



# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. HOUSE PRINCIPLES ANALYSIS:

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

### B. EFFECT OF PROPOSED CHANGES:

#### Present Situation

District school boards are authorized to levy not more than 2 mills for capital outlay projects.<sup>1</sup> Authorized expenditures are costs of construction, remodeling, renovation, maintenance, and repair of the educational plant; the purchase, lease, or lease-purchase of equipment, educational plants, and construction materials directly related to the delivery of student instruction; the purchase, lease, or lease-purchase of school buses or the payment of the cost of school buses when a school district contracts with a private entity to provide transportation services; and the costs of payments related to certain issues of certificates of participation.<sup>2</sup> Not included in this list are premiums for health and property and casualty insurance, which are funded from a district's operating budget revenues.

Certain expenditures are not authorized unless the district certifies to the Commissioner of Education that all of the district's space needs for the next 5 years can be met from capital outlay sources that the district reasonably expects to receive or through other means such as leasing, scheduling, rezoning, the use of technology, etc. The expenditures are the purchase, lease-purchase, or lease of driver's 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.<sup>3</sup>

#### Proposed Changes

A district that has met class size requirements pursuant to Section 1003.03, F.S., is authorized to use two mill revenue for the payment of premiums for health and property and casualty insurance, and for the purchase, lease-purchase, or lease of driver's 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.<sup>4</sup> It is probable that only districts with high property values and low capital outlay needs would have sufficient two mill revenue available for these additional purposes.

In the 2004-05 fiscal year, Flagler, Gadsden, Hernando, Putnam, Santa Rosa, Suwannee, Union, Walton, and Washington were not in compliance with class size reduction requirements. In the 2005-06 fiscal year, only St. Lucie was not in compliance with class size reduction requirements. Had this bill been law in the 2005-06 fiscal year, only St Lucie would not have been authorized to spend two mill revenue on the expanded list of authorized expenditures.

### C. SECTION DIRECTORY:

**Section 1** amends s. 1011.71, F.S.

**Section 2** provides that this bill shall take effect July 1, 2006.

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<sup>1</sup> Section 1011.71(2), F.S.

<sup>2</sup> Section 1011.71(5), F.S.

<sup>3</sup> Section 1011.71(5), F.S..

<sup>4</sup> Section 1003.03, F.S., implemented in 2003-04, requires school districts to reduce class sizes by two students each year until the constitutionally mandated class sizes of 18, 22, and 25, for kindergarten - grade 3, grades 4-8, and grades 9-12, respectively, are achieved. Compliance is based on district class size averages from 2003-04 to 2005-06, school averages from 2006-07 to 2007-08, and by individual classroom from 2008-09 to 2010-11. Full compliance shall be achieved by 2010-11.

## 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:

Allows school districts to use revenue from the two mill capital outlay tax for premiums for health and property and casualty insurance, and certain motor vehicles.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

### D. FISCAL COMMENTS:

For districts in compliance with class size reduction requirements, the proposed legislation would allow the use of capital outlay funds generated from the two mill levy authorized by Section 1011.71, F.S., to be used for the payment of premiums for health and property and casualty insurance; and the purchase, lease-purchase, or lease of driver's 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 two mill levy will generate \$2.5 billion in the 2005-06 fiscal year. There are 55 districts that levy the full two mills, 9 districts that levy between .5 and 1.5 mills, and 3 districts did not levy the two mill levy. Of the districts that levy the two mill levy, Franklin county generates the most revenue per FTE at \$5,136 per FTE and Madison county the least at \$85 per FTE. It is probable that only districts with relatively high property values per FTE coupled with low capital outlay needs would have sufficient two mill revenue available for these additional purposes.

The authorization of additional expenditure purposes may decrease the amount of revenue available for school construction. Certain school districts may currently be in compliance at the district level, but may not be in compliance in future years. The Department of Education's (DOE) legislative budget request projected a \$4.2 billion class size reduction school construction need spread over five years (2006-07 through 2010-11), with \$2.0 billion requested for the 2006-07 fiscal year. However, it is important to note the following:

- Statewide FTE projections have declined significantly since the DOE estimate,
- The DOE has received the districts' five-year capital outlay plan since the DOE estimate, and
- The DOE's estimate included the cost for student growth, which historically has been locally funded.

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable.

2. Other:

None.

#### B. RULE-MAKING AUTHORITY:

None.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

Section 200.065 (9), F.S., lists expenditure categories that school boards must use in the advertisement of the projects that will be funded from two mill revenue. The bill fails to add health insurance premiums and property and casualty insurance premiums to the list of authorized projects.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES