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DATE: March 28, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
EDUCATION INNOVATION
ANALYSIS**

BILL #: CS/HB 481
RELATING TO: Educational Finance
SPONSOR(S): Committee on Education Innovation and Representative(s) Sorensen
TIED BILL(S): None

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

- (1) EDUCATION INNOVATION YEAS 13 NAYS 0
 - (2) EDUCATION APPROPRIATIONS
 - (3) COUNCIL FOR LIFELONG LEARNING
 - (4)
 - (5)
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I. SUMMARY:

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

CS/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 85 percent in the 2002-2003 fiscal year and to 80 percent beginning with the 2003-2004 fiscal year and every year thereafter, 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 85 percent would reduce the amount of required local funds by approximately \$2,125,000 for the 2002-2003 fiscal year and a reduction from 85 percent to 80 percent would reduce the amount of the required local funds by approximately an additional \$2,125,000 for the 2003-2004 fiscal year and every subsequent fiscal year.

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| • Walton | <u>\$ 1,275,654</u> | (5.599 mills) |
| Total | <u>\$40,308,702</u> | |

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:

CS/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 85 percent in the 2002-2003 fiscal year and to 80 percent beginning with the 2003-2004 fiscal year and every year thereafter, 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.

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

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. The Department of Education estimated that the 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.

Based on the Department of Education's calculations, a reduction from 90 percent to 85 percent would reduce the amount of required local funds by approximately \$2,125,000 for the 2002-2003 fiscal year. Therefore, the amount of state General Revenue funds required to replace local funds in Monroe County for the 2002-2003 fiscal year would increase from \$18,175,963 to \$20,300,963. A reduction from 85 percent to 80 percent for the 2003-2004 fiscal year and every subsequent fiscal year would reduce the amount of required local funds by approximately an additional \$2,125,000 and would increase the amount of state General Revenue funds required to replace local funds in Monroe County from \$20,300,963 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.

B. RULE-MAKING AUTHORITY:

This bill does not necessitate additional rulemaking authority.

C. OTHER COMMENTS:

SB 944 is identical to HB 481.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 28, 2001, the Committee on Education Innovation passed one amendment that delays the implementation of the millage rate adjustment to require an 85 percent adjustment for the 2002-2003 fiscal year, and beginning with the 2003-2004 fiscal year and every year thereafter, to require a millage rate adjustment of 80 percent.

The Committee on Education Innovation reported the bill favorably as a committee substitute.

VII. SIGNATURES:

COMMITTEE ON EDUCATION INNOVATION:

Prepared by:

Staff Director:

Elsie J. Rogers

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