HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 645 Growth Management
SPONSOR(S): Hays
TIED BILLS: **IDEN./SIM. BILLS:** SB 680

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Schools & Learning Council		Eggers	Cobb
2) Policy & Budget Council			
3)			
4)			
5)			

SUMMARY ANALYSIS

The bill revises eligibility criteria and allocation methodology for the High Growth District Capital Outlay Assistance Grant Program.

The bill deletes the $41.75 million appropriation for the Classrooms for Kids Program through the Public Education Capital Outlay and Debt Service Trust Fund.

The bill has an effective date upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

The bill does not appear to implicate any of the House Principles.

B. EFFECT OF PROPOSED CHANGES:

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 part of the annual budget.[1] The board is prohibited from expending any funds on any project that is not included in the budget. Prior to adoption of the capital outlay budget, each district school board is required to prepare its tentative district educational facilities plan.[2]

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 remodeling, renovation, maintenance, repairs, and site improvement for existing satisfactory facilities for appropriations allocated to district school boards from the total amount of PECO.[3]

Each district school board is required to meet all educational plant space needs of its elementary, middle, and high schools, 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.[4]

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.[5]

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 capital outlay full-time equivalent (FTE) student membership and 40 percent allocated on base capital outlay FTE. 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 the PECO Trust Fund, a separate account, in an amount determined by the Legislature, for the "Special Facility Construction Account" program, which is used to provide construction funds to school districts with urgent construction needs and insufficient local resources to meet those needs. The district must also pledge to use all of the school district's

[1] s. 1013.64, F.S.
[2] *Id*.
[3] s. 1013.64(1)(a), F.S.
[4] s. 1013.64(6)(a), F.S.
[5] s. 1013.65(s)(a), F.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.[6] The 2005 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.[7] To be eligible to participate in the Program, a district school board is required to enter into an interlocal 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.[8]

High Growth District Capital Outlay Assistance Grant Program

The 2005 Legislature established the High Growth District Capital Outlay Assistance Grant Program to provide additional money to high growth districts without sufficient capital outlay revenue[9] for the construction of student stations needed due to the rapid increase in the student population. The high growth districts targeted have comparatively low property tax bases. The program is funded through moneys provided 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.[10]

A $30 million appropriation in the 2005-06 fiscal year, subsequently vetoed by the Governor, was allocated based on the following methodology:

- 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;

[6] The Legislation established the Program in 2003 (Chapter 2003-391, L.O.F.)
[7] s. 1013.735(1), F.S.
[8] s. 1013.735(3), F.S.
[9] Chapter 2005-290, L.O.F.
[10] s. 1013.738(2), F.S.

- 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 grant award; 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.[11]

Seven districts, Clay, Hernando, Hillsborough, Lake, Osceola, St. Johns, and St. Lucie qualified for the grant. In terms of capital outlay FTE growth, the districts ranked 2nd, 7th, 8th, 9th, 14th, 15th, and 17th among the 67 school districts. Of the top twenty growth districts, ten districts did not qualify due to the two mill revenue and average cost per student station requirement, two districts did not qualify due to not levying the full two mills, and one district did not qualify due to having less than 15,000 students.

Legislation to revise the methodology and establish an appropriation for the 2006-07 fiscal year was not successful.

Proposed Changes:

This bill deletes the $41.75 million annual appropriation to the Public Education Capital Outlay and Debt Service Trust Fund (PECO) authorized to fund the Classrooms for Kids Program.

This bill additionally amends the qualifying formula for school district eligibility for High Growth District Capital Outlay Assistance Grants as follows:

- Regarding the nonvoted discretionary capital outlay criteria, the bill shortens the fiscal year requirement to the past three years, and offers the following alternative: where the district can show 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 nondiscretionary capital outlay millage had been collected over the past 3 fiscal years;
- The district must have received revenue in the prior fiscal year from the collection of a school impact fee and revenue collected from:
    - Local government infrastructure sales surtax in which a portion is dedicated for the construction of schools in the such prior fiscal year;
    - School capital outlay surtax, subject to certain requirements; or
    - Local bond referendum;
- The district must have equaled or exceeded three times the statewide average of growth in capital outlay FTE students over the prior three fiscal years; and
- The district must not have received 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.

The allocation formula is revised as follows:

- Each eligible district school board shall receive an amount from the Public Education Capital Outlay and Debt Service Trust Fund to be calculated by computing the capital outlay full-time equivalent membership as determined by the department. Such membership must include, but is not limited to:
    - K-12 students except hospital and homebound part-time students; and
    - Students who are career education students and adult disabled students, who are enrolled in school district career centers.
- The capital outlay full-time equivalent membership shall be determined for kindergarten through grade 12 and for career centers by averaging the unweighted full-time equivalent student

[11] s. 1013.738(3), F.S.

membership for the second and third surveys and comparing the results on a school-by-school basis with the Florida Inventory for School Houses. The capital outlay full-time equivalent membership by grade-level organization shall be used in making the following calculation: the capital outlay full-time equivalent membership by grade-level organization for the prior year must be used to compute the growth over the highest of the 3 years preceding the prior year.

- The total amount appropriated by the Legislature pursuant to this subsection shall be allocated among the growth capital outlay full-time equivalent membership. The allocation shall be prorated to the districts based upon each district's percentage of growth capital outlay full-time membership. The most recent 4-year capital outlay full-time equivalent membership data shall be used in each subsequent year's calculation for the allocation of funds pursuant to this subsection. If a change, correction, or recomputation of data during any year results in a reduction or increase of the calculated amount previously allocated to a district, the allocation to that district shall be adjusted correspondingly. If such recomputation results in an increase or decrease of the calculated amount, such additional or reduced amounts shall be added to or reduced from the districts's future appropriations. However, no change, correction, or recomputation of data shall be made subsequent to 2 years following the initial annual allocation.

Based on the most recent information available, the following 11 districts would receive grants under the new methodology: Clay, Flagler, Hernando, Hillsborough, Lake, Manatee, Osceola, Orange, Pasco, Polk, and St. Lucie. It is important to note that district allocations for an appropriation made in the 2007-08 fiscal year would be based on data that is updated one year to include data from the 2006-07 fiscal year, which may result in the same or different districts receiving the grants.

C. SECTION DIRECTORY:

Section 1. Amends section 1013.65(2)(a)4.a., F.S., revising the appropriation for the Classrooms for Kids Program.

Section 2. Amends section 1013.738 F.S., revising the eligibility criteria and funding methodology for the High Growth District Capital Outlay Assistance Grant Program.

Section 3. Provides an effective date.

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:

The bill does not appear to have a fiscal impact on the private sector.

D. FISCAL COMMENTS:

This bill deletes the $41.75 million annual appropriation to the Public Education Capital Outlay and Debt Service Trust Fund (PECO) authorized to fund the Classrooms for Kids Program.

The bill revises eligibility criteria and allocation methodology for the High Growth District Capital Outlay Assistance Grant Program. Based on the revised criteria proposed by the bill, the following districts would qualify for the program: Clay, Flagler, Hernando, Hillsborough, Lake, Manatee, Osceola, Orange, Pasco, Polk, and St. Lucie.

It is important to note that district allocations for an appropriation, if any, made in the 2007-08 fiscal year would be based on data that is updated one year to include the 2006-07 fiscal year, which may result in the same or different districts receiving the grant.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a city or county to spend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES