

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Community Affairs Committee

BILL: CS/SB 2480

INTRODUCER: Education Committee and Senator Dockery

SUBJECT: Educational Facilities/Funding

DATE: April 10, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Brown</u>	<u>Matthews</u>	<u>ED</u>	<u>Fav/CS</u>
2.	<u>Herrin</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable</u>
3.	_____	_____	<u>EA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This committee substitute (CS) increases funding for the Classrooms for Kids Program through the Public Education Capital Outlay and Debt Service Trust Fund (PECO) from \$41.75 million to \$75 million, to meet class size reduction requirements.

The CS revises the school district criteria for qualification for grants and funding allocation under the High Growth District Capital Outlay Assistance Grant Program.

This CS substantially amends sections 1013.65 and 1013.738 of the Florida Statutes.

II. Present Situation:

Educational Facilities Funding

Funding for educational facilities is addressed in part IV of chapter 1013, F.S. Each district school board is required to adopt a capital outlay budget for the upcoming year, as a part of the annual budget.¹ The board is prohibited from expending any funds on any project that is not included in the budget, including as amended.² Prior to adoption of the capital outlay budget, each district school board is required to prepare its tentative district educational facilities plan.³

Section 1013.64, F.S., addresses funds for comprehensive educational plant needs, and provides for specific allocations from the Public Education Capital Outlay and Debt Service Trust Fund (PECO). The Legislature is required to give priority consideration to funds for remodeling,

¹ s. 1013.61, F.S.

² *Id.*

³ *Id.*

renovation, maintenance, repairs, and site improvement for existing satisfactory facilities for appropriations allocated to district school boards from the total amount of PECO.⁴

Prior to spending funds from PECO, or the School District and Community College District Capital Outlay and Debt Service Trust Fund for any ancillary plant or any other new construction, renovation, or remodeling of ancillary space, each district school board is required to meet all educational plant space needs of its elementary, middle, and high schools.⁵

PECO consists of the following sources:

- Proceeds, premiums, and accrued interest from the sale of public education bonds and that portion of revenues accruing from the gross receipts tax, investment interest, and federal interest subsidies;
- General revenue funds appropriated to the fund for educational capital outlay purposes;
- All capital outlay funds previously appropriated and certified forward; and
- Funds paid pursuant to the excise tax on documents.⁶

Section 1013.64(3)(a)2., F.S., directs that 60 percent of each year's appropriation for new public school construction facilities be allocated to districts based on growth in full-time equivalent (FTE) student membership. Using each district's highest year of FTE growth from the prior three years, the funds are allocated to the districts on a pro-rata share of the total state growth in FTE student membership. State PECO funds are only one portion of the funds available to a district for its school facility construction needs. For most districts, the majority of the capital outlay funds are generated at the local level.

Section 1013.64(2)(a), F.S., authorizes as a part of PECO Trust Fund, a separate account, in an amount determined by the Legislature, for the "Special Facility Construction Account" program. In relevant part, the Special Facility Construction Account is used to provide construction funds to school districts which have urgent construction needs but which lack sufficient resources at present, and cannot reasonably anticipate sufficient resources in the next three years the maximum capital outlay allowed. The district must also pledge to use all of the school district's other capital outlay resources toward the project, with the understanding that the state will provide the remaining unfunded portion of the cost of the project.

Classrooms for Kids Program

Section 1013.735, F.S., provides for the allocation of funds for the Classrooms for Kids Program, the purpose of which is to increase capacity to reduce class size.⁷ The Legislature provided for an annual appropriation of \$41.75 million of PECO funds emanating from the excise tax to fund the Classrooms for Kids Program. A specific formula is provided in statute representing each district school board's share of the annual appropriation for the Classroom for Kids Program.⁸ To be eligible to participate in the Program, a district school board is required to enter into an interlocal

⁴ s. 1013.64(1)(a), F.S.

⁵ s. 1013.64(6)(a), F.S.

⁶ s. 1013.65(2)(a), F.S.

⁷ The Legislature established the Program in 2003 (Chapter 2003-391, L.O.F.)

⁸ s. 1013.735(1), F.S.

agreement; and certify that the district's inventory of facilities listed in the Florida Inventory of School Houses is accurate and current. Funds received are limited to certain expenditures involving construction, purchase, or lease-purchase.⁹

High Growth District Capital Outlay Assistance Grant Program

The Legislature established the High Growth District Capital Outlay Assistance Grant Program (Program) in 2005. The purpose of the Program is to provide additional money to high growth districts for the construction of student stations needed due to the rapid increase in the student population, where a district has insufficient capital outlay revenue.¹⁰ In particular, the high growth districts targeted have comparatively low property tax bases. The Program is funded through moneys provided annually in the General Appropriations Act.

To be eligible to participate in the Program, a school district must comply with the following:

- The district must have levied the full two mills of nonvoted discretionary capital outlay millage for each of the past four fiscal years;
- Fifty percent of the revenue derived from the two mill nonvoted discretionary capital outlay millage for the past four fiscal years, when divided by the district's growth in capital outlay FTE students over this period, produces a value that is less than the average cost per student station and weighted by statewide growth in capital outlay FTE students in elementary, middle, and high schools for the past four fiscal years;
- The district must have reached at least twice the statewide average of growth in capital outlay FTE students over this same four-year period;
- The Commissioner of Education must have released all funds allocated to the district from the Classrooms First Program, which were fully expended by the district as of February 1 of the current fiscal year; and
- The total capital outlay FTE students of the district are more than 15,000 students.¹¹

The following methodology applies to the General Appropriations Act funding:

- For each eligible district, the Department of Education is required to calculate the value of 50 percent of the revenue derived from the two mill nonvoted discretionary capital outlay millage for the previous four fiscal years, divided by the increase in capital outlay FTE students for the same period;
- The Department of Education is required to determine, for each eligible district, the amount that must be added to the calculated value to produce the weighted average value per student station;
- The value calculated for each eligible district is to be multiplied by the average increase in capital outlay FTE students for the previous four fiscal years to determine the maximum amount of a grant that may be awarded; and
- If the funds are insufficient to fully fund the maximum grants calculation, the Department is required to allocate the funds based on each district's prorated share of the total maximum award amount calculated for all eligible districts.¹²

⁹ s. 1013.735(3), F.S.

¹⁰ Chapter 2005-290, L.O.F.

¹¹ s. 1013.738(2), F.S.

The Governor vetoed the \$30 million in annual appropriations for the High Growth District Capital Outlay Assistance Grant Program.¹³ The following school districts were eligible for funding and received non-recurring grant dollars, at a total of \$30 million under the High Growth District Capital Outlay Assistance Grant Program:¹⁴

- Clay County (\$3,184,671);
- Hernando County (\$2,179,867);
- Hillsborough County (\$9,006,801);
- Lake County (\$4,040,060);
- Osceola County (\$7,366,592);
- St. Johns County (\$1,435,418); and
- St. Lucie County (\$2,786,591).

III. Effect of Proposed Changes:

Section 1 amends s. 1013.65(2)(a), F.S., to increase the annual appropriation to the Public Education Capital Outlay and Debt Service Trust Fund (PECO) authorized to fund the Classrooms for Kids Program from \$41.75 million to \$75 million, to further accommodate increased capacity for class size.¹⁵

Section 2 amends s. 1013.738, F.S., to revise the qualifying formula for school district eligibility for High Growth District Capital Outlay Assistance Grants. Under the new criteria, a school district must demonstrate that it:

- Levied the full 2 mills of nonvoted discretionary capital outlay criteria for the past 3 fiscal years or that it currently receives an amount from the school capital outlay surtax, that, when added to the nonvoted discretionary capital outlay millage, equals the amount that would be generated if the full 2 mills of nonvoted discretionary capital outlay were levied for those past 3 years;
- Received revenue in the current fiscal year from the collection of a school impact fee and revenue collected from: a local government infrastructure sales surtax under s. 212.055(2), F.S.; a school capital outlay surtax under s. 212.055(6), F.S., subject to certain requirements; or a local bond referendum under ss. 1010.40-1010.55, F.S.;
- Equalled or exceeded three times the statewide average of growth in capital outlay FTE students over the prior 3-year period; and
- Did not receive an appropriation from the special facilities construction program in the current fiscal year or any of the two fiscal years prior to the current fiscal year.

¹² s. 1013.738(3), F.S.

¹³ See section 25, ch. 2005-290, Laws of Florida.

¹⁴ See subsection (2)(c) of section 27, ch. 2005-290, Laws of Florida.

¹⁵ Only \$41.75 million of the \$75 million annually appropriated to PECO was distributed to the Classrooms for Kids Program under CS/CS/CS/SB 360. See section 25, ch. 2005-290, Laws of Florida. The balance of \$33.25 million will remain in PECO unless specifically distributed to the Classrooms for Kids Program.

The allocation formula is additionally revised so that each eligible district school board receives a PECO amount to be calculated by computing the capital outlay FTE membership as determined by the Department of Education, subject to certain guidelines. Kindergarten through 12th grade students, except hospital and homebound part-time students; career education students; and adult-disabled students enrolled in public career centers qualify for memberships. If a change, correction, or recomputation of data results in an increase or decrease of the calculated amount, the additional or reduced amount shall be added to or reduced from the school district's future appropriations. Under no circumstance is a change, correction, or recomputation of data authorized past two years following the initial annual allocation.

This new formula will have the impact of limiting eligibility for grants to the following six school districts:

- Clay County;
- Hernando County;
- Lake County;
- Osceola County;
- St. Johns County; and
- St. Lucie County.

Section 3 provides the act shall take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Certain school districts would be eligible for grants in the total amount of approximately \$42 million under the High Growth District Capital Outlay Assistance Grants Program.

The Classrooms for Kids funding would increase \$33.25 million.

Chapter 2005-290, L.O.F., appropriated a total of \$1.5 billion dollars to numerous state agencies and programs for growth management purposes. The growth management legislation appropriated \$105 million of recurring documentary stamp revenues to PECO, with \$75 million earmarked to the Classrooms for Kids program and \$30 million designated for the High Growth District Capital Outlay Assistance Growth Program. Although the Legislature appropriated the \$105 million, the Governor vetoed the \$30 million designation for the High Growth Program, leaving \$30 million in PECO without an appropriation.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

None.

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