

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Finance and Tax Committee

BILL: CS/SB 696

INTRODUCER: Higher Education Committee and Senators Oelrich and Gaetz

SUBJECT: Community Colleges

DATE: February 12, 2008 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Harkey</u>	<u>Matthews</u>	<u>HE</u>	<u>Fav/CS</u>
2.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Favorable</u>
3.	_____	_____	<u>HI</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

This bill revises community colleges' ability to enter into debt by:

- Authorizing a community college board of trustees to use any authorized available revenue to repay a debt for any loan, lease-purchase, or other financial contract for a term of up to five years;
- Authorizing a community college board of trustees to pledge capital improvement and parking fees to secure the repayment of a debt for a term up to seven years in duration;
- Maintaining the requirement to use the Division of Bond Finance to issue bonds up to 20 years in duration that are secured by capital improvement fee revenues;
- Authorizing a community college board of trustees to pledge parking fee revenues to repay debt through promissory notes, certificates of participation, and other similar financing arrangements without using the Division of Bond Finance, if the interest rate on the debt is lower than the rate in the Municipal Market Data yields list;
- Requiring the community college board of trustees to authorize all debt incurred by its direct-support organizations; and
- Creating a mechanism by which available appropriated funds to the community college may be used to service the community college's debt if there are insufficient funds.

The bill also renames Indian River Community College as Indian River College.

This bill amends ss. 1000.21, 1001.64, 1004.70, 1009.22, 1009.23, and 1011.84, Florida Statutes.

II. Present Situation:

Statutory Authority

Community college boards of trustees may contract for the purchase, sale, lease, license, or acquisition of goods, materials, equipment, and services required by a community college.¹ The board of trustees may borrow funds and incur debt, which may be backed by the revenues from capital improvement fees and parking fees as authorized in ss. 1009.22(6) and (9), F.S., and 1009.23(11) and (12), F.S.²

Workforce Education Postsecondary Student Fees

For students enrolled in the community college's postsecondary workforce programs, the board of trustees is authorized to assess a capital improvement fee and parking fees, among other fees.³ A board of trustees may pledge its capital improvement fee revenues to repay debt, including lease-purchase agreements and revenue bonds with a term of less than 20 years and not exceeding the useful life of the asset being financed, for the purposes of new construction and equipment, renovation, or remodeling of educational facilities.⁴ The board of trustees may use the Division of Bond Finance (division) to issue any bonds backed by a pledge of capital improvement fee revenues.⁵ Similarly, the board of trustees may use parking fee revenues as a dedicated revenue source for the repayment of debt and revenue bonds of the same duration.⁶ The board of trustees must use the division to issue any revenue bonds backed by parking fee revenue.⁷

Community College Student Fees

For students attempting college credit, a community college board of trustees is authorized to assess a capital improvement fee and parking fees, among other fees.⁸ A board of trustees may pledge its capital improvement fee revenues to secure the repayment of debt, including lease-purchase agreements with an overall term of seven years or less.⁹ Revenue bonds may be issued for a term not exceeding 20 annual maturities and not exceeding the useful life of the asset being financed.¹⁰ The division must be used to issue revenue bonds secured with capital improvement fee revenues.¹¹ Similarly, parking fee revenues may be used to secure the repayment of debt, including lease-purchase agreements and revenue bonds with a term not exceeding 20 years and

¹ s. 1001.64(26), F.S.

² s. 1001.64(38), F.S.

³ s. 1009.22(6) and (9), F.S.

⁴ s. 1009.22(6), F.S.

⁵ *Id.*

⁶ s. 1009.22(9), F.S.

⁷ *Id.*

⁸ s. 1009.23(11) and (12), F.S.

⁹ s. 1009.23(11), F.S.

¹⁰ *Id.*

¹¹ *Id.*

the useful life of the asset being financed.¹² The board of trustees must use the division to issue revenue bonds that are secured with a pledge of parking fee revenues.¹³

Current Practice

Community colleges have bonds in the aggregate of \$115.2 million, which were reviewed by the Division of Bond Finance. However, community colleges have incurred an additional \$31.7 million in long-term debt that was not reviewed by the division, seizing on s. 1001.64(38), F.S., which the colleges have determined authorizes them to borrow funds and incur debt without the necessity of division review. Purportedly, the community colleges maintain that they can obtain a better interest rate from local banks or more beneficial terms under a certificate of participation.

State Community Colleges

Florida's 28 community colleges are named in s. 1000.21, F.S. Five of the institutions are no longer called community colleges but are called colleges.¹⁴

III. Effect of Proposed Changes:

Short-term and Long-term Debt Financing

The bill revises each community college board of trustees' authority to enter into debt by providing different requirements for short-term and long-term debt. The bill limits the authority of community college district 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 to five years or less. The financing must be subject to an annual appropriation by the board of trustees.

The boards of trustees may incur long-term debt for a term up to seven years, through the use of promissory notes, installment sales agreements, lease-purchase agreements, certificates of participation (COPS), and other long-term financing arrangements backed by capital improvement and parking fees as authorized in ss. 1009.22(6) and (9), F.S., and 1009.23(11) and (12), F.S.

Capital Improvement Fees

Sections 1009.22(6), F.S., and 1009.23(11), F.S., relate to capital improvement fees authorized under workforce and college credit respectively for community colleges. The bill eliminates the Division of Bond Finance's prohibition on combining workforce and college-credit authorized community college capital improvement fees in order to service bonds. Additionally, the bill requires a community college board of trustees to use the Division of Bond Finance to issue revenue bonds pledged by capital improvement fees. The division may pledge capital improvement fees collected by participating community colleges to secure the bonds. The community college district boards of trustees are not required to use the division if the board pledges capital improvement fee revenues for the repayment of debt of less than seven years in duration.

¹² s. 1009.23(12), F.S.

¹³ *Id.*

¹⁴ Chipola College, Edison College, Miami Dade College, Okaloosa-Walton College, and St. Petersburg College.

Parking Fees

The bill creates a distinction for parking fees authorized under ss. 1009.22(9), F.S., and 1009.23(12), F.S. 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 seven years or less. However, the board of trustees is not required to use the Division of Bond Finance to pledge parking fees for any financial arrangement with an overall term of 20 years or less. The authorization for debt issuance in this circumstance is limited in that the district board of trustees must have an interest rate on the fixed-rate financing that is lower than the interest rate for comparable debt on the Municipal Market Data (MMD) yields listing or a nationally recognized tax-exempt benchmark interest rate-index if the MMD is not available.

Community College Direct-Support Organization

The bill requires a community college board of trustees to authorize all debt incurred by a direct support organization. The board of trustees may delegate short-term loans and lease-purchase agreements to the direct support organization if the terms of the agreements are five years or less.

State Intercept Program

The bill creates a mechanism to obtain a more favorable credit rating for the issuance of community college bonds backed by capital improvement fees. If capital improvement fee revenues are insufficient to service bonds pledging the revenue, the community college's legally available funds remaining in the Community College Program Fund would be used to pay the debt service. This repayment would require the approval of the State Board of Administration. The more favorable credit rating may reduce the interest rate required to attract bond purchasers, as the risk of default would be somewhat mitigated by the potential availability of additional revenue to service the debt.

Indian River Community College

The bill renames Indian River Community College as Indian River College.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

At present, community colleges have bonds in the amount of \$115.2 million that were reviewed by the Division of Bond Finance. Community colleges have incurred an additional \$31.7 million in long-term debt that was not reviewed by the division.¹⁵ The bill places more control of the issuance of revenue bonds backed by capital improvement fees in the Division of Bond Finance, which may assist the division in better managing the state debt ceiling.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

The committee substitute renames Indian River Community College as Indian River College.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

¹⁵ "Florida Community College System Long Term Liabilities Fiscal Year 2006-2007".