HOUSE OF REPRESENTATIVES
FINAL BILL ANALYSIS

BILL #:	CS/HB 465	**FINAL HOUSE FLOOR ACTION:**	
SPONSOR(S):	PreK-12 Appropriations Subcommittee, Coley and others	114 **Y's**	1 **N's**
COMPANION BILLS:	CS/SB 750	**GOVERNOR'S ACTION:**	Pending

SUMMARY ANALYSIS

CS/HB 465 amends statutes relating to the issuance and retirement of bonds by district school boards. The bill:

Increases the period within which district school board bonds must be retired without approval from the Department of Education, from 20 years to 30 years;

Removes the requirement that certain bonds be callable within 10-years from date of issuance and allows the district school board to determine the callable term of bonds.

The fiscal impact to school districts is indeterminate. See FISCAL COMMENTS.

The bill takes effect July 1, 2012.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Effect of the Bill

The bill increases the period within which district school board bonds must be retired from 20 years to 30 years. A bond schedule longer than 30 years must be approved by the Department of Education.

The bill changes the requirement so that bonds are callable at the times and upon the terms determined by the district school board. The bill removes the requirement that bonds that bear interest in excess of 2.99 percent be callable beginning no later than 10 years from the date of issuance.

Present Situation

Bonds

A bond is a debt security in which the authorized issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest (the coupon) to use and/or to repay the principal at a later date, termed maturity. A bond is a formal contract to repay borrowed money with interest at fixed intervals (semi-annual, annual, sometimes monthly).

Thus a bond is like a loan: the holder of the bond is the lender (creditor), the issuer of the bond is the borrower (debtor), and the coupon is the interest. Bonds provide the borrower with external funds to finance long-term investments.

Some bonds give the issuer the right to repay the bond before the maturity date on the call dates. These bonds are referred to as callable bonds. Most callable bonds allow the issuer to repay the bond at face value.

A general obligation bond is a common type of municipal bond that is secured by a state or local government's pledge to use legally available resources, including tax revenues, to repay bond holders.

A bond referendum is a provision permitting voters in a school district to accept or reject the granting of school board authority to issue (sell) bonds to generate revenue for the purpose specified in the referendum. Authorized expenditures include acquiring, building, enlarging, furnishing, or otherwise improving buildings or school grounds, or for any other exclusive use of the public schools within the district.[1] The Florida Constitution allows local governments to issue bonds payable from ad valorem taxation only to finance or refinance capital projects and when approved by vote of the electors.[2] Prior to a bond referendum, a school board must adopt a resolution authorizing that an election be held for the purpose of determining whether bonds shall be issued for the stated amount and purpose. The resolution must be approved by the Department of Education prior to school board adoption.[3] The bonds are generally issued for a 20-year period and are repaid with property tax revenue.

District School Boards

Currently, Florida district school boards are required:

- to arrange annual bond debt service payments to be nearly equal amounts for each year;
- to retire the bonds within 20 years from the date of issuance;
- to seek approval by the Department of Education on bonds retiring beyond 20 years; and

[1] Section 1010.40, F.S.
[2] Article VII, section 12, Florida Constitution.
[3] Section 1010.41(3), F.S.

- to have the bonds, bearing interest in excess of 2.99 percent, callable beginning within 10 years from the date of issuance.

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: See Fiscal Comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The increased interest revenue generated by a bond with a maturity date greater than 20 years is indeterminate.

D. FISCAL COMMENTS:

If district school boards exercise the discretion to issue bonds with maturities greater than 20 years, additional interest costs may be incurred. As of June 30, 2010, four school districts had outstanding bonds issued. Removing the requirement that bonds bearing interest in excess of 2.99 percent must be callable beginning no later than 10 years from the date of issue will allow districts to extend consideration of refinancing such bonds. The potential impact is indeterminate.