The Florida Senate

PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Education Facilities Appropriations Committee

BILL: CS/SB 1060

INTRODUCER: Education Facilities Appropriations Committee and Senator King

SUBJECT: Educational Facilities

DATE: March 28, 2007 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Hawkins	Hamon	EF	**Fav/CS**
2.				
3.				
4.				
5.				
6.				

I. Summary:

This bill speeds up the receipt of gross receipts utility tax revenues by advancing the due date for electric and gas companies from the last day to the 20^{th} day of each month. The advancement of revenues will move Public Education Capital Outlay bonding capacity into earlier years from later years.

This bill also eliminates the requirement that $105 million in documentary stamp tax revenues be transferred to the Public Education Capital Outlay and Debt Service Trust fund, pursuant to s. 201.15(d), Florida Statutes. The result of eliminating this transfer will be to increase recurring general revenue by $105 million. Although this provision eliminates a dedicated funding source for the Classrooms for Kids and the High Growth District Capital Outlay Assistance Growth programs, non-recurring funds may be appropriated by the legislature for these programs as needed in future years.

The Department of Education’s Bureau of Education Facilities has requested the legislature to revise the life cycle standards in s. 1013.64, F.S., to provide an appropriate life cycle for modular noncombustible facilities when calculating the allocation of Public Education Capital Outlay funds for maintenance and repair of educational facilities. This bill provides that a 35-year life cycle shall be used for modular noncombustible facilities.

This bill also clarifies that capital outlay full time equivalent (FTE) students used to calculate the allocation of Public Education Capital Outlay funds shall include those students in grades K-12 for whom the district provides the educational facility.

II. Present Situation:

Educational Facilities Funding

Part IV of chapter 1013, F.S., addresses funding for educational facilities. Each district school board is required to adopt a capital outlay budget for the upcoming year, as part of its annual budget. Section 1013.64, F.S., addresses funds for comprehensive educational plant needs, and provides for specific allocations from the Public Education Capital Outlay and Debt Service Trust Fund. The legislature is required to prioritize funds for remodeling, renovation, maintenance, repairs, and site improvement allocated to district school boards from the total Public Education Capital Outlay (PECO) funds.

Section 1013.64, F.S., establishes life cycles for educational facilities for the purpose of calculating the allocation of PECO appropriations for facility maintenance to school districts. Currently, there are two life cycle classifications for educational facilities: 50 years for permanent facilities, and 20 years for relocatable facilities. In recent years, school districts have been widely deploying a new type of modular facility which is made of noncombustible materials and is constructed to much higher standards than the relocatable facilities which were commonly used before 2000. Recognizing the longer life expectancy of these newer noncombustible modular facilities, the Department of Education's Bureau of Education Facilities has requested the legislature to revise the life cycle standards in s. 1013.64, F.S.

The maximum appropriation available for Public Education and Capital Outlay is officially estimated from bond proceeds and cash available from a 2.5% tax on gross receipts from the sale of electricity, gas, co-generated electrical power transmission and a 2.3% tax on the sale of communication services established in s. 203.01, Florida Statutes. These revenues have been earmarked by constitutional amendment for fixed capital outlay needs of public schools, community colleges and universities. The State Constitution also authorizes the issuance of bonds for public education and capital outlay construction.

The March 5, 2007 estimating conference for PECO shows the following maximum appropriations available to fund education capital outlay:

		March 2007 REC Estimate
FY 06-07	**Appropriation**	**1853.8**
	Bonded Projects	1436.6
	Non-bonded Projects	417.2
FY 07-08	**Maximum Available**	**1841.0**
	Bonded Projects	1418.3
	Non-bonded Projects	422.7
FY 08-09	**Maximum Available**	**834.0**
	Bonded Projects	573.9
	Non-bonded Projects	260.1
FY 09-10	**Maximum Available**	**680.5**
	Bonded Projects	448.1
	Non-bonded Projects	232.4
FY 10-11	**Maximum Available**	**701.6**
	Bonded Projects	484.9
	Non-bonded Projects	216.7

Classrooms for Kids Program

Section 1013.735, F.S., provides for the allocation of funds for the Classrooms for Kids Program (CFKP), the purpose of which is to increase capacity to reduce class size. In 2005, the legislature provided for an annual appropriation of $41.75 million from the PECO trust fund from a $75 million recurring transfer from documentary stamp tax revenues pursuant to s. 201.15 (d). A specified formula is provided in statute representing each district school board's share of the annual appropriation for the CFKP. To be eligible to participate in the CFKP, a district school board is required to enter into an interlocal agreement and to certify that the district's inventory of facilities listed in the Florida Inventory of School Houses is accurate and correct.

Funds have been allocated for expenditure pursuant to s. 1013.735, F.S., as follows:

Fiscal Year	Amount	Source
FY 03-04	600,000,000	Lottery
FY 04-05	100,000,000	General Revenue
FY 05-06	83,400,000	Transfers from Documentary Stamp Tax revenues to PECO
FY 06-07	1,100,000,000	PECO and Lottery

High Growth District Capital Outlay Assistance Growth Program

The legislature established the High Growth District Capital Outlay Assistance Grant Program in 2005. The purpose of the Program is to provide additional money to high growth districts for the construction of student stations needed due to the rapid increase in the student population, where a district has insufficient capital outlay revenue. The Program is funded through moneys provided annually in the General Appropriations Act. Program eligibility is contingent on specific criteria provided in statute. A specified allocation formula is also provided in statute.

In 2005, the legislature provided for an annual appropriation of $30 million from the PECO trust fund from a $30 million recurring transfer from documentary stamp tax revenues pursuant to s. 201.15 (d) for the High Growth District Capital Outlay Assistance Grant Program. However, the Governor vetoed the $30 million annual appropriation associated with this transfer. In Fiscal Year 2005-2006, the following school districts were eligible for funding from a separate non-recurring appropriation of $30 million for this program. Grant amounts by county are as follows:

- Clay County ($3,184,671);
- Hernando County ($2,179,867);
- Hillsborough County ($9,006,801);
- Lake County ($4,040,060);
- Osceola County ($7,366,592);
- St. Johns County ($1,435,418); and
- St. Lucie County ($2,786,591).

The 2006 Legislature did not provide funding in FY 2006-2007.

III. Effect of Proposed Changes:

Section 1 amends s. 201.15(d), F.S., to eliminate the requirement that $105 million in documentary stamp tax revenues be transferred to the Public Education Capital Outlay and Debt Service Trust fund. The result of eliminating this transfer will be to increase recurring general revenue by $105 million. Although this provision eliminates a dedicated funding source for the Classrooms for Kids and the High Growth District Capital Outlay Assistance Growth programs, non-recurring funds may be appropriated by the legislature for these programs as needed in future years.

Section 2 amends s. 203.01, F.S., to speed up the receipt of gross receipts utility tax revenues by advancing the due date for electric and gas companies from the last day to the 20th day of each month. The advancement of the due date shifts receipt of revenues forward by 10 days. The advancement of revenues will generate a corresponding advance in the Public Education Capital Outlay bonding capacity into earlier years from later years.

Section 3 amends s.1013.64, F.S., to establish the life expectancy of modular noncombustible facilities as 35 years for the purpose of allocating PECO maintenance appropriations, as requested by the Department of Education. The Department will use this new factor for distributing legislative appropriations for PECO maintenance funds beginning with FY 2007/08. This section also clarifies that capital outlay FTE used to calculate the allocation of Public Education Capital funds shall be for students in grades K-12 for whom the district provides the educational facility and the educational program. It also deletes a reference to moneys distributed to the PECO trust fund for the Classrooms for Kids program from s. 201.15 (d), F.S.

Section 4 amends s. 1013.65, F.S., to delete the provision requiring that $41.75 million be appropriated annually to the Classrooms for Kids program.

Section 5 amends 1013.738, F.S., to delete a reference to moneys distributed to the PECO trust fund for the High Growth District Capital Outlay program from s. 201.15 (d), F.S..

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Requiring electric and gas utilities to submit revenues 10 days earlier will reduce the amount of interest these utility companies could earn on those revenues.

C. Government Sector Impact:

Recurring general revenue will be increased by $105 million as a result of eliminating the transfer to the Public Education Capital Outlay and Debt Service Trust Fund.

The speed-up in the receipt of gross receipts tax revenues will move bonding capacity from the later years into earlier years. In Fiscal Year 08-09 the maximum available PECO is estimated to be $1,152.0 million compared to $834.0 million estimated by the

March 5th 2007 PECO Estimating Conference. There could be a net increase in overall bonding capacity to the extent that bonds are issued at lower near term interest rates rather than the higher rates projected for the later years over the forecast period. The net gain in bonding capacity through FY 10-11 based on currently projected interest rates is $48.7 million.

		March 2007 REC Estimate	change Gross Receipts Tax due date to the 20th of the month Bond Impact in 08-09	Difference
FY 06-07	**Appropriation**	**1853.8**	**1853.8**	**0.0**
	Bonded Projects	1436.6	1436.6	0.0
	Non-bonded Projects	417.2	417.2	0.0
FY 07-08	**Maximum Available**	**1841.0**	**1892.9**	**51.9**
	Bonded Projects	1418.3	1418.3	0.0
	Non-bonded Projects	422.7	474.6	51.9
FY 08-09	**Maximum Available**	**834.0**	**1152.0**	**318.0**
	Bonded Projects	573.9	900.9	327.0
	Non-bonded Projects	260.1	251.1	-9.0
FY 09-10	**Maximum Available**	**680.5**	**441.3**	**-239.2**
	Bonded Projects	448.1	215.8	-232.3
	Non-bonded Projects	232.4	225.5	-6.9
FY 10-11	**Maximum Available**	**701.6**	**619.6**	**-82.0**
	Bonded Projects	484.9	407.5	-77.4
	Non-bonded Projects	216.7	212.1	-4.6

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.