

**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.)

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

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BILL: SB 750

INTRODUCER: Senator Flores

SUBJECT: School District Bonds

DATE: February 2, 2012      REVISED: \_\_\_\_\_

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

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**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 authorizes school districts to determine the increments of payment, the duration, and 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:

- 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.

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<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.

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 a non-level debt structure in which the debt does not have to be paid off in even increments over time;
- Allow debt for a period of more than 20 years at the school district's discretion rather than the DOE's discretion; and
- Remove restrictions on times when bonds may 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 establish a longer period of time to pay off the debt, to make lower payments in some years than in others, 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.)

None.

**B. Amendments:**

None.