

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Finance and Tax Committee

BILL: CS/SB 1750

INTRODUCER: Education Pre-K - 12 Committee and Senator Gaetz

SUBJECT: District School Taxes

DATE: April 10, 2007

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------|----------------|-----------|--------------------|
| 1. | Brown | Matthews | ED | Fav/CS |
| 2. | Fournier | Johansen | FT | Pre-meeting |
| 3. | | | EA | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |

I. Summary:

This bill authorizes the use of the discretionary two mill authority to district school boards for the payment of property and casualty insurance.

To qualify for the exception to restrictions on expenditures, in addition to the existing Commissioner of Education certification requirement, this bill requires school districts to demonstrate:

- Compliance with the reduction requirements of the class size law for the current year;
- Receipt of an unqualified opinion on financial statements for the prior three years; and
- Findings in a financial audit that the district has no material weaknesses or instances of material noncompliance for the prior three years.

This bill restricts the use of the operating funds that are made available through this authority to nonrecurring operational expenditures.

This bill substantially amends sections 200.065 and 1011.71 of the Florida Statutes.

II. Present Situation:

Section 9(a) of Article VII of the State Constitution authorizes school districts to levy ad valorem taxes for school purposes. Ad valorem taxes levied for school purposes are capped at 10 mills in the State Constitution.¹

¹ Section 9(b) of Article VII of the State Constitution.

Local school districts are permitted a discretionary levy of up to two mills to fund the following:

- Construction: new construction and remodeling projects; maintenance, renovation, and repair of existing school plants or of leased facilities to correct non-compliance with the Florida Building Code or the Fire Safety Prevention Code;
- Purchases, Lease-purchases, or Leases: school buses, drivers' education vehicles, and motor vehicles used in plant and equipment maintenance or operation work; and new and replacement equipment;
- Payments: educational facilities and sites through lease-purchase agreements; loans for permissible purposes; costs needed to comply with environmental laws, rules, and regulations; costs for renting and leasing educational facilities; and costs of school buses contracted with private entities.²

For millage to be levied, local public hearings are required, with notice to be published in a local newspaper of general circulation.³ Section 200.065(9)(a), F.S., requires a district school board to publish a second notice of its intent to levy additional taxes under s. 1011.71(2), F.S. Required to be included in the second notice are the specific projects or number of school buses expected to be funded by the additional taxes.

Section 1011.71(5), F.S., limits revenue generated by the discretionary levy to the following:

- Costs of construction, renovation, remodeling, maintenance, and repair of the educational plant;
- Purchase or lease-purchase of equipment, educational plants, and construction materials directly related to the delivery of student instruction;
- Rental or lease of existing buildings, or space within buildings, converted to use for educational purposes;
- Opening day collection for the library media center of a new school;
- Purchase, lease-purchase, or lease of school buses or the payment to a private entity for school buses; and
- Servicing of payments related to certificates of participation.

Any expenditures outside of those authorized in subsection (5) of s. 1011.71, F.S., constitute a violation, punishable by a subsequent reduction in appropriations. These expenditure restrictions do not apply to a school district that certifies to the Commissioner of Education that all of the district's instructional space needs for the next five years can be met from capital outlay sources, or alternative means, based on sound management.

Insurance premiums are currently paid from a local school district's operating budget revenues, provided through the Florida Education Finance Program.

² s. 1011.71(2), F.S.

³ s. 200.065(2)(d) and (3), F.S.

III. Effect of Proposed Changes:

This bill provides an additional category to the list of permissible uses of the discretionary two mill levy for capital outlay and related purposes. This bill authorizes district school boards to use the discretionary two mill authority for the payment of property and casualty insurance.

This bill restricts the use of the operating funds that are made available through this authority to nonrecurring operational expenditures.

This bill broadens the exception to expenditure restrictions beyond the existing Commissioner of Education certification requirement, to additionally require school districts to demonstrate:

- Compliance with the reduction requirements of the class size law for the current year;
- Receipt of a unqualified opinion on its financial statements for the prior three years; and
- Findings in a financial audit that the district has no material weaknesses or instances of material noncompliance for the prior three years.

As the payment of insurance premiums falls outside the scope of permissible uses in subsection (5) of s. 1011.71, F.S., any school district that opts to levy the discretionary mill for this purpose is required to comply with the expanded requirements for an exception to the expenditure restrictions.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

This bill authorizes a school district to pay property and casualty insurance premiums on its educational plants with revenues generated from its discretionary two mill tax levy. The school district is limited to using the available revenue on nonrecurring operating expenditures.

According to the Department of Education, in 2006-2007, 52 school districts levied the full two mills. Twelve districts levied a portion of the two mills. Three districts, Calhoun, Holmes, and Jackson counties, did not levy the discretionary authority.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
