

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1418

SPONSOR: Education Committee and Senator Clary

SUBJECT: School District Operating Budget Funding

DATE: April 4, 2003 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Woodruff	O'Farrell	ED	Fav/CS
2.	_____	_____	FT	_____
3.	_____	_____	AED	_____
4.	_____	_____	AP	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill authorizes a school district which is levying, or has levied within the past ten years, at least a 0.5 percent sales surtax, to expend in its operating budget as nonrecurring funds up to 2 mills of its non-voted capital improvement millage. The amount of the transfer is limited to the value necessary to bring the district's per student funding up to the state average of per student funding. Each year the school board would be required to authorize the transfer of such funds to the operating budget in a regularly scheduled board meeting and to certify to the Department of Education that the funds are not being used for recurring obligations.

Utilization in the operating budget would be added to the list of authorized uses of the 2 mill funds set forth in the statutes.

The bill authorizes a school district to transfer the 2 mill funds to the operating budget for 10 years after the date the sales surtax expires.

The school board is also required to certify to the Department of Education that the use of the 2 mill funds in the operating budget will not interfere with the district meeting its facilities obligations for the following five year period. The obligations are identified as the district 5-year work plan and remaining in compliance with the class size reduction schedule as enacted by the Legislature.

Two additional restrictions are placed on school district participation. If a school within the district receives a grade of "F", the district may not transfer funds to the operating budget in the following year. A second restriction limits participation in this program to school districts with a county population which does not exceed 500,000.

This bill creates a new section of the Florida Statutes.

II. Present Situation:

Prior to the 1997 Special Legislative Session on public school fixed capital outlay, some school districts were expending significant amounts of the capital outlay two mill levy proceeds for activities which more appropriately could have been paid for from district operating funds. Legislation enacted during the Special Session placed restrictions on the use of the two mill levy funds and provided a timeline for districts to switch non-capital expenditures back to the district's operating budget.

Prior to July 1, 2003 approved expenditures from the two mill levy proceeds include:

1. New construction and remodeling projects included in the district's educational plant survey, without regard to prioritization, sites and site improvement or expansion to new sites, existing sites, auxiliary facilities, athletic facilities, or ancillary facilities.
2. Maintenance, renovation, and repair of existing school plants or of leased facilities to correct deficiencies.
3. The purchase, lease-purchase, or lease of school buses; drivers' education vehicles; motor vehicles used for the maintenance or operation of plants and equipment; security vehicles; or vehicles used in storing or distributing materials and equipment.
4. The purchase, lease-purchase, or lease of new and replacement equipment.
5. Payments for educational facilities and sites due under a lease-purchase agreement entered into by a district school board, not exceeding, in the aggregate, an amount equal to three-fourths of the proceeds from the portion of the two mills of non-voted capital outlay millage levied by a district school board.
6. Payment of 1 year obligations in anticipation of revenue or loans to eliminate emergency conditions.
7. Payment of costs directly related to complying with state and federal environmental statutes, rules, and regulations governing school facilities.
8. Payment of costs of leasing relocatable educational facilities, of renting or leasing educational facilities and sites, or of renting or leasing buildings or space within existing buildings.

Audited violations of these expenditure provisions result in an equal dollar reduction in Florida Education Finance Program (FEFP) funds for the violating district in the fiscal year following the audit citation.

Beginning July 1, 2003, revenue generated by the two mill capital outlay levy must be used only for the following purposes:

1. The costs of construction, renovation, remodeling, maintenance, and repair of the educational plant;
2. The purchase, lease, or lease-purchase of equipment, educational plants, and construction materials directly related to the delivery of student instruction;
3. The rental or lease of existing buildings, or space within existing buildings, originally constructed or used for purposes other than education, for conversion for use as educational facilities;
4. The opening day collection for the library media center of a new school;
5. The purchase, lease-purchase, or lease of school buses; and

6. The servicing of payments related to certificates of participation issued for any purpose prior to November 1997. Costs associated with the lease-purchase of equipment, educational plants, and school buses may include the issuance of certificates of participation on or after November 1997 and the servicing of payments related to certificates so issued.

Notwithstanding any other provision of law, if a district has clearly identified the need for an ancillary plant through its adopted educational facilities plan, has provided opportunity for public input as to the relative value of the ancillary plant versus an educational plant, and has obtained public approval, the district may use revenue generated by the authorized capital outlay millage levy for the acquisition, construction, renovation, remodeling, maintenance, or repair of an ancillary plant.

A district that violates the post July 1, 2003 expenditure restrictions shall also have an equal dollar reduction in FEFP funds appropriated to the district in the fiscal year following the audit citation. The expenditure restrictions do not apply to any school district that certifies to the Commissioner of Education that all of the district's instructional space needs for the next 5 years can be met from capital outlay sources that the district reasonably expects to receive during the next 5 years or from alternative scheduling or construction, leasing, rezoning, or technological methodologies that exhibit sound management.

According to the Department of Education, thirteen districts are currently authorized to receive sales surtax proceeds. Fifty-seven districts currently levy the full two mills. Four districts levy 1.400 to 1.893 mills. Three districts levy 1.000 mills or less and three districts do not make this levy. Of the thirteen districts identified by the Department of Education, Orange is too large to qualify and Jackson does not levy any of the non-voted 2 mills. Three others had an "F" school in 2002 and would not have qualified for this year and for fiscal year 2002-2003, two are above the state average in funds per student. Only 6 potential qualifiers would have remained. For the 2002-2003 school year, those districts would have been: Bay, Hernando, Okaloosa, Santa Rosa, St. Lucie, and Volusia. Two districts have scheduled sales surtax elections for this spring. They are Polk and Walton.

Based on the 2000 United States Census, eight Florida counties exceed 500,000 in population. At that time, the counties were: Miami-Dade, Broward, Palm Beach, Hillsborough, Orange, Pinellas, Duval, and Polk. In 2000, Brevard was within 6,000 of reaching the limit and Lee was within 25,000.

III. Effect of Proposed Changes:

The bill would authorize districts which levy a local sales surtax of at least 0.5 percent to transfer 2 mill property tax revenue to the district's operating budget and expend the funds for non-recurring purposes. The transfer would be in addition to the currently authorized uses of the 2 mill funds listed in statute.

Authority to exercise this flexibility is conditioned upon the district making the transfer in a regular district school board meeting and on certifying to the Department of Education that the district is not expending the funds on recurring obligations. The district would be able to transfer

only enough of the 2 mill funds to raise the district up to the state average of per-student funding. The district must certify that it can continue to meet its capital obligations including complying with the class size reduction schedule.

The district would be authorized to make the transfers for ten years after the date on which the authorization for the sales surtax expired. Based on the expiration date for currently approved sales surtaxes, a district would be able to make the transfer for up to 25 years by initiating such transfers in the first year of the sales surtax levy and continuing for ten years after its expiration date. There is no limit on the length of time a sales surtax may be levied. The resolution approved by the voters would specify the number of years the sales surtax would be collected.

The Department of Education estimates that the thirteen districts currently levying the sales surtax districts would, in total, be granted flexibility to transfer approximately \$460,000,000 to their operating budgets if they meet all of the criteria.

The bill also limits participation to districts which have a population that does not exceed 500,000 and in which there are no "F" schools.

The effective date of the bill is July 1, 2003.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

The State is charged with providing funds for facilities to meet the implementation requirements of the November, 2002 Class Size Reduction Amendment. Districts are expected to fund the cost of facility construction to meet the demands of growth and replacement of existing facilities. A district currently meets its demand for facility funding from a combination of state and local resources which may include the 2 mill levy funds. If a district no longer expends its 2 mill funds for facilities, the state may be cast as not meeting its constitutional obligation to provide the necessary class size reduction facilities.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

C. Government Sector Impact:

VI. Technical Deficiencies:

None.

VII. Related Issues:

Article IX of the State Constitution requires that adequate provision shall be made by law for a **uniform**, efficient, safe, secure, and high quality system of free public schools that allows students to obtain a high quality education...

Currently, district 2 mill funds are not equalized by the State. In the 2002-2003 General Appropriations Act, districts are allowed the discretion to levy up to 0.76 mills of additional ad valorem tax. Of this amount, 0.25 is equalized at the value of \$50 per FTE. 0.51 mills of the discretionary levy is not equalized.

In general, the federal equity ratio would require no more than a 25% variance from the highest funded district to the lowest funded district after eliminating the actual top and bottom 5 % of districts from the calculation.

Although not currently in use, in the past the State has used a compression adjustment in order to insure the funding ratio among districts is not too disparate.

VIII. Amendments:

None.