

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 707 State University Unexpended Funds
SPONSOR(S): Higher Education Appropriations Subcommittee, Silvers
TIED BILLS: None. **IDEN./SIM. BILLS:** SB 1128

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Higher Education Appropriations Subcommittee	11 Y, 0 N, As CS	Stenson	Smith
2) Postsecondary Education & Workforce Subcommittee	16 Y, 0 N	Kiner	Kiner
3) Appropriations Committee			

SUMMARY ANALYSIS

Currently, each state university is required to maintain a minimum carry forward balance of at least 7 percent of its state operating budget. If a university retains a state operating fund carry forward balance in excess of 7 percent, it must submit a spending plan for the excess carry forward balance to the Board of Governors (BOG).

The bill allows a state university to carry forward unexpended funds in excess of the 7 percent minimum of its state operating budget and not include those funds in its spending plan submitted to the university's board of trustees and the Board of Governors, if the university does not plan to spend the carry forward funds in the subsequent fiscal year.

The bill has no fiscal impact on state or local government.

The bill has an effective date of July 1, 2024.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

End-of-Year Carry Forward Balances

Currently, each state university is required to maintain a minimum carry forward balance of at least 7 percent of its state operating budget.¹ If a university retains a state operating fund carry forward balance in excess of 7 percent, it must submit a spending plan for the excess carry forward balance to the Board of Governors (BOG) by September 30 each year.² The authorized expenditures in the spending plan include:

- Commitment of funds to a public education capital outlay project for which an appropriation has previously been provided that requires additional funds for completion and which is included in the BOG's prioritized list of projects.
- Completion of a renovation, repair, or maintenance project or replacement of a minor facility.
- Completion of a remodeling or infrastructure project, including a project for a developmental research school, if the project is recommended in the educational plant survey.
- Completion of a repair or replacement project necessary due to damage caused by a natural disaster for buildings included in the educational plant survey.
- Operating expenditures that support the university's mission.
- Any purpose specified by the board or in the General Appropriations Act.
- A commitment of funds to a contingency reserve for expenses incurred as a result of a state of emergency declared by the Governor.³

A university may spend the minimum carry forward balance of 7 percent if a demonstrated emergency exists and the plan is approved by the university's board of trustees and the Board of Governors.

Florida Auditor General Operational Audit Findings

In a 2022 Operational Audit conducted by the Florida Auditor General, the Auditor reported that inclusion of reserves in excess of 7 percent in a university's carry forward spending plans "may be inappropriate and contrary to State law."⁴ The Auditor General also reported that "BOG personnel indicated that the reserves were allowed to be included in education & general carryforward spending plans because universities need a reserve fund as a 'cost of doing business' and had a legitimate need for amounts they could not foresee related to contingencies" and that the reserves are authorized pursuant to law.⁵ The Auditor General maintains that the only permitted instance for a reserve in excess of the minimum 7 percent is for expenses incurred as a result of a declared state of emergency.⁶

Effect of the Bill

The bill allows a state university to carry forward unexpended funds in excess of the 7 percent minimum of its state operating budget as an annual reserve balance. Universities would now be permitted to include those funds in their spending plans submitted to the university's board of trustees and the Board of Governors, allowing universities to keep a reserve for authorized expenses beyond a declared state of emergency.

¹ Section 1011.45(1), F.S.

² Section 1011.45(2), F.S.

³ Section 1011.45(3), F.S.

⁴ State of Florida Auditor General, *Operational Audit, State University System Board of Governors* (Report No. 2023-049, Nov. 2022), https://flauditor.gov/pages/pdf_files/2023-049.pdf (last visited January 22, 2024).

⁵ *Id.*

⁶ *Id.*

B. SECTION DIRECTORY:

- Section 1: Amends s. 1011.45, F.S., to allow a state university to include carry forward balance funds in excess of its 7 percent state operating budget as a reserve for authorized expenses in subsequent years.
- Section 2: Provides an effective date of July 1, 2024.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:
None.
2. Expenditures:
None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:
None.
2. Expenditures:
None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:
Not applicable.
2. Other:
None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 19, 2024, the Higher Education Appropriations Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment clarifies that carry forward funds in excess of the statutorily required 7% minimum may be retained as an annual reserve balance, and any reserve funds are reported to the Board of Governors.

The analysis is drafted to the committee substitute adopted by the Higher Education Appropriations Subcommittee.