

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Education Pre-K - 12 Committee

**BILL:** CS/SB 750

**INTRODUCER:** Education Pre-K-12 Committee and Senator Flores

**SUBJECT:** School District Bonds

**DATE:** February 6, 2012      **REVISED:** \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	deMarsh-Mathues	ED	<b>Fav/CS</b>
2.			BC	
3.				
4.				
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

This bill would revise requirements for school district bonds to provide school districts increased flexibility in issuing bonds that are paid for by ad valorem taxes or a sales tax surcharge. The bill extends the maximum duration of bonds from 20 years to 30 years unless a longer period is approved by the Department of Education (DOE). The bill authorizes school districts to determine the callability<sup>1</sup> of the bonds.

This bill amends s. 1010.49, Florida Statutes.

**II. Present Situation:**

The State Constitution authorizes school districts to levy ad valorem taxes up to 10 mills<sup>2</sup> and authorizes school districts and other local governmental bodies with taxing powers to issue bonds payable from ad valorem taxes for the following purposes:

<sup>1</sup> A callable bond is redeemable before the bond reaches its date of maturity.

<sup>2</sup> Fla. Const., art. VII, s. 12.

- To finance or refinance capital projects authorized by law and only when approved by the taxpayers in a referendum; or
- To refinance bonds at a lower net average interest.

Section 215.055(6), F.S., authorizes a school district to issue a discretionary sales surtax of up to 0.5 percent, upon approval of the voters in a referendum, to fund capital outlay projects. A school board may bond the surtax revenues.

Section 1010.49, F.S., prescribes the form and denomination of school board bonds. The schedule of maturities of the bonds must be so arranged that the total payments required each year will be as nearly equal as practicable. The schedule must provide that all bonds are to be retired within a period of 20 years from the date of issuance unless a longer period is required and has been specifically approved by the Department of Education (DOE). All bonds that bear interest in excess of 2.99 percent must be callable on terms prescribed by the district school board, beginning not later than 10 years from the date of issuance.

### **III. Effect of Proposed Changes:**

This bill would revise requirements for the form and duration of school district bonds to:

- Allow debt for a period of 30 years rather than 20 years unless the DOE approves a longer period; and
- Remove restrictions on times when bonds must be callable, thus permitting a school district to set the date on which bonds are callable or to issue non-callable bonds.

Callability allows a school district to redeem the bond and refinance the debt at a lower rate of interest. A non-callable bond is not redeemable before the date of maturity.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

Ad valorem taxes or sales tax surcharges to pay the debt service on the bonds would have to be approved by voters in a referendum and would be assessed on local property owners or purchasers of goods.

**B. Private Sector Impact:**

The effect on ad valorem taxes of the flexibility in structuring bonds that the bill affords to school districts is indeterminate.

**C. Government Sector Impact:**

In structuring debt for locally-funded capital outlay projects, school districts would have the flexibility to pay off the debt over a period of 30 years rather than 20, or over a longer period of time if the DOE approved the longer period. The school district would have the discretion to set the time when a bond is callable or to issue non-callable bonds.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Education Pre-K-12 on February 6, 2012:**

The committee substitute:

- Maintains the current statutory requirement for yearly payments to be as equal as practicable; and
- Establishes the maximum duration for bonds at 30 years unless the DOE approves a longer period.

**B. Amendments:**

None.