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 Budget Subcommittee on Finance and Tax

BILL: CS/SB 750

INTRODUCER: Education Pre-K-12 Committee and Senator Flores

SUBJECT: School District Bonds

DATE: February 23, 2012 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	deMarsh-Mathues	ED	**Fav/CS**
2.	Diez-Arguelles	Diez-Arguelles	BFT	**Favorable**
3.			BC	
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE..... [X] Statement of Substantial Changes

B. AMENDMENTS........................ [ ] Technical amendments were recommended

[ ] Amendments were recommended

[ ] Significant amendments were recommended

I. Summary:

This bill revises two statutory requirements for the form of bonds issued by school districts. The requirement that bonds be retired within 20 years unless a longer period is approved by the Department of Education (DOE) is extended to 30 years. The requirement that bonds bearing interest at a rate in excess of 2.99 percent be callable[1] beginning no later than 10 years from the date of issuance is deleted.

This bill amends s. 1010.49, Florida Statutes.

II. Present Situation:

The State Constitution authorizes school districts and other local governmental bodies with taxing powers to issue bonds payable from ad valorem taxes for the following purposes:

- To finance or refinance capital projects authorized by law when approved by the taxpayers in a referendum; or

[1] A callable bond is redeemable before the bond reaches its date of maturity.

- To refinance bonds at a lower net average interest rate.[2]

Section 215.055(6), F.S., authorizes a school board to impose a discretionary sales surtax of up to 0.5 percent, upon approval of the voters in a referendum, to fund capital outlay projects with a life expectancy of more than 5 years. A school board may issues bonds to be paid back with surtax revenues.

Section 1010.49, F.S., prescribes the form and denomination of school board bonds. The schedule of maturities of the bonds must be so arranged that the total payments required each year will be as nearly equal as practicable. The schedule must provide that all bonds are to be retired within a period of 20 years from the date of issuance unless a longer period is required and has been specifically approved by the Department of Education. All bonds that bear interest in excess of 2.99 percent must be callable on terms prescribed by the district school board, beginning not later than 10 years from the date of issuance.

III. Effect of Proposed Changes:

This bill revises the requirements for the form and duration of school district bonds to:

- Allow bonds to be issued for a period of 30 years, instead of 20 years, unless the DOE approves a longer period; and

- Remove the requirement that bonds bearing interest in excess of 2.99 percent must be callable beginning not later than 10 years and allow the school board to set the terms and the time period under which bonds will be callable.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

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[2] Fla. Const., art. VII, s. 12.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None

B. Private Sector Impact:

The effect on the private sector of the flexibility in structuring bonds that the bill affords to school boards is indeterminate.

C. Government Sector Impact:

In structuring debt for locally-funded capital outlay projects, school districts would have the flexibility to pay off the debt over a period of 30 years rather than 20, or over a longer period of time if the DOE approved the longer period. The school district would have the discretion to set the time when a bond is callable or to issue non-callable bonds.

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.)

CS by Education Pre-K-12 on February 6, 2012:
The committee substitute:

- Maintains the current statutory requirement for yearly payments to be as equal as practicable; and
- Establishes the maximum duration for bonds at 30 years unless the DOE approves a longer period.

B. Amendments:

None.