

HOUSE OF REPRESENTATIVES LOCAL BILL STAFF ANALYSIS

BILL #: CS/HB 435 Gilchrist County
SPONSOR(S): Community & Military Affairs Subcommittee, Porter
TIED BILLS: **IDEN./SIM. BILLS:**

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR or BUDGET/POLICY CHIEF |
|--|------------------|---------|--|
| 1) Community & Military Affairs Subcommittee | 15 Y, 0 N, As CS | Nelson | Hoagland |
| 2) PreK-12 Appropriations Subcommittee | 14 Y, 0 N | Seifert | Heflin |
| 3) Economic Affairs Committee | 17 Y, 0 N | Nelson | Tinker |

SUMMARY ANALYSIS

The CS for HB 435 amends a special act to expand the purposes for which the Gilchrist County School Board may issue bonds from a specified revenue source. This bill authorizes the school board to issue these bonds for constructing capital improvements or repairs to educational facilities throughout the county, and to purchase equipment for these facilities. Additionally, the bill:

- expands the purposes for which the Gilchrist County School Board may issue bonds;
- increases the current \$1,000,000 limit on maximum permitted debt to \$2,000,000;
- extends the maximum maturity date of the bonds from 20 to 30 years;
- deletes a maximum payment provision of \$100,000; and
- updates several obsolete provisions in the special act.

The bill has an effective date of upon becoming a law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

School Board Funding of Capital Outlay Projects

School districts have a number of mechanisms available for financing capital outlay,¹ including Public Education Capital Outlay (PECO) funds,² the Discretionary Capital Outlay Levy (a statutorily-authorized discretionary property tax that school boards may levy without approval of the electorate),³ the School Capital Outlay Surtax (more commonly known as the school half-cent sales tax),⁴ and the Capital Outlay & Debt Service Fund (derived from proceeds from the first sale of motor vehicle license tags).⁵

Additionally, school districts are authorized to sell general obligation bonds for capital outlay projects to be repaid from local property taxes.⁶ In general, it is the duty of a district school board to plan the school financial program of the district so that, insofar as practicable, needed capital outlay expenditures can be made without the necessity of issuing these bonds.⁷

School districts also may issue revenue bonds, that is, bonds payable from a particular stream of revenue, such as state-shared funds which are available to a board, to fund capital outlay projects.

“Racetrack Funds”

Pursuant to s. 212.20(6)(d)6.a., F.S., in each fiscal year, \$29,915,500 in sales tax proceeds is divided among the 67 counties of the state. Thus, each county annually receives \$446,500. This distribution specifically is in lieu of funds distributed from the Pari-mutuel Wagering Trust Fund under s. 550.135, F.S., prior to July 1, 2000. Any subsequent distribution of these “racetrack funds” to other governmental entities within a county is governed by special act or local ordinance.

Gilchrist County School Board

Gilchrist County is a small and rural school district with a total of approximately 2,700 students attending two elementary schools (Bell and Trenton Elementary), and two combination middle/high schools (Bell and Trenton High).⁸ Currently, pursuant to ch. 90-467, L.O.F., the Gilchrist County School Board is authorized to implement a program to construct classrooms at Bell High School. To finance this construction, the school board may issue bonds in one or more series in an aggregate principal amount not to exceed \$1,000,000 to pay for all or a portion of the costs. The cost of the project for which the bonds may be issued includes: the cost of acquiring, constructing, installing and equipping the classrooms; the cost of real property acquired for the project; and legal, engineering, fiscal and architectural fees. The school board must specify the rates of interest of the bonds and the dates of maturity of the bonds, which may not exceed 20 years.

¹Capital outlay includes fixed assets or real property: land, new buildings, additions to buildings, replacement of buildings, and remodeling of real property that materially extends its useful life or materially improves or changes its functional use, for example. Operating capital outlay includes tangible personal property of a non-expendable nature, with a normal life expectancy of one year or more, such as equipment, library books for a new school, science lab equipment, and fixtures. *See*, s. 216.011, F.S.

² *See*, the Florida Department of Education’s Capital Outlay Manual, www.fldoe.org/edfacil/oef/pdf/capitaloutlaymanual06.pdf.

³ *See*, ss. 1011.71(2) and 1013.31, F.S.

⁴ *See*, s. 212.055(6)(a), F.S.

⁵ *See*, s. 320.20(1), F.S.

⁶ The authority for the issuance of these bonds and the repayment from local property taxes is s. 9, Art. VII of the State Constitution, s. 200.001(3)(e), F.S., and ss. 1010.40-1010.55, F.S.

⁷ Section 1010.41, F.S.

⁸ <http://www.gilchristschools.schoolfusion.us/>, site last visited on January 12, 2012.

When bonds issued by the school board pursuant to ch. 90-467, L.O.F., are outstanding, the board must annually pledge \$100,000 of the portion of the “racetrack moneys and jai alai fronton moneys” that accrue to Gilchrist County pursuant to chs. 550 and 551, F.S.,⁹ and are annually allocated to the school board. The board is required to pay the principal, premium and interest on the bonds from these moneys and any other moneys legally available for that purpose.

Chapter 63-942, L.O.F., as amended by ch. 90-467, L.O.F., currently provides that “all racetrack and jai alai fronton moneys” annually accruing to the credit of Gilchrist County under chs. 550 and 551, F.S., must be allocated and distributed as follows:¹⁰

- the first \$2,000 to the board of county commissioners to be used for hospitalization of the indigents of the county; and
- if any annual accrual remains:
 - five percent to the Gilchrist County park board for the establishment or maintenance for public parks;
 - three percent to the City of Trenton for the purposes of public health, police and fire protection, drainage, and repair and paving of streets;
 - one percent to the City of Bell for the use and benefit of the city;
 - with the balance to be divided equally between the Gilchrist County School Board and the board of county of commissioners if such balance is equal to or greater than \$200,000. If the balance of the annual accrual is less than \$200,000, the school board must be allocated \$100,000 of the balance and the remaining balance must be allocated to the board of county commissioners.

Each year, the Gilchrist County School Board receives a distribution of \$202,248¹¹ under this formula.

Effect of Proposed Changes

The CS for HB 435 amends ch. 90-467, L.O.F., to expand the purposes for which the Gilchrist County School Board may issue bonds by removing the references to classrooms for Bell High School,¹² and authorizing the school board to finance and refinance educational facilities and equipment throughout the district. Thus, the school board will be able to finance projects for any school under its purview. The bill specifically authorizes the school board to issue bonds to pay for the cost of constructing capital improvements or repairs to educational facilities and to purchase equipment for educational facilities located within Gilchrist County.

Additionally, the bill:

- increases the current \$1,000,000 limit on maximum permitted debt to \$2,000,000;
- expands the maximum maturity date for the bonds from 20 to 30 years;
- removes an outdated provision requiring the school board to designate a bank or trust company as the place where bonds are redeemed;
- deletes an obsolete provision referring to bond “coupons,” which are no longer used;
- clarifies the methods by which bonds may be sold either at public or private sale by specifying that such bonds may be sold by competitive or negotiated sale; and
- provides greater flexibility to the school board with regard to its maximum permitted payment in that it deletes language specifying an annual \$100,000 pledge of the funds it accrues pursuant to s. 212.20(6)(d)6.a, F.S., replacing it with a requirement that the school board annually pledge “all or a portion of” such moneys.

⁹ Section 551.10, F.S., before its repeal by ch. 92-348, L.O.F., provided for the disbursement of fronton funds pursuant to existing laws relating to the disposition of funds derived from the operation of racetracks.

¹⁰ Section 1 of ch. 63-942, L.O.F., as amended by chs. 65-1221, 67-985, 72-550, 77-559, 78-511 and 90-467, L.O.F.

¹¹ Profiles of Florida School Districts, <http://www.fldoe.org/fefp/profile.asp>

¹² The Bell High School construction was completed in November of 1993, and the board currently carries no debt associated with this project.

These changes will allow the school board to proceed with a project to build a “cafetorium” (cafeteria/auditorium) at Trenton High School, as well as future necessary projects without the need to continually request that the Legislature amend its special act. It is noted that the Legislature has provided various other small counties with similar, and greater, authority,¹³ even in cases where the county receives a lesser amount of annual distributions:

ch.78-510, L.O.F., provides the Franklin County School Board with a maximum permitted debt of \$4,700,000, with no maximum permitted payment and a maximum maturity limit of 40 years;

ch.71-658, L.O.F., provides the Hamilton County School Board with a maximum permitted debt of \$1,500,000, with no maximum permitted payment and a maximum maturity limit of 30 years;

ch. 78-517, L.O.F., provides the Hardee County School Board with a maximum permitted debt of \$2,700,000, a \$187,375 maximum permitted payment and a maximum maturity limit of 30 years;

ch. 70-781, L.O.F., provides the Levy County School Board with a maximum permitted debt of \$2,000,000, with no maximum permitted payment and a maximum maturity limit of 30 years; and

ch. 78-554, L.O.F, provides the Madison County School Board with a maximum permitted debt of \$2,500,000, with no maximum permitted payment and a maximum maturity limit of 30 years.

The CS for HB 435 also updates language referring to racetrack and jai alai fronton moneys to reflect the distribution of sales tax proceeds pursuant to s. 212.20(6)(d)6.a., F.S.

The bill has an effective date of upon becoming law.

B. SECTION DIRECTORY:

Section 1: Amends ch. 90-467, L.O.F., relating to the Gilchrist County School Board.

Section 2: Amends ch. 63-942, L.O.F., as amended by ch. 90-467, L.O.F., relating to funds annually accruing to Gilchrist County.

Section 3: Provides an effective date.

II. NOTICE/REFERENDUM AND OTHER REQUIREMENTS

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN? December 15, 2001

WHERE? The *Gilchrist County Journal*, a weekly newspaper of general circulation, published in Gilchrist County, Florida.

B. REFERENDUM(S) REQUIRED? Yes No

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes, attached No

¹³ It is noted that the school board of one of the least populated counties in this state, Lafayette, was authorized by ch. 78-542, L.O.F., to carry a maximum permitted debt of \$1,500,000, and has a maximum permitted payment of \$100,000.

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached [] No []

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On January 18, 2012, the Community & Military Affairs Subcommittee adopted an amendment that:

- provides for a \$2,000,000 limit on maximum permitted debt;
- updates the bill's language referring to "racetrack and jai alia moneys" to reflect current general law; and
- removes a supremacy clause.

This analysis is drafted to the Committee Substitute.