent more than for vouchers in non-metropolitan areas. A key issue is whether a twelve percent higher cost of a Section 202 project in a metropolitan area is offset by greater benefits, particularly since Section 202 housing can provide features and services that are not generally available in private-market housing available to very low-income persons using vouchers.

The quality of Section 202 housing is uniformly good, regardless of where the project is built, while the quality of housing occupied by elderly voucher participants varies by geographic region of the country. When an elderly person moves into a newly developed Section 202 project, he/she is likely to occupy

⁷ *Id.*

⁸ A majority of facilities (73.9 percent) have grab rails, and 91.1 percent have a ramp or a level entrance. In the newer projects (built since 1990), nearly 100 percent of projects have at least one accessible unit, and 43 percent of all units are wheelchair-accessible.

⁹ Community space for social and recreational facilities is available and used in 90.2 percent of projects. Spaces for congregate dining and supportive service providers are used in about half of projects.

¹⁰ In 2006, 38 percent of all Section 202 properties reported having a service coordinator on staff. Almost half of all facilities built before 1984 reported having one on staff, while the smallest service coordinator presence (26.9 percent) was reported at newer Section 202 projects developed after 1990. Older facilities tend to be larger than newer projects, which permits greater economies of scale in staffing than in the newer, smaller facilities.

¹¹ See "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement," U.S. Department of Housing and Urban Development Office of Policy Development and Research, available at www.huduser.org.

¹² Government Accountability Office (2002) *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*. GA0-02-76, available at www.gao.gov. The programs compared included Housing Choice Vouchers, Low-Income Housing Tax Credits, Hope VI, Section 202, Section 811, and Section 515.

good quality housing with accessibility features, congregate dining (i.e. meals served to residents who sit together in a building's dining area), and services, regardless of location.

The voucher program is well suited to the needs of many low-income elderly persons who can live independently. However, vouchers may not be the best choice for people who are frail; need supportive personal services; are at risk of institutionalization; or are unable to shop for food, cook meals, or perform housekeeping tasks. An elderly person using a voucher is likely to occupy much older housing than Section 202 options, probably without all needed accessibility features, access to congregate dining, or service coordinators.

Alternative to Institutionalization

The elderly overwhelmingly prefer living in their own homes to other options. They see nursing homes as the least attractive option for people who are dependent.¹³ It is therefore not surprising that non-financial factors become more important for demand for Section 202 housing as the ages of applicants increase. In particular, needs for supportive services and improved security are more important to older applicants than to those in their 60s. When reporting the types of needs influencing a decision to move to Section 202 housing, 20.3 percent of applicants over age 80 reported needing supportive services because of frailty, which was twice the rate for other applicants.¹⁴

Effect of Proposed Changes

This memorial urges the United States Congress to restore and adequately fund the Supportive Housing for the Elderly Program.

Copies of the memorial will be provided to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

This memorial has no fiscal impact.

B. SECTION DIRECTORY:

None.

¹³ O'Keeffe, Janet, Christine O'Keeffe, and Shulamit Bernard (2003) *Using Medicaid to Cover Services for Elderly Persons in Residential Care Settings: State Policy Maker and Stakeholder Views in Six States*, available at <http://aspe.hhs.gov/daltcp/reports/med4rcs.htm>. Report was prepared under contract #HHS-100-97-0014 between the U.S. Department of Health and Human Services (HHS), Office of Disability, Aging and Long-Term Care Policy (DALTCP) and the Research Triangle Institute.

¹⁴ Heumann, Leonard, Karen Winter-Nelson, and James Anderson (2001) *The 1999 Survey of Section 202 Housing for the Elderly*. AARP Public Policy Report #2001-02. Washington DC: AARP.

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:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

N/A

HM 925

2014

House Memorial

A memorial to the Congress of the United States,
 urging Congress to restore funding for the Supportive
 Housing for the Elderly Program.

WHEREAS, the senior population nationwide increased from
 3.1 million to 33.2 million during the 20th century and, by
 2030, the number of seniors is projected to increase to 80
 million, and

WHEREAS, half of people age 65 or older reside in nine
 states, led by Florida, California, and New York, and

WHEREAS, interest rates for personal savings accounts have
 dropped to less than one-half of 1 percent, pension and health
 care payments for retirees are decreasing, and the value of
 investments in 401(k) retirement savings accounts and stocks
 have dramatically decreased, and

WHEREAS, federal funding for low-cost housing was
 eliminated in 2012 after being cut dramatically from \$650
 million in 2005 to \$78 million in 2011, and

WHEREAS, with thousands of low-income seniors on waiting
 lists, some for as many as 3 years, there is a desperate need
 for low-cost housing for seniors, NOW, THEREFORE,

Be It Resolved by the Legislature of the State of Florida:

That the Congress of the United States is urged to assist

HM 925

2014

27 | our nation's low-income seniors by restoring and adequately
28 | funding the Supportive Housing for the Elderly Program.

29 | BE IT FURTHER RESOLVED that copies of this memorial be
30 | dispatched to the President of the United States, to the
31 | President of the United States Senate, to the Speaker of the
32 | United States House of Representatives, and to each member of
33 | the Florida delegation to the United States Congress.

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HM 1169 Disaster Savings Accounts
SPONSOR(S): Diaz, Jr.
TIED BILLS: IDEN./SIM. **BILLS:** CS/SM 1298

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local & Federal Affairs Committee		Dougherty	ADD Rojas
2) Regulatory Affairs Committee			

SUMMARY ANALYSIS

HM 1169 urges Congress to pass legislation allowing deductions for amounts contributed to disaster savings accounts to be used for disaster mitigation expenses. The two federal bills seeking to accomplish this are H.R. 3989 and S. 1991, which amend the Internal Revenue Code to achieve the following:

- establish tax-exempt disaster savings accounts to pay the expenses of homeowners for disaster mitigation and recovery expenses,
- allow a deduction from gross income (above-the-line deduction) up to \$5,000 (adjusted annually for inflation) in a taxable year for cash contributions to such accounts,
- exclude from gross income distributions from such accounts to pay disaster mitigation and recovery expenses; and
- set forth tax rules and penalties for excess contributions to disaster savings accounts and for failure to file required reports on such accounts.

Legislative memorials are not subject to the Governor’s veto power and are not presented to the Governor for review. Memorials have no force of law—they are mechanisms for formally petitioning the U.S. Congress to act on a particular subject.

This memorial does not have a fiscal impact.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Florida's Unique Vulnerability to Natural Disasters

According to the Florida Division of Emergency Management, Florida may be considered the most vulnerable state in the nation to the impacts from hurricanes, tropical storms, and tropical depressions. In addition to hurricanes, the State of Florida is vulnerable to numerous other types of severe weather such as tornadoes, drought, various types of flooding, and extreme temperatures, including freezes. The vulnerable geography and environment of the state combined with the subtropical climate create continuous threats from these severe weather events.¹

Florida is ranked as the fifth highest state with regard to the number of Federal Disaster Declarations² in the last 60 years.³ As a result of Florida's high risk, Florida:

- Has over 2 million flood insurance policies issued by the National Flood Insurance Program.⁴ Florida's 2 million policies account for approximately 37 percent of the total policies issued by the flood program nationwide.
- In 2011, was ranked as the most expensive state for homeowners insurance, with an average expenditure of \$1,933.⁵
- Has the highest number of properties at potential risk for hurricane-driven storm surge,⁶ more than 1.4 million properties valued at more than \$386 billion.⁷
- Had a total value of coastal exposure at nearly \$2.9 trillion in 2012, which far exceeded the combined coastal exposure of the other gulf region states,⁸ with 1.6 trillion.⁹
- Had six of the twelve most costly hurricanes in insurance history impact the state:¹⁰
 - Hurricane Andrew (1992): \$25.6 billion.
 - Hurricane Jeanne (2004): \$5.6 billion.
 - Hurricane Francis (2004): \$5.6 billion.
 - Hurricane Charley (2004): \$9.2 billion.

¹ Florida Division of Emergency Management. *The State of Florida Tropical and Non-Tropical Severe Weather Annex to the 2012 Florida Comprehensive Emergency Management Plan*. Available at: <http://www.floridadisaster.org/documents/CEMP/2012/Tropical%20and%20Non-Tropical%20Severe%20Weather%20Annex%20-%202012.20.11.pdf> (Last viewed March 28, 2014).

² At the request of a disaster impacted state's Governor, the President may declare that a major disaster or emergency exists, thus activating an array of Federal programs to assist in the response and recovery effort. Not all programs, however, are activated for every disaster.

³ Federal Emergency Management Agency. *Disaster Declarations by State/Tribal Government*. Available at: <http://www.fema.gov/disasters/grid/state-tribal-government> (Last viewed March 28, 2014).

⁴ The NFIP is administered by the Federal Emergency Management Agency and provides property owners located in flood-prone areas the ability to purchase flood insurance protection from the federal government.

⁵ Presentation to the Florida House of Representatives Insurance & Banking Subcommittee, by Lynne McChristian, Insurance Information Institute: "State of the Florida Property Insurance Market: Past, Present and Future," Feb. 19, 2014. p. 21. (Citing 2013 National Association of Insurance Commissioners). Available at <http://www.iii.org/assets/docs/pdf/Florida-021914.pdf> (Last viewed March 28, 2014).

⁶ Storm surge is a complex phenomenon that occurs when water is pushed toward the shore through force of powerful winds associated with cyclonic storms. Storm surge has the potential to cause tremendous property loss, resulting in billions of dollars in property damage. See *infra* note 10, at 5 and 10.

⁷ Core Logic. *2013 Storm Surge Report*. p. 13. Available at: <http://www.corelogic.com/about-us/researchtrends/storm-surge-report.aspx> (Last viewed March 28, 2014).

⁸ Gulf region states, sometime referred to as "hurricane alley," include: Florida, Alabama, Mississippi, Louisiana, and Texas.

⁹ See *supra* note 8, at 45.

¹⁰ See *supra* note 8, at 44.

- Hurricane Wilma (2005): \$11.1 billion.
- Hurricane Katrina (2005): \$48.7 billion.¹¹

Disaster Mitigation

Mitigation is the effort to reduce the loss of life and property by lessening the impact of disasters.¹² Examples of mitigation efforts include elevating or relocating buildings from flood hazard areas, retrofitting buildings to make them more resistant to earthquakes or strong winds, and adopting and enforcing adequate building codes set by local, state and federal governments.¹³

The Federal Emergency Management Agency (FEMA) manages various grant programs that encourage individuals and communities to take proactive steps to mitigate losses and damage. A 2005 study found that on average, a dollar spent by FEMA on hazard mitigation provides \$4 in future benefits.¹⁴

In Florida, the state's Division of Emergency Management assists communities with mitigation efforts through the Residential Construction Mitigation Program.¹⁵ The Program receives \$7 million annually from the Florida Hurricane Catastrophe Trust Fund, of which:

- \$2.8 million is designated for the Mobile Home Tie-Down Program. Based on legislative directive, the Division of Emergency Management provides the funding directly to Tallahassee Community College (TCC). By statute, TCC prepares a separate report for the Governor and the Legislature on these directives.
- \$700,000 is designated for Hurricane Research to be conducted by Florida International University (FIU) to continue innovative research involving full-scale structural testing to determine inherent weakness of structures when subjected to categories 1 to 5 hurricane-force winds and rain, leading to new technologies, designs and products.
- Up to \$3.4 million is to be used to improve the wind resistance of residences through loans, subsidies, grants, demonstration projects, direct assistance, and cooperative programs with local and federal governments. The program is developed in coordination with the Advisory Council whose members consist of representatives from the Florida Association of Counties, the Florida Department of Insurance, the Federation of Manufactured Home Owners, the Florida Manufactured Housing Association, the Florida Insurance Council, and the Florida Home Builders Association.

The Disaster Savings Account Act of 2014

U.S. Representative Dennis Ross (FL-15) and U.S. Senator Jim Inhofe (R-Okla.) introduced The Disaster Savings Accounts Act (DSA) in their respective chambers as H.R. 3989 and S. 1991. These bills would establish a new tax-preferred savings account for the purpose of fortifying a residence property in preparation for an impending natural disaster and, in the aftermath, for rebuilding and damage expenses. A homeowner could contribute up to \$5,000 annually in pre-tax dollars to be used for DSA-qualified expenses and the balance would roll over at the end of each year.

The Disaster Savings Account Act of 2014 would allow for up to \$5,000 to be deducted from a taxpayer's yearly gross income and placed into a disaster saving account.¹⁶ Homeowners would be allowed to spend funds from their account on approved mitigation, such as:

¹¹ Id.

¹² Federal Emergency Management Agency. *Mitigation's Value to Society Fact Sheet*. Available at: http://www.fema.gov/media-library-data/20130726-1621-20490-9581/mitigationvaluetosociety_2012.pdf (Last viewed March 28, 2014).

¹³ Federal Emergency Management Agency. *The Disaster Process & Disaster Aid Programs*. Available at: <http://www.fema.gov/disaster-process-disaster-aid-programs> (Last viewed March 28, 2014).

¹⁴ Multihazard Mitigation Council. *Natural Hazard Mitigation Saves: An Independent Study to Assess the Future Savings from Mitigation Activities*. 2005. Available at: http://c.ymcdn.com/sites/www.nibs.org/resource/resmgr/MMC/hms_voll.pdf (Last viewed March 28, 2014).

¹⁵ <http://www.floridadisaster.org/mitigation/RCMP/index.htm> (Last viewed March 28, 2014)

- Safe rooms;¹⁷
- Opening protection (i.e., impact and wind resistant windows, exterior doors, garage doors);
- Reinforcement of roof-to-wall and floor-to-wall connections for wind or seismic activity;
- Roof covering for impact, fire, or high wind resistance;
- Cripple and shear walls to resist seismic activity;¹⁸
- Flood resistant building materials;
- Elevating structures and utilities above base flood elevation;
- Lightning protection systems;
- Whole home standby generators; and
- Any activity specified by the Secretary of the Treasury as appropriate to mitigate the risks of future hazards; or
- For the recovery of at least \$3,000 in uninsured losses and expenses that were incurred during a state or federally declared disaster.

In addition to the traditional expenses associated with disaster mitigation and repair of a residence, the DSA account will allow homeowners to utilize DSA funds for uninsured personal casualty losses for the home. This will help mitigate insurance premium increases for instances where the availability of DSA funds for smaller-value damage would allow the homeowner to avoid tapping into insurance coverage for damage repair.

Effect of Proposed Changes

HB 1169 urges Congress to pass legislation that allows a deduction for amounts contributed to disaster savings accounts to be used for the purpose of disaster mitigation expenses.

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law—they are mechanisms for formally petitioning the U.S. Congress to act on a particular subject.

Copies of the memorial will be provided to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

This memorial has no fiscal impact.

B. SECTION DIRECTORY:

Not applicable.

¹⁶ Other congressionally approved tax-advantaged savings account include Individual Retirement Accounts (IRAs) and Health Savings Accounts (HSAs).

¹⁷ A safe room is a hardened structure specifically designed to provide "near-absolute protection" in extreme weather events, including tornadoes and hurricanes.

¹⁸ Cripple walls are short exterior walls built on top of foundation walls to create a crawlspace. These walls are built to carry the entire weight of the house. During an earthquake, cripple walls must sustain lateral (horizontal) movement and are at risk of failure. This can cause the house to collapse or shift significantly, often off its foundation. Cripple walls were a common construction practice in west coast homes until 1950.

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:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On April 8, 2014, the Local & Federal Affairs Committee will consider a technical amendment correcting the name of the federal bills.

HM 1169

2014

1 House Memorial

2 A memorial to the Congress of the United States,
3 urging Congress to pass legislation that allows
4 individuals a deduction for amounts contributed to
5 disaster savings accounts to be used for the purpose
6 of disaster mitigation expenses.

7
8 WHEREAS, Florida, a state with unique hurricane and flood
9 risks, is the most expensive state in the nation for homeowners'
10 insurance, and

11 WHEREAS, mitigation programs and improvements create safer
12 structures and reduce the impact of natural disasters, thereby
13 reducing property damage and costs associated with disasters,
14 and

15 WHEREAS, tax-preferred savings accounts encourage
16 homeowners to mitigate their homes from future natural
17 disasters, and

18 WHEREAS, H.R. 329, the Disaster Savings Accounts Act of
19 2013, was introduced to amend the Internal Revenue Code of 1986
20 to allow individuals a deduction for amounts contributed to
21 disaster savings accounts to help defray the cost of preparing
22 their homes to withstand a disaster, NOW, THEREFORE,

23
24 Be It Resolved by the Legislature of the State of Florida:
25

HM 1169

2014

26 That the Congress of the United States is urged to pass
 27 legislation that allows individuals a deduction for amounts
 28 contributed to disaster savings accounts to be used for the
 29 purpose of disaster mitigation expenses.

30 BE IT FURTHER RESOLVED that copies of this memorial be
 31 dispatched to the President of the United States, to the
 32 President of the United States Senate, to the Speaker of the
 33 United States House of Representatives, and to each member of
 34 the Florida delegation to the United States Congress.

COMMITTEE/SUBCOMMITTEE AMENDMENT

Bill No. HM 1169 (2014)

Amendment No.

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED	___	(Y/N)
ADOPTED AS AMENDED	___	(Y/N)
ADOPTED W/O OBJECTION	___	(Y/N)
FAILED TO ADOPT	___	(Y/N)
WITHDRAWN	___	(Y/N)
OTHER	_____	

1 Committee/Subcommittee hearing bill: Local & Federal Affairs
2 Committee

3 Representative Diaz, M. offered the following:

4
5 **Amendment**

6 Remove lines 18-19 and insert:

7 WHEREAS, H.R. 3289 and S. 1991, the Disaster Savings
8 Accounts Acts, were introduced to amend the Internal Revenue
9 Code of 1986

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HM 1427 Citrus Greening Disease
SPONSOR(S): Albritton
TIED BILLS: IDEN./SIM. BILLS:

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local & Federal Affairs Committee		Flegiel MF	Rojas JR
2) State Affairs Committee			

SUMMARY ANALYSIS

Citrus Huanglongbing (HLB), also known as citrus greening disease, is an endemic citrus disease that reduces citrus production by causing several conditions in citrus trees including: premature fruit drop; production of small, bitter, economically useless fruit; and increased vulnerability to other diseases. HLB was discovered in Florida in 2005 in Miami-Dade County, and has since spread to all citrus producing counties in the state. The disease has no known cure. Over a five year period from 2005-2011, it is estimated that HLB caused an economic loss of \$4.54 billion and caused the loss of 8,257 jobs. Presently, this year's state budget allocates \$13.7 million to combat HLB, \$8 million of which are state funds and \$5.7 million of which are federal funds.

HM 1427 urges the U.S. Congress to support the Florida citrus industry in its efforts to combat and defeat HLB, through policy initiatives, regulatory support, and adequate funding.

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law—they are mechanisms for formally petitioning the U.S. Congress to act on a particular subject. This memorial does not have a fiscal impact.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

According to the University of Florida Institute of Food and Agricultural Sciences (UF IFAS), “the state of Florida is the largest citrus producer in the United States, and the second largest producer of orange juice in the world, behind Brazil. The Florida citrus industry represents an important part of the Florida agricultural economy—with estimated output (revenue) impacts of \$8.91 billion and value added contributions of \$4.62 billion to Gross Domestic Product. The Florida citrus industry generated at least 75,800 jobs, based on over 203 million boxes of citrus fruit produced in the 2007/08 season (Hodges and Rahmani 2009).

“Citrus Huanglongbing, more commonly known as citrus greening disease, has become endemic in the state of Florida and in São Paulo, Brazil, where it has caused major damage to citrus production. Believed to have originated in or near southern China more than a century ago, HLB’s presence was detected in the São Paulo state in Brazil in 2004. By September 2005, the disease was found in Miami-Dade County, and it soon spread throughout the commercial production area in Florida. The disease affects citrus production by causing premature fruit drop. Infected trees also produce small, misshapen fruit with bitter juice that has no economic value. As the disease progresses, the tree becomes more vulnerable to other diseases. Currently, there is no strategy to cure the disease. Some growers attempt to suppress the disease through an aggressive eradication program, while others are employing foliar nutritional techniques in an attempt to mask the symptoms of the disease and extend the economic life of infected groves.”¹

In the five year period from 2006-2011, UF IFAS estimated that HLB caused a total output loss to the Florida citrus industry of \$4.54 billion, a value added loss of \$2.72 billion, and a labor income loss of \$1.75 billion. For comparison, over the same five year period, the total output of the Florida citrus industry was \$24.28 billion, the value added was \$14.53 billion, and the labor income was \$9.38 billion. UF IFAS also estimated that over the same five year period, HLB reduced the number of permanent jobs in the Florida citrus industry from 52,394 to 44,137, a loss of 8,257 jobs.²

The annual utilization of 90 pound boxes of oranges is summarized below. The large change in utilization from 2003-2004 to 2004-2005 was the result of grove damage caused by the very active 2004 hurricane season.

Season	Utilized Volume - million 90-pound boxes of oranges			
	Fresh	Florida Concentrated Orange Juice (FCOJ)	Chilled Orange Juice (COJ)	Total
1999-00	6.9	129.5	90.1	233.0
2000-01	6.7	120.5	89.6	223.0
2001-02	6.9	132.2	85.9	230.0
2002-03	6.3	98.7	92.5	203.0
2003-04	6.2	137.0	93.4	242.0
2004-05	4.9	52.2	88.5	149.8
2005-06	4.5	49.1	90.2	147.4
2006-07	5.0	46.0	75.2	129.0
2007-08	4.4	78.0	85.1	170.2

¹ Economic Impacts of Citrus Greening in Florida, 2006/07-2010/11, FE903. UF IFAS Extension. January 2012.

² Id.

2008-09	5.5	71.2	82.8	162.5
2009-10	4.5	51.3	75.1	133.7
2010-11	4.5	50.3	82.6	140.5
2011-12	4.6	63.9	75.5	146.7
2012-13	4.6	47.0	79.2	133.6
2013-14 forecast	4.3	41.1	77.1	125.0
2013-2014 updated forecast	3.5	30.4	77.6	114.0 ³

*Fresh, FCOJ and COJ constitute over 95% of orange production. Table does not list "other" uses of oranges, but this figure is included in the total production of Oranges.

Budget

This year's state budget allocates \$13.7 to combat citrus greening. \$4 million is allocated to research, \$7.2 is allocated to citrus health response, \$.5 million is allocated to citrus psyllid biological control, and \$2 million is dedicated to the citrus repository and budwood lab. Of the \$13.7 million allocated in the state budget, \$8 million are state dollars and \$5.7 million are federal dollars. Additionally, from 1999-2010 56 packing houses and 33 processing plants were shut down, partially as a result of decreased production due to HLB.

Effect of Proposed Changes

HM 1427 urges the U.S. Congress to support the Florida citrus industry in its efforts to combat and defeat HLB, through policy initiatives, regulatory support, and adequate funding.

Legislative memorials are not subject to the Governor's veto power and are not presented to the Governor for review. Memorials have no force of law—they are mechanisms for formally petitioning the U.S. Congress to act on a particular subject. This memorial does not have a fiscal impact.

B. SECTION DIRECTORY:

Not applicable.

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:

None.

2. Expenditures:

None.

³ Florida Citrus Outlook Update 2013-2014 Season. Florida Department of Citrus. March 19, 2014.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

N/A

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House Memorial

A memorial to the Congress of the United States, urging Congress to support the Florida citrus industry in its efforts to combat and defeat huanglongbing, also known as HLB or citrus greening disease, through policy initiatives, regulatory support, and adequate funding.

WHEREAS, as the largest citrus producer in the United States, Florida's citrus industry generates 75,800 jobs and has an estimated \$8.91 billion in economic impact annually, forming the financial backbone of many families and communities across the state, and

WHEREAS, in 2005, huanglongbing, also known as HLB or citrus greening disease, was discovered in an orange grove in Southeast Florida and has since spread to all 32 counties that commercially produce citrus, and

WHEREAS, citrus greening disease is a bacterial disease that attacks the vascular system of a citrus tree, diminishing the tree's production and economic value before eventually causing the tree to die, and

WHEREAS, since its discovery in Florida, citrus greening disease has caused \$4.5 billion in economic damages and has cost the state an estimated 8,200 jobs, and

HM 1427

2014

25 WHEREAS, experts predict that small and middle-sized citrus
 26 farmers will be out of business within 2 years if better tools
 27 and techniques are not developed by growers and scientists to
 28 combat the spread and effects of citrus greening disease, and

29 WHEREAS, the citrus industry's entire infrastructure,
 30 including processing plants, fresh fruit packinghouses, and
 31 ancillary businesses, are at risk if production losses due to
 32 citrus greening disease are not recaptured, and

33 WHEREAS, as citrus greening disease continues to cause
 34 major damage to citrus production, the long-term success of
 35 Florida's citrus industry will be dependent upon breakthroughs
 36 in the fight against the disease, and

37 WHEREAS, as the second largest producer of orange juice in
 38 the world, Florida's citrus industry is an important contributor
 39 to both Florida's and the nation's economy, NOW, THEREFORE,

40

41 Be It Resolved by the Legislature of the State of Florida:

42

43 That the Congress of the United States is urged to support
 44 the Florida citrus industry in its efforts to combat and defeat
 45 huanglongbing, also known as HLB or citrus greening disease,
 46 through policy initiatives, regulatory support, and adequate
 47 funding.

48 BE IT FURTHER RESOLVED that copies of this memorial be
 49 dispatched to the President of the United States, to the

F L O R I D A H O U S E O F R E P R E S E N T A T I V E S

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2014

50 | President of the United States Senate, to the Speaker of the
51 | United States House of Representatives, and to each member of
52 | the Florida delegation to the United States Congress.