HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 235 Community College Finance

SPONSOR(S): Schools & Learning Council, Heller

TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 696

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Committee on Postsecondary Education	9 Y, 0 N	Tilton	Tilton
2) Schools & Learning Council	14 Y, 0 N, As CS	Tilton/Eggers	Cobb
3) Policy & Budget Council			
4)			
5)			

SUMMARY ANALYSIS

CS/HB 235 authorizes community college boards of trustees to enter into short-term financing contracts for goods, materials, and services for a term of not more than five years. Payments on such contracts must be subject to an annual appropriation by the board of trustees.

Community college boards of trustees may pledge capital improvement fee revenues as a dedicated revenue source to the repayment of debt with an overall term of not more than seven years and revenue bonds with a term not exceeding 20 years. The revenue bonds must be issued by the Division of Bond Finance. The Division of Bond Finance may pledge fees collected by one or more community colleges to secure such bonds.

A community college board of trustees may also pledge parking fee revenues as a dedicated revenue source for the repayment of debt with an overall term of not more than seven years and revenue bonds with a term not exceeding 20 years. Community colleges must use the services of the Division of Bond Finance to issue any revenue bonds supported by parking fee revenues.

The bill prohibits the use of tuition, financial aid fees, the Community College Program Fund, or any other operating revenues of a community college to secure revenue bonds.

The bill requires community college boards of trustees to authorize all debt incurred by a direct support organization, but permits the boards to delegate to the direct support organization authority to approve short-term loans and lease purchase agreements with a term of five years or less.

The bill renames Daytona Beach Community College as “Daytona Beach College” and Indian River Community College as “Indian River College.”

The fiscal impact of the bill is indeterminate. See FISCAL COMMENTS section.

The effective date is July 1, 2008.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the House Principles.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Workforce Education Postsecondary Student Fees

Each community college board of trustees is authorized to establish a separate fee for capital improvements, technology enhancements, or equipping buildings which may not exceed 5 percent of tuition for resident students or 5 percent of tuition and out-of-state fees for nonresident students. Capital improvement fee revenues from workforce education programs must be expended to construct and equip, maintain, improve, or enhance the certificate career education or adult education facilities of the community college. The fee revenues may be used as a dedicated source to the repayment of debt, including lease-purchase agreements and revenue bonds, with a term not to exceed 20 years and not to exceed the useful life of the asset being financed, only for new construction and equipment, renovation, or remodeling of facilities. The community college may use the services of the Division of Bond Finance to issue bonds supported by capital improvement fee revenues. Any bonds issued by the Division of Bond Finance must be in compliance with the State Bond Act.[1]

Each community college board of trustees is authorized to establish a number of user fees, including parking fees. User fees may not exceed the cost of the services provided and may only be charged to persons receiving the service. Parking fee revenues from workforce education programs may be pledged by a community college board of trustees as a dedicated revenue source for the repayment of debt and revenue bonds with terms not exceeding 20 years and not exceeding the useful life of the asset being financed. Community colleges must use the services of the Division of Bond Finance to issue the revenue bonds. Any bonds issued by the Division of Bond Finance must be in compliance with the State Bond Act.[2]

Community College Student Fees

Each community college board of trustees is authorized to establish a separate fee for capital improvements, technology enhancements, or equipping student buildings. The fee may not exceed 10 percent of tuition for resident students or 10 percent of the sum of tuition and out-of-state fees for nonresident students. The fee for resident students is limited to an increase of $2 per credit hour over the prior year. Capital improvement fee revenues from college credit programs must be expended to construct and equip, maintain, improve, or enhance the educational facilities of the community college. These fee revenues may be used as a dedicated source to the repayment of debt, including lease-purchase agreements with an overall term of no more than 7 years and revenue bonds, with a term not to exceed 20 years and not to exceed the useful life of the asset being financed, only for the financing

[1] See s. 1009.22(6), F.S.
[2] See s. 1009.22(9), F.S.

or refinancing of new construction and equipment, renovation, or remodeling of facilities. The community college must use the services of the Division of Bond Finance to issue the revenue bonds. Any bonds issued by the Division of Bond Finance must be in compliance with the State Bond Act. The Division of Bond Finance may pledge fees collected by one or more community colleges to secure such bonds.[3]

Each community college board of trustees is authorized to establish a number of user fees, including parking fees. User fees may not exceed the cost of the services provided and may only be charged to persons receiving the service. Parking fee revenues from college credit programs may be pledged as a dedicated revenue source for the repayment of debt and revenue bonds with terms not exceeding 20 years and not exceeding the useful life of the asset being financed. Community colleges must use the services of the Division of Bond Finance to issue the revenue bonds. Any bonds issued by the Division of Bond Finance must be in compliance with the State Bond Act.[4]

Powers and duties of community college boards of trustees

Community college boards of trustees may contract for the purchase, sale, lease, license, or acquisition of goods, materials, equipment, and services required by the community college. This includes purchase by installment or lease-purchase contract which may provide for the payment of interest on the unpaid portion of the purchase price and for the granting of a security interest in the items purchased.[5]

Community college boards of trustees are authorized to borrow funds and incur debt, including lease-purchase agreements and the issuance of revenue bonds as specifically authorized and only for the purposes authorized in statutory provisions governing the use of revenues from the capital improvement fees and the parking fees collected pursuant to ss. 1009.22 and 1009.23, F.S. At the option of the board of trustees, bonds may be issued which are secured by a combination of the capital improvement fee revenues from both programs or a combination of parking fee revenues from both programs.

Community College Direct Support Organizations

Section 1004.70, F.S., relates to community college direct support organizations. Community college direct support organizations are organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of, a community college in this state. There are no specific statutory provisions relating to debt management for community college direct support organizations.[6]

Effect of Proposed Changes

The bill revises the authority of community college boards of trustees to enter into debt by providing requirements for short-term and long-term debt.

The bill authorizes community college boards of trustees to enter into short-term financing for the purchase, sale, lease, license, or acquisition of goods, materials, and services required by the community college for a term of not more than five years. Payments on financing contracts must be subject to an annual appropriation by the board of trustees.

[3] See s. 1009.23(11), F.S.
[4] See s. 1009.23(12), F.S.
[5] See s. 1001.64(26), F.S.
[6] See s. 1004.70, F.S.

A community college board of trustees may pledge capital improvement fee revenues as a dedicated revenue source to the repayment of debt with an overall term of not more than seven years and revenue bonds with a term not exceeding 20 years and not exceeding the life of the asset being financed only for the new construction and equipment, renovation, or remodeling of educational facilities. The revenue bonds must be requested by the community college board of trustees and issued by the Division of Bond Finance. The Division of Bond Finance may pledge fees collected by one or more community colleges to secure such bonds.

A community college board of trustees may pledge parking fee revenues as a dedicated revenue source for the repayment of debt with an overall term of not more than seven years and revenue bonds with a term not exceeding 20 years and not exceeding the life of the asset being financed. Community colleges must use the services of the Division of Bond Finance to issue any revenue bonds supported by parking fee revenues.

The bill prohibits the use of tuition, financial aid fees, the Community College Program Fund, or any other operating revenues of a community college to secure revenue bonds.

The bill requires a community college board of trustees to authorize all debt incurred by a direct support organization, but authorizes the board of trustees to delegate authority for approval of short-term loans and lease-purchase agreements to the board of directors of the direct support organization. The terms of these agreements must be for five years or less. Trustees must evaluate proposals for debt in accordance with guidelines issued by the Division of Community Colleges. Revenues of the community college may not be pledged to debt issued by a direct support organization.

The bill renames Daytona Beach Community College as “Daytona Beach College” and Indian River Community College as “Indian River College.”

C. SECTION DIRECTORY:

Section 1. Amends s. 1001.64, F.S., providing conditions for certain contracting by community college boards of trustees; authorizing board of trustees to enter into certain short-term loans and contracts and make payments subject to appropriation; authorizing boards of trustees to incur long-term debt according to specified requirements; prohibiting a board of trustees from securing or repaying such debt using tuition or certain other revenues.

Section 2. Amends s. 1004.70, F.S., requiring community college boards of trustees to authorize debt incurred by direct-support organizations; authorizing delegation for approval of short-term loans and lease-purchase agreements; providing restrictions.

Section 3. Amends s. 1009.22, F.S., relating to workforce education postsecondary student fees; revising provisions relating to the pledge of fee revenues to repayment of debt by community college boards of trustees; providing requirements for the request, issuance, securing, and payment of bonds; providing for limitation of actions.

Section 4. Amends s. 1009.23, F.S., relating to community college student fees; revising provisions relating to pledge of fee revenues to the repayment of debt by community college boards of trustees; providing requirements for the request, issuance, securing, and payment of bonds; providing for limitation of actions.

Section 5. Amends s. 1000.21, F.S., renaming certain community colleges.

Section 6. Provides an effective date of July 1, 2008.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:
See FISCAL COMMENTS section.

1. Revenues:

2. Expenditures:

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:
See FISCAL COMMENTS section.

1. Revenues:

2. Expenditures:

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

See FISCAL COMMENTS section.

D. FISCAL COMMENTS:

The fiscal impact of the bill is indeterminate.

The State Board of Education issues Capital Outlay and Capital Improvement Revenue Bonds on behalf of the community colleges. The Capital Outlay Bonds are secured by a pledge of the institution's portion of the state-assessed motor vehicle license tax. The Capital Improvement Revenue Bonds are secured by a pledge of the college's Capital Improvement Fee (CIF) collections. These bonds are reviewed by the Division of Bond Finance. For Fiscal Year 2006-2007, the Florida Community College System had total bonds payable of $115.2 million – Capital Outlay Bonds ($62 million) and Capital Improvement Revenue Bonds ($53.2 million).[7]

The community colleges have incurred an additional $31.7 million in long-term debt that was not reviewed by the Division of Bond Finance.[8] Section 1001.64(38), F.S., has been interpreted by some

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[7] Florida Community College System Long Term Liabilities Fiscal Year 2006-07

[8] *Id.*

institutions to authorize community colleges to borrow funds and incur debt without the necessity of review by the Division of Bond Finance. Institutions report that they can obtain a better interest rate from local banks or more beneficial terms with a certificate of participation. Concerns have been expressed regarding any potential impact of long-term debt that has not been reviewed by the Division of Bond Finance.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not appear to require a city or county to expend funds or to take any action requiring the expenditure of funds.

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

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

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

None.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 18, 2008, the Committee on Postsecondary Education adopted a strike-everything amendment to HB 235. The strike-everything amendment:

- Prohibits the use of tuition, financial aid fees, the Community College Program Fund (CCPF), or other operating revenues of a community college to secure debt.
- Removes the provision of the bill that authorizes the transfer of CCPF funds to the State Board of Administration if a community college is unable to pay debt service on bonds supported by capital improvement fees.
- Requires the community college boards of trustees to use the services of the Division of Bond Finance when issuing long-term revenue bonds supported by parking fee revenues.
- Renames Daytona Beach Community College as “Daytona Beach College.”

- Renames Indian River Community College as "Indian River College."

On March 25, 2008, the Schools & Learning Council reported HB 235 favorable with a CS. CS/HB 235 differs from HB 235 in the following ways:

- CS/HB 235 prohibits the use of tuition, financial aid fees, the CCPF, or other operating revenues of a community college to secure debt.
- CS/HB 235 does not authorize the transfer of CCPF funds to the State Board of Administration if a community college is unable to pay debt service on bonds supported by capital improvement fees.
- CS/HB 235 requires the community college boards of trustees to use the services of the Division of Bond Finance when issuing long-term revenue bonds supported by parking fee revenues.
- CS/HB 235 renames Daytona Beach Community College as "Daytona Beach College" and Indian River Community College as "Indian River College."