

STORAGE NAME: h1615a.eda.doc
DATE: April 11, 2001

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
EDUCATION APPROPRIATIONS
ANALYSIS**

BILL #: HB 1615
RELATING TO: School District Guarantee Program
SPONSOR(S): Representative(s) Brummer
TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) EDUCATION INNOVATION YEAS 13 NAYS 0
 - (2) EDUCATION APPROPRIATIONS YEAS 15 NAYS 0
 - (3) FISCAL RESPONSIBILITY COUNCIL
 - (4)
 - (5)
-

I. SUMMARY:

This bill creates the School District Guarantee Program for the purpose of providing school districts a means to enhance their credit and borrowing capacity to the extent of their authorized millage for the purpose of issuing certificates of participation.

The bill provides that a district school board may request the backing of the state or county for the issuance of certificates of participation. Any such financial backing by the state or county is optional and is limited to the financial backing of amounts in excess of 50 percent of the school board's authorized millage, but not more than the payment limit of three-fourths of the millage levied for the lease-purchase of educational facilities and sites as provided for in current law.

The bill requires that a district school board must submit its request for financial backing to the State Board of Education or the board of county commissioners, as applicable. The State Board of Education or the board of county commissioners may grant such financial backing based on the availability of funds appropriated or otherwise set aside for that purpose.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Pursuant to s. 236.25(2), F.S., district school boards are allowed to levy up to two mills against the taxable value for school purposes to fund:

- New construction and remodeling projects;
- Maintenance, renovation, and repair of existing school plants or of leased facilities to correct deficiencies;
- The purchase, lease-purchase, or lease of school buses, drivers' education vehicles, motor vehicles used for the maintenance or operation of plants and equipment, security vehicles, or vehicles used in storing or distributing materials and equipment;
- The purchase, lease-purchase, or lease of new and replacement equipment;
- Payments for educational facilities and sites due under a lease-purchase agreement entered into by a district school board;
- Payment of loans approved pursuant to ss. 237.161 and 237.162, F.S.;
- Payment of costs directly related to complying with state and federal environmental statutes and regulations governing school facilities; and
- Payment of costs of leasing relocatable educational facilities, of renting or leasing educational facilities and sites pursuant to s. 235.056(2), F.S., or of renting or leasing buildings or space within existing buildings pursuant to s. 235.056(3), F.S.

To maximize the benefit, district school boards will often borrow against their ability to levy this additional millage by issuing certificates of participation. However, bond attorneys for district school boards have warned that borrowing any more than one-half of the proceeds from the millage levied could adversely affect a district school board's credit rating and also cause the district school board to pay a higher interest rate on the money borrowed.

Subsection 236.25(2)(e), F.S., which allows payments for educational facilities and sites due under a lease-purchase agreement entered into by a district school board, further limits the amount of these payments to three-fourths of the proceeds from the millage levied. For example, if a district school board levied the full two mills allowed under s. 236.25(2), F.S., then 1.5 mills could be used as payments for facilities and sites under s. 236.25(2)(e), F.S.

C. EFFECT OF PROPOSED CHANGES:

This bill creates the School District Guarantee Program in order to enhance the credit and borrowing capacity of district school boards to the extent of their authorized millage under s. 236.25(2), F.S., for the purpose of issuing certificates of participation.

The bill provides that a district school board may request the backing of the state or county in the issuance of certificates of participation. Any such financial backing by the state or county is optional and is limited to the financial backing of amounts in excess of 50 percent of the district school board's authorized millage.

The bill does not allow a district school board to exceed the payment limit of three-fourths of the millage levied for educational facilities and sites as provided for in s. 236.25(2)(e), F.S.

The bill requires that a district school board must submit its request for financial backing to the State Board of Education or the board of county commissioners, as applicable. The State Board of Education or the board of county commissioners may grant such financial backing based on the availability of funds appropriated or otherwise set aside for that purpose.

D. SECTION-BY-SECTION ANALYSIS:

SECTION 1: Creates s. 236.255, F.S., the School District Guarantee Program, in order to enhance the credit and borrowing capacity of district school boards.

SECTION 2: Establishes an effective date of July 1, 2001.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A.

2. Expenditures:

If the State chooses to provide financial support to any school board as a guarantee against default on certificates of participation funded from school district capital improvement millage, then an appropriation would be required.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

If the county or the State provides additional fiscal support for certificates of participation, then the school district may be able to negotiate more favorable financing arrangements than would otherwise be possible.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If the borrowing capacity of district school boards is increased by the financial backing provided for in this bill, it would benefit those in the private sector involved in these projects.

D. FISCAL COMMENTS:

This bill does not require district school boards to request the financial backing of the state or counties. Likewise, neither the state nor the counties are required to provide any financial backing to the district school boards if such a request is made. However, if the state or a county chooses to provide financial backing to a district school board, then the state or a county would be required to either appropriate or set aside funds to cover the amount of the project financially backed.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action which requires the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

This bill does not appear to violate any constitutional provisions.

B. RULE-MAKING AUTHORITY:

This bill does not appear to necessitate additional rulemaking authority.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON EDUCATION INNOVATION:

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