

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 5103 PCB PKA 17-01 Capital Outlay Funding
SPONSOR(S): PreK-12 Appropriations Subcommittee, Diaz, M.
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: PreK-12 Appropriations Subcommittee	8 Y, 5 N	Seifert	Potvin
1) Appropriations Committee	16 Y, 7 N	Seifert	Leznoff

SUMMARY ANALYSIS

The bill specifies that both district schools and charter schools are eligible to receive the revenue generated from the discretionary 1.5 millage authorized in s. 1011.71(2), Florida Statutes and clarifies the authorized uses of such revenue. The bill amends the eligibility criteria for charter schools to receive capital outlay funds to require the school to:

- Uses facilities that are:
 - Owned by a school district, political subdivision of the state, municipality, Florida College System institution, or state university;
 - Owned by an organization qualified as an exempt organization under s. 501(c)(3) of the Internal Revenue Code; or
 - Owned by and leased from a person or entity that is not an affiliated party of the charter school.
- Be in operation for 2 or more years;
- Not have more than two consecutive school grades lower than "B" unless the school serves a student population at least 50 percent of which is eligible for the National School Lunch Program;
- Have an annual audit with no financial emergency conditions.
- Have received final approval from its sponsor for operation during that fiscal year; and
- Serve students in facilities that are not provided by the charter school sponsor.

The bill clarifies the calculation methodology for the Department of Education (DOE) to allocate state funds appropriated to eligible charter schools for capital outlay purposes. The bill also establishes the calculation methodology for DOE to determine the amount of the discretionary 1.5 millage revenue a school district must distribute to each eligible charter school.

The bill adjusts the capital outlay full-time equivalent (COFTE) calculations to be consistent with Florida Education Finance Program (FEFP) full-time equivalent (FTE) membership calculations for facility space needs and COFTE determination procedures.

Except for the section pertaining to capital outlay FTE calculation which takes effect upon becoming law, this bill takes effect July 1, 2017.

This bill conforms to the proposed House General Appropriations Act

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Charter School Capital Outlay

Present Situation

Funding for charter school capital outlay is primarily provided by state funds when such funds are appropriated in the General Appropriations Act. Section 1013.62, Florida Statutes, describes charter school eligibility for capital outlay funding, how such funds must be allocated, and allowable capital outlay funding uses.

To be eligible for charter school capital outlay funding, a charter school must:

- Have been in operation for at least three years and:
 - Be governed by a governing board established in Florida for three or more years which operates both charter schools and conversion charter schools within the state
 - Be part of an expanded feeder chain¹ with an existing charter school in the district that is currently receiving charter school capital outlay funds,
 - Be accredited by the Commission on Schools of the Southern Association of Colleges and Schools, or
 - Serve students in facilities that are provided by a business partner for a charter school-in-the-workplace;
- Have an annual audit that does not reveal any of the financial emergency conditions provided in s. 218.503(1), Florida Statutes, for the most recent fiscal year for which such audit results are available.
- Have satisfactory student achievement based upon the state accountability standards applicable to charter schools.
- Have received final approval from its sponsor pursuant to s. 1002.33, Florida Statutes, for operation during that fiscal year.
- Serve students in facilities that are not provided by the charter school sponsor.²

Capital outlay funds may be used by a charter school's governing board for the:

- Purchase of real property.
- Construction of school facilities.
- Purchase, lease-purchase, or lease of permanent or relocatable school facilities.
- Purchase of vehicles to transport students to and from the charter school.
- Renovation, repair, and maintenance of school facilities that the charter school owns or is purchasing through a lease-purchase or long-term lease of five years or longer.
- Purchase, lease-purchase, or lease of new and replacement equipment, and enterprise resource software applications.³

¹ A charter school may be considered a part of an expanded feeder chain under s. 1013.62, F.S., if it either sends or receives a majority of its students directly to or from a charter school that is currently receiving capital outlay funding pursuant to Section 1013.62, F.S. Rule 6A-2.0020 (1), F.A.C.

² Section 1013.62(1)(a), F.S. A conversion charter school, i.e., a charter school created by the conversion of an existing public school to charter status, is not eligible for capital outlay funding if it operates in facilities provided by its sponsor at no charge or for a nominal fee or if it is directly or indirectly operated by the school district. Section 1013.62(1)(d), F.S.

³ Enterprise resource software applications must be "classified as capital assets in accordance with definitions of the Governmental Accounting Standards Board, have a useful life of at least 5 years, and are used to support schoolwide administration or state-mandated reporting requirements." Section 1013.62(2)(f), F.S.

- Payment of the cost of premiums for property and casualty insurance necessary to insure the school facilities.
- Purchase, lease-purchase, or lease of driver's education vehicles, motor vehicles used for the maintenance or operation of plants and equipment, security vehicles, or vehicles used in storing or distributing materials and equipment.⁴

Beginning in Fiscal Year 2016-2017, charter schools receive a weight of 1.0 per full-time equivalent (FTE) student, with an additional weight for schools that meet one or both of the following criteria:

- 75 percent or more of the school's students are eligible for free or reduced-price lunch.
- 25 percent or more of the school's students are students with disabilities.

Schools that meet only one of the above criteria receive capital outlay funding weighted at 1.25. Schools that meet both criteria receive capital outlay funding weighted at 1.5. Eligible schools that do not meet either of the criteria receive capital outlay funding weighted at 1.0.

In the most recent five fiscal years, the Legislature appropriated the following charter school capital outlay funds:

Fiscal Year	Appropriation	Total Charter Schools Funded
2012-13	\$55.2 million ⁵	432
2013-14	\$90.6 million ⁶	473
2014-15	\$75.0 million ⁷	487
2015-16	\$50.0 million ⁸	535
2016-17	\$75.0 million ⁹	556

In addition to the appropriated state funds for charter school capital outlay, the law authorizes, but does not require, school districts to share the discretionary 1.5 mills revenue with charter schools.¹⁰ At least three school districts, Franklin, Sarasota, and Sumter, have shared revenue generated from the discretionary 1.5 millage with charter schools within their districts¹¹; however, it is unknown the extent school districts currently share such revenue as the Department of Education does not collect this data.

Effect of Proposed Changes

The bill specifies that both district schools and charter schools are eligible for the revenue generated from the discretionary 1.5 millage authorized in s. 1011.71(2), Florida Statutes.

The bill clarifies that charter school capital outlay funding shall consist of revenue resulting from the discretionary millage authorized in s. 1011.71(2), Florida Statutes, and state funds when such funds are appropriated in the General Appropriations Act. To be eligible to receive both types of capital outlay funds, a charter school must:

- Use facilities that are:

⁴ Section 1013.62(3)(a)-(h), F.S.

⁵ Specific Appropriation 16, s. 2, ch. 2012-118, L.O.F.

⁶ Specific Appropriation 18, s. 2, ch. 2013-40, L.O.F.

⁷ Specific Appropriation 25, s. 2, ch. 2014-51, L.O.F.

⁸ Specific Appropriation 18, s. 2, ch. 2015-232, L.O.F.

⁹ Specific Appropriation 19, s. 2, ch. 2016-66, L.O.F.

¹⁰ Section 1011.71(2), F.S.

¹¹ Florida Department of Education Office of Funding and Financial Reporting, Source: Survey of Florida District School Boards, December 2011; Report Prepared May 17, 2012.

- Owned by a school district, political subdivision of the state, municipality, Florida College System institution, or state university;
- Owned by an organization qualified as an exempt organization under s. 501(c)(3) of the Internal Revenue Code; or
- Owned by and leased from a person or entity that is not an affiliated party of the charter school. The bill defines “affiliated party of the charter school” to mean:
 - The applicant for the charter school pursuant to s. 1002.33, Florida Statutes;
 - The governing board of the charter school or a member of the governing board;
 - The charter school owner;
 - The charter school principal;
 - An employee of the charter school;
 - An independent contractor of the charter school or charter school governing board;
 - A relative as defined in s. 1002.33(24)(a)2., Florida Statutes, of a charter school governing board member, a charter school owner, a charter school principal, a charter school employee, or an independent contractor of a charter school or charter school governing board;
 - A subsidiary corporation, a service corporation, an affiliated corporation, a parent corporation, a limited liability company, a limited partnership, a trust, a partnership, or a related party that, individually or through one or more entities:
 - Shares common ownership or control; and
 - Directly or indirectly manages, administers, controls, or oversees the operation of the charter school; or
 - Any person or entity, individually or through one or more entities that share common ownership, which directly or indirectly manages, administers, controls, or oversees the operation of any of the foregoing.
- Be in operation for 2 or more years.
- Not have more than two consecutive school grades lower than "B" unless the school serves a student population at least 50 percent of which is eligible for free or reduced-price meals.
- Have an annual audit with no financial emergency conditions.
- Have received final approval from its sponsor for operation during that fiscal year.
- Serve students in facilities that are not provided by the charter school’s sponsor.

The bill clarifies the calculation methodology for the Department of Education (DOE) to use to allocate state capital outlay funds to eligible charter schools. The bill also establishes a calculation methodology for the DOE to use to determine the amount of the discretionary 1.5 millage revenue a school district must distribute to each eligible charter school.

The bill adds as allowable uses of capital outlay funds the purchase or lease of computer hardware necessary for gaining access to electronic content or to serve purposes specified in the charter schools and non-charter public schools digital classrooms plan. Charter schools are also aligned with non-charter public schools to allow payment of the cost of the opening day collection for the library media center of a new school.

Capital Outlay Full-Time Equivalent Membership

Present Situation

Public school capital outlay full-time equivalent (COFTE) is comprised of kindergarten through grade 12 students for which the school districts provide the educational facility. The COFTE membership is determined by averaging the unweighted full-time equivalent student membership for the second and third FTE surveys and comparing the results on a school-by-school basis with the Florida Inventory for School Houses.¹²

¹² s.1013.64(3), F.S.

Effect of Proposed Changes

The bill aligns s.1013.64(3), Florida Statutes, with the actual COFTE membership calculation by:

- Changing kindergarten to pre-kindergarten for students funded for the Florida Education Finance Program.
- Limiting the second and third surveys to 0.5 FTE membership per student.

B. SECTION DIRECTORY:

Section 1. Amends s. 1002.33, F.S.; conforming provisions to changes made by the act.

Section 2. Amends s. 1011.71, F.S.; providing charter schools are eligible for school districts discretionary millage for specified purposes; revising the approved uses of the discretionary millage; and authorizing the acquisition of enterprise resource software through specified means.

Section 3. Amends s. 1013.62, F.S.; providing that charter school capital outlay funds shall consist of specified funds; revising charter school eligibility criteria for capital outlay funds; revising the calculation methodology for state funds appropriated for charter school capital outlay; providing the calculation methodology for the distribution of specified revenue to eligible charter schools; and revising the authorized uses of charter school capital outlay funds.

Section 4. Amends s. 1013.64, F.S.; revising the calculation of capital outlay membership for school districts for the Public Education Capital Outlay and Debt Service Trust Fund.

Section 5. Except as otherwise provided, provides an effective date of July 1, 2017.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill establishes the calculation methodology for the Department of Education to determine the amount of the discretionary 1.5 millage revenue a school district would be required to distribute to each eligible charter school. This methodology includes reducing from the calculated 1.5 mills capital outlay

amount the total amount of state funds allocated to the eligible charter school. The following chart shows the estimated required payment of the 1.5 millage revenue under different scenarios of appropriated state funds:

Estimated Share of 1.5 Mills	
State Funds	District Funds
\$0	\$147.9 million
\$50 million	\$96.4 million
\$75 million	\$71.4 million
\$100 million	\$50.4 million

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 28, 2017, the PreK-12 Appropriations Subcommittee adopted one amendment and reported the bill favorably. The amendment removed duplicative language already contained in the bill.