

1989

Session Law 89-244

Florida Senate & House of Representatives

Follow this and additional works at: <https://ir.law.fsu.edu/staff-analysis>



Part of the Legislation Commons

Recommended Citation

House of Representatives, Florida Senate &, "Session Law 89-244" (1989). *Staff Analysis*. 1037.
<https://ir.law.fsu.edu/staff-analysis/1037>

This Article is brought to you for free and open access by the Florida Legislative Documents at Scholarship Repository. It has been accepted for inclusion in Staff Analysis by an authorized administrator of Scholarship Repository. For more information, please contact efarrell@law.fsu.edu.

H 435 GENERAL BILL/CS by Education; Long and others (Similar S 373, Compare H 298)
~~Millage Rate Increase/Capital Outlay~~; increases authorized millage levy for capital outlay purposes re schools; revises funding provision of Special Facility Construction Account. Amends 236.25, 235.435. Effective Date: 07/01/89.

02/27/89 HOUSE Prefiled
 03/01/89 HOUSE Referred to Education; Finance & Taxation; Appropriations
 04/04/89 HOUSE Introduced, referred to Education; Finance & Taxation; Appropriations -HJ 48; On Committee agenda—Education, 04/06/89, 8:40 am, 413-C—For referral to subcommittee
 04/06/89 HOUSE Subreferred to Subcommittee on Oversight
 04/21/89 HOUSE On subcommittee agenda—Education, 04/25/89, 8:30 am, 217-HOB
 04/25/89 HOUSE Subcommittee Recommendation: Favorable as a proposed CS; On Committee agenda—Education, 04/27/89, 1:30 pm, 413-C
 04/27/89 HOUSE Preliminary Committee Action by Education: Favorable as a CS
 05/01/89 HOUSE Comm. Report: CS by Education -HJ 338; CS read first time -HJ 333; Now in Finance & Taxation -HJ 338
 05/03/89 HOUSE On Committee agenda—Finance & Taxation, 05/05/89, 8:30 am, 413-C—For ratification to subcommittee
 05/08/89 HOUSE On Committee agenda—Finance & Taxation, 05/10/89, 8:30 am, 413-C
 05/10/89 HOUSE Preliminary Committee Action by Finance & Taxation: Favorable; Comm. Report: Favorable by Finance & Taxation -HJ 458; Now in Appropriations -HJ 458
 05/19/89 HOUSE On Committee agenda—Appropriations, 05/22/89, 10:00 am, 21-HOB
 05/22/89 HOUSE Preliminary Committee Action by Appropriations: Favorable; Comm. Report: Favorable by Appropriations, placed on Calendar -HJ 598
 05/25/89 HOUSE Placed on Special Order Calendar
 05/30/89 HOUSE Read second time -HJ 788; Read third time; CS passed; YEAS 80 NAYS 32 -HJ 789
 05/30/89 SENATE In Messages
 05/31/89 SENATE Received, referred to Education; Finance, Taxation and Claims; Appropriations -SJ 619; Withdrawn from Education; Finance, Taxation and Claims; Appropriations; Substituted for SB 373; CS passed; YEAS 32 NAYS 0 -SJ 678
 05/31/89 Ordered enrolled
 06/13/89 Signed by Officers and presented to Governor
 06/29/89 Became Law without Governor's Signature; Chapter No. 89-244

B
I
L
L

H
I
S
T
O
R
Y

NOTES: Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

RAGE NAME: csh0435.edk
DATE: April 28, 1989

HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION
STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: CS/HB 435

RELATING TO: Education/Capital Outlay

SPONSOR(S): Committee on Education, Representative Long

EFFECTIVE DATE: July 1, 1989, or upon becoming a law, whichever occurs later.

COMPANION BILL(S): SB 373 by Senator Johnson and others

OTHER COMMITTEES OF REFERENCE: (1) Finance & Tax
(2) Appropriations

I. SUMMARY:

The bill amends s. 236.25(2), F.S., to increase from the amount of discretionary capital outlay millage a district school board may levy from 1.5 to 2.0 mills, and revises s. 235.435, F.S., to conform to the increased millage levy authority.

A. PRESENT SITUATION:

The Department of Education (DOE) projects a need for the equivalent of 933 new public schools (K-12) at a cost of \$10 billion between fiscal year 1986-87 and fiscal year 1997-98 to house the expected growth in student enrollment. The \$10 billion price tag does not include maintenance, repair, renovation, and remodeling costs for existing facilities. Projected state capital outlay funds for the same period are estimated to be \$2.25 billion, leaving \$7.75 billion to be funded from local sources.

Both state and local revenue sources are available to fund school district capital outlay projects. State-level sources include PECO (Public Education Capital Outlay) and CO&DS (Capital Outlay and Debt Service) funds. Local sources include discretionary capital outlay millage proceeds (s. 236.25(2), F.S.), local ad valorem tax millage elections (s. 236.31, F.S.), and local bonds (s. 236.37, F.S.).

State Funding Sources

The chief source of state capital outlay dollars available to school districts is PECO funds. These are generated through the sale of state bonds by the State Board of Education. The bonds are primarily payable from gross receipts tax revenues and are additionally secured by the full faith and credit of the state. In fiscal year 1988-89, the public school system (K-12) will

receive capital outlay funds totalling \$227.4 million. Largely because of a significant reduction in gross receipts tax collections during fiscal year 1987-88, PECO funds available for disbursement to public schools in fiscal year 1988-89 totaled \$70.1 million. Consequently, \$13.7 million from the Principal's Trust Fund and \$143.5 million from the State Infrastructure Trust Fund were used to fund public schools' capital outlay needs at \$227.4 million for fiscal year 1988-89. PECO funds available for disbursement in fiscal year 1989-90 are projected to total \$232.4 million. Consequently, the K-12 share is projected to be \$132.5 million. This represents a 172 percent decrease in available capital outlay dollars compared to fiscal year 1988-89 if other funding sources are not used.

CO&DS funds, the second state capital outlay revenue source, are derived from the proceeds of the motor vehicle licensing tax. First use of the funds is to service outstanding school district capital outlay debt. Each school district's share of the remaining dollars may either be bonded on its behalf by the State Board of Education or disbursed to it on a cash basis.

In 1988-89, CO&DS funds available for bonding or disbursement to school districts totaled an estimated \$12.9 million.

Local Funding Sources

At the local level, the primary capital outlay funding source is the discretionary capital outlay millage proceeds. Pursuant to s. 236.25(2) F.S., a district school board is authorized to levy up to 1.5 mills against the nonexempt assessed valuation of property within the school district without a vote of the electorate in the district. As of October 1988, fifty-four school districts levied discretionary capital outlay millage (with thirty-eight school districts levying the full 1.5 mills), generating capital outlay revenues of \$475 million statewide out of a potential \$539 million. For fiscal year 1989-90, the value of an extra .5 mill statewide is approximately \$195.7 million, or an average of \$2.9 million per school district. None of the discretionary millage proceeds may be bonded.

Section 235.435(2)(c), F.S., 1988 Supplement, requires district school boards receiving school construction funds from the "Special Facilities Construction Account" to levy the full 1.5 discretionary capital outlay mills. The account funds the urgent construction needs of school districts neither possessing nor anticipating (within the subsequent three years) sufficient resources.

Pursuant to Article VII, Section 9, of the State Constitution, s. 236.31, F.S., permits district school boards to raise additional ad valorem tax millage revenues through local elections. These elections may not be held more than once every twelve months per district and any millage so authorized by the election shall not be levied for a period of more than two years.

Pursuant to Article VII, Section 12, of the State Constitution, school districts may also issue local bonds to fund needed capital outlay projects. A vote of the electorate is required for any issue with a term exceeding one year.

B. EFFECT OF PROPOSED CHANGES:

The bill would increase from 1.5 to 2.0, the maximum amount of discretionary capital outlay millage a school board may levy in a given year. Local school districts would have the option of raising any millage rate from 0 to 2.0 mills. The bill would amend s. 235.435(2)(c), F.S., 1988 Supplement, requiring school districts receiving Special Facilities Construction Account funds to levy the full 2.0 mills. The bill would take effect July 1, 1989, or upon becoming a law, whichever occurs later.

C. SECTION-BY-SECTION ANALYSIS:

None.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

The potential additional revenues for the thirty-eight school districts currently levying the full 1.5 mills, and hence more likely to levy the extra .5 mill, would be \$151.6 million for FY 1989-90. The total potential additional district revenues are \$195.7 million for FY 1989-90.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

The fiscal impact on nonexempt property owners will depend upon whether, and if so how much, a district school board increases its discretionary capital outlay levy above 1.5 mills. The potential statewide burden from a levy of the extra .5 mill is \$195.7 million. The total cost of nonexempt property owners in the thirty-eight school districts currently levying the full 1.5 mills, and hence more likely to levy the extra .5 mill, would be \$151.6 million (See Appendix A for per district potential revenues from the extra .5 mills and Appendix B for per district potential revenues for those districts currently levying the full 1.5 mills).

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

The bill is consistent with policy (18)(b)5., to "(e)ncourage local government financial self-sufficiency in providing public facilities." The bill encourages self-sufficiency by giving district school boards greater ability to meet capital outlay needs with locally-generated revenues.

This bill is consistent with the following objectives found in the Human Resource Development section of the Speaker's Policy Statement produced by the 1989-90 Legislative Issues Conference:

Florida's continued economic prosperity and physical well-being demand the full utilization of its human resources;

I. There is an urgent need to focus our resources on raising healthy, educated children so that they will become productive citizens; and

I.A.1. Restructuring the educational system is needed to give school districts the flexibility to shape programs to meet local needs.

IV. COMMENTS:

During the 1988 Session, the House Committee on Education, K-12 adopted HB 335. The bill later died in the House Committee on Finance and Taxation. This bill would have allowed districts to raise a maximum capital outlay discretionary millage of 2.0 mills.

The Senate companion died in the Senate Committee on Education.

During the 1987 Session, the House passed the millage increase as part of HB 1326. The Senate amended its version of HB 1326 onto HB 1108, but deleted the millage increase provision. HB 1108 (as amended by the Senate) became law.

In 1980, the Legislature passed session law 80-381, which amended s. 236.25, F.S., to authorize local school districts to levy up to two mills in discretionary capital outlay millage. Previously, capital outlay funding needs had been serviced through state PECO and CO&DS funds, and local bonding options. The "two mill bill" was the first implementation of the "pay-as-you-go" option for local districts. The two mill rate was initially established with the expectation that only eight districts with high property values would take advantage of the full two mill limit. The number of districts levying the full 2.0 mills grew much quicker than anticipated however, and the Legislature eventually rolled back the maximum limit to the current 1.5 mills to avoid placing a too heavy tax burden on the local districts.

Consultants retained by the state in 1986 to study the equity of Florida's public school finance system singled out the discretionary property tax revenues as having a "disequalizing" effect on the system: the particular variation among school districts is caused by an illegitimate factor, i.e., school district wealth. They found discretionary revenues increased absolutely with school district wealth.

V. AMENDMENTS:

None.

VI. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

Charles J. Fornaciari
Charles J. Fornaciari

Staff Director:
Neal H. Berger
Neal H. Berger, Ph.D.

SECOND COMMITTEE OF REFERENCE:

Prepared by:

Staff Director:

STORAGE NAME: csh0435.edk

DATE: April 28, 1989

PAGE 6

APPROPRIATIONS:

Prepared by:

Staff Director:

REVISED: _____

BILL NO. SB 373

DATE: May 20, 1989

Page 1

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. <u>O'Farrell</u>	<u>O'Farrell</u>	1. <u>ED</u>	<u>Favorable</u>
2. <u>Dempsey</u>	<u>Beggs</u>	2. <u>FTC</u>	<u>Favorable</u>
3. <u>Woodruff</u>	<u>Smith</u>	3. <u>AP</u>	<u>Favorable</u>
4. _____	_____	4. _____	_____

SUBJECT:

Millage Rate Increase/
Capital Outlay

BILL NO. AND SPONSOR:

SB 373 by
Senator Johnson

I. SUMMARY:

A. Present Situation:

Local school boards are currently authorized by law to levy up to 1.5 mills in ad valorem taxes for capital outlay purposes. Revenues realized from such a levy may be used to fund the following:

1. New construction and remodeling projects,
2. Maintenance, renovation, and repair of school plants. These funds cannot, however, be used to supplant current operating fund expenditures for similar purposes. The operating fund amount used in this situation is the average of the three prior fiscal years' expenditures for maintenance, renovation, and repair of facilities,
3. The purchase of school buses,
4. The purchase of new and replacement equipment. Again, however, funds cannot be used to supplant current operating fund expenditures for similar purposes,
5. Payments due under lease purchase agreements for educational facilities and sites. The amount used for these purposes may not exceed one-half of the revenue realized from the nonvoted capital outlay millage levy,
6. Repayment of loans approved pursuant to s. 237.161, F.S. These are revenue anticipation loans that can be used for capital outlay purposes, and
7. The payment of any costs directly related to compliance with state and federal environmental laws and regulations.

B. Effect of Proposed Changes:

The bill under consideration would increase from 1.5 to 2.0 the number of mills a local school board could levy in nonvoted ad valorem taxes for the capital outlay purposes specified in s. 236.25, F.S.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

Property owners subject to ad valorem taxation could experience an increase in property taxes if a school board chose to levy the additional capital outlay millage the bill would allow. The amount an individual would pay would depend upon the taxable value of the property he owned.

B. Government:

A school board choosing to levy the additional one-half mill proposed by SB 373 would realize an increase in revenue that could be used for capital outlay purposes.

Only 13 of the state's 67 school boards chose not to levy any nonvoted capital outlay millage for the 1988-89 school year. Of the 54 boards using the millage, 38 levied the full 1.5 mills.

The statewide value of one-half mill of ad valorem taxes levied against the estimated 1989 taxable value would be approximately \$195 million.

III. COMMENTS:

The bill would take effect on July 1, 1989 or upon becoming law, whichever occurs later.

IV. AMENDMENTS:

None.