DATE: March 20, 2001

HOUSE OF REPRESENTATIVES COMMITTEE ON EDUCATION INNOVATION ANALYSIS

BILL #: HB 481

RELATING TO: Educational Finance

SPONSOR(S): Representative(s) Sorensen

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

(1) EDUCATION INNOVATION

- (2) EDUCATION APPROPRIATIONS
- (3) COUNCIL FOR LIFELONG LEARNING

(4)

(5)

I. <u>SUMMARY</u>:

Current law provides that a school district's ad valorem tax millage rate required for the Florida Education Finance Program (FEFP) must be reduced to ensure that it does not produce more than 90 percent of the district's FEFP calculation.

The statewide required millage rate for the FEFP in 2000-2001 is 5.94 mills. For the 2000-2001 fiscal year, the required millage rate was reduced for three school districts to ensure that it did not produce more than 90 percent of each district's FEFP calculation. The reduced millage rates for the three school districts are as follows: (1) Monroe, 4.027 mills; (2) Collier, 5.149 mills; and (3) Walton, 5.599 mills.

When a district's millage rate is reduced, it is necessary to replace the amount of reduction in local funds in the FEFP with state General Revenue funds. In 2000-2001, \$40,308,702 of state General Revenue funds were required to replace the reduction in local funds for the following three school districts:

Collier \$20,857,085
 Monroe \$18,175,963
 Walton \$1,275,654
 Total \$40,308,702

HB 481 amends current law to provide that when a school district's ad valorem tax millage rate required for the Florida Education Finance Program (FEFP) has been reduced to ensure that it does not produce more than 90 percent of the district's FEFP calculation, the district must have its required millage rate further reduced to 80 percent if "more than 90 percent of the area of the county is owned by governmental entities or public land trusts."

The Department of Education has expressed the opinion that in 2000-2001 only Monroe County would benefit from this bill. A reduction from 90 percent to 80 percent would reduce the amount of required local funds by an additional \$4,250,000 and would increase the amount of state General Revenue funds required to replace local funds in Monroe County from \$18,175,963 to \$22,425,963.

This bill is effective upon becoming a law.

DATE: March 20, 2001

PAGE: 2

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [X]
2.	Lower Taxes	Yes [X]	No []	N/A []
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

COMPUTATION OF DISTRICT REQUIRED LOCAL EFFORT

Current law (s. 236.081(4), F.S.) specifies that the Legislature must prescribe the aggregate required local effort for all school districts collectively as an item in the General Appropriations Act (GAA) for each fiscal year. The amount that each district must provide annually toward the cost of the Florida Education Finance Program (FEFP) must be calculated as follows:

Based on data from local property appraisers, the Department of Revenue annually certifies to the Commissioner of Education its most recent estimate of the taxable value for school purposes in each school district, and the total for all school districts in the state for the calendar year. The commissioner must then compute a millage rate, rounded to the nearest one one-thousandth of a mill, which, when applied to the 95 percent of the estimated total taxable value for school purposes, would generate the prescribed aggregate required local effort for the year for all districts. The commissioner must certify the millage rate to each district as the minimum millage rate necessary to provide the required local effort for the FEFP for that year.

The law (s. 236.081(4)(a)1.b., F.S.) then requires the computation of a statewide adjusted aggregate amount for required local effort for all school districts collectively from ad valorem taxes to ensure that no school district's revenue from local efforts will produce more than 90 percent of that school district's total K-12 FEFP calculation. If the millage rate of a district produces funds in excess of 90 percent of its FEFP calculation, the millage rate is reduced to produce no more than 90 percent.

COUNTY SCHOOL DISTRICTS RECEIVING STATE SUBSIDIES

If a district's revenue from the required local effort millage rate produces more than 90 percent of the district's total K-12 FEFP calculation, the district's required local effort millage rate is adjusted, so that it will only produce 90 percent of the district's total K-12 FEFP calculation. For the 2000-2001 fiscal year, the required millage rate was reduced for three school districts to ensure that it did not produce more than 90 percent of each district's FEFP calculation. As a result of this adjustment, \$40,308,702 of state General Revenue funds were required to replace the reduction in local funds for the following three counties:

Collier \$20,857,085 (5,149 mills)
 Monroe \$18,175,963 (4.027 mills)

DATE: March 20, 2001

PAGE: 3

• Walton \$ 1,275,654 (5.599 mills)

Total \$40,308,702

LEVYING OF AD VALOREM TAXES

Section 9, Art. VII of the State Constitution, provides that counties, school districts, and municipalities are authorized by law to levy ad valorem taxes. Ad valorem taxes may not be levied in excess of 10 mills, unless approved by a vote of the people in the school district.

GOVERNMENT OWNED LAND OR LAND TRUSTS

A concern has been expressed that in a county where most of the land is owned by the government or held in trust for areas such as national parks or wilderness areas, and due to relative scarcity of land and development restrictions, the assessed value of the remaining property exceeds the assessed levels in districts where there is less scarcity of land. As a result of the large percentage of land owned by the government or held in trust for national parks or wilderness areas, the property taxes are a financial burden for the native property owners.

C. EFFECT OF PROPOSED CHANGES:

HB 481 amends current law to provide that when a school district's ad valorem tax millage rate required for the Florida Education Finance Program (FEFP) has been reduced to ensure that it does not produce more than 90 percent of the district's FEFP calculation, the district must have its required millage rate further reduced to 80 percent if "more than 90 percent of the area of the county is owned by governmental entities or public land trusts."

COUNTY SCHOOL DISTRICTS RECEIVING STATE SUBSIDIES

If the ratio of state and local tax remains the same, the amount of local effort required from all other districts not benefiting from this provision would have to increase to make up for the loss of revenue from those districts benefiting from this provision.

When a district's millage rate is reduced, it is necessary to replace the amount of reduction in local funds in the FEFP with state General Revenue funds. If the increase in subsidy for a county school district is taken from the General Revenue instead of from the required ad valorem tax for the FEFP, other statewide programs funded by the General Revenue are decreased by the amount of the additional subsidy.

GOVERNMENT OWNED LAND OR LAND TRUSTS

Based on information obtained from all 67 county property appraisers, it appears that county property appraisers do not calculate the percent of land area in the county that is owned by governmental entities or public land trusts. Consequently, the state currently has no official source of information that can aid the implementation of this bill.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends s. 236.081(4), F.S., to revise the aggregate local revenue amount a certain district must generate relative to its total K-12 Florida Education Finance Program (FEFP) calculation. Specifically, any county where more than 90 percent of the area of the county is owned by governmental entities or by public land trusts must produce 80 percent in local effort, rather than the 90 percent as specified by current law, of the district's calculated FEFP entitlement.

Section 2: Provides that the effective date of the bill is upon becoming a law.

DATE: March 20, 2001

PAGE: 4

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See Fiscal Comments.

2. Expenditures:

See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See Fiscal Comments.

2. Expenditures:

See Fiscal Comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

See Fiscal Comments.

D. FISCAL COMMENTS:

The Department of Education has expressed the opinion that in 2000-2001 only Monroe County would benefit from this bill. A reduction from 90 percent to 80 percent would reduce the amount of required local funds an additional \$4,250,000 and would increase the amount of state General Revenue funds required to replace local funds in Monroe County from \$18,175,963 to \$22,425,963.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

This bill does not appear to violate any constitutional issues.

DATE : March 20, 2001 PAGE : 5					
В.	RULE-MAKING AUTHORITY:				
This bill does not necessitate additional rulemaking authority.					
C.	OTHER COMMENTS:				
	SB 944 is identical to HB 481.				
<u>AM</u>	AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:				
None.					
SIGNATURES:					
COMMITTEE ON EDUCATION INNOVATION:					
	Prepared by:	Staff Director:			
_	Elsie J. Rogers	Daniel Furman			
	E: 5 B. C. AMI Nor SIG CO	B. RULE-MAKING AUTHORITY: This bill does not necessitate additional rulemaking C. OTHER COMMENTS: SB 944 is identical to HB 481. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANNONE. SIGNATURES:			