

**FIXED CAPITAL OUTLAY
PUBLIC SCHOOL
FINANCE MANUAL**

**2001
EDITION**

**CHARLIE CRIST
COMMISSIONER
DEPARTMENT OF EDUCATION
STATE OF FLORIDA**

TABLE OF CONTENTS

	Page #
Introduction	ii
Chapter 1: Definitions	1
Chapter 2: Capital Outlay Millage and Loans	4
Chapter 3: Capital Outlay & Debt Service (CO&DS)	8
Chapter 4: Public Education Capital Outlay & Debt Service (PECO)	13
Chapter 5: Charter School Capital Outlay.....	29
Chapter 6: Bond Lottery Proceeds Programs.....	31
Chapter 7: Commissioner's Legislative Fixed Capital Outlay Budget Request	35

INTRODUCTION

The purpose of this manual is to present a step-by-step approach to the subject of Fixed Capital Outlay Financing for school districts in Florida. It will be updated annually or as necessary.

Chapter One consists of defining terms generally used in the subject of Fixed Capital Outlay.

Chapter Two discusses three sources of local capital outlay millage. There are two "pay-as-you-go" methods (one voted and one non-voted) and a third, voted bond millage.

The revenue source described in Chapter Three originates from Motor Vehicle License Revenue, sometimes called "CO&DS" and is the first of three state sources.

Chapter Four discusses the second state source, Public Education Capital Outlay or "PECO," which is comprised from gross receipts tax revenue.

Chapter Five outlines the programs funded from Bonded Lottery Proceeds. They are the Classrooms First Program, Effort Index Grants, Small County Assistance Program, and School Infrastructure Thrift Program.

Chapter Six outlines the commissioner's "Legislative Fixed Capital Outlay Budget Request," which involves community colleges and state universities as well as school districts.

This manual should serve as a guide and is NOT intended to be a legal document or a substitution for the necessity of personnel involved with fixed capital outlay being familiar with the appropriate Florida Statutes or State Board Rules.

Comments and suggestions for improvements to this manual are encouraged from the readers and should be sent to the Educational Facilities Budgeting Office, 325 W. Gaines Street, Room 1004, Tallahassee, Florida 32399-0400.

You may also wish to visit the following website: <http://www.firn.edu/doe/oef>.

CHAPTER 1

DEFINITIONS

The following terms, used throughout this manual, are defined as follows:

Ancillary Plant	comprises the building site, and site improvements necessary to provide such facilities as vehicle maintenance, warehouses, maintenance, or administrative buildings necessary to provide support services to an educational program.
Auxiliary Facility	the spaces located at educational plants which are not designed for student occupancy.
Board	unless otherwise specified, means a district school board, a community college board of trustees, and the Board of Trustees for the Florida School for the Deaf and the Blind. The term “board” does not include the State Board of Education or the Board of Regents.
Capital Project	for the purpose of s. 9(a), Art. XII of the State Constitution, as amended, means sums of money appropriated from the Public Education Capital Outlay and Debt Service Trust Fund to the state system of public education and other educational agencies as authorized by the Legislature.
Core Facilities	the media center, administration, cafeteria, toilet facilities, and circulation space of an educational plant.
Educational Facilities	the buildings and equipment, structures, and special educational use areas that are built, installed, or established to serve primarily the educational purposes and secondarily the social and recreational purposes as authorized by the Florida Statutes and approved by boards.
Educational Plant	comprises the educational facilities, site and site improvements necessary to accommodate students, faculty, administrators, staff, and the activities of the educational program of each plant.
Educational Plant Survey	a systematic study of present educational and ancillary plants and the determination of future needs to provide an appropriate

educational program and services for each student.

Fixed Capital Outlay	includes fixed assets or real property. Land, new buildings, additions to buildings, replacement of buildings, remodeling of real property which materially extends its useful life or materially improves or changes its functional use are examples of fixed capital outlay. Operating capital outlay items normally are included as a part of a new facility.
Maintenance and Repair	the upkeep of educational and ancillary plants, including, but not limited to, roof or roofing replacement short of complete replacement of membrane or structure; repainting of interior or exterior surfaces; resurfacing of floors; repair or replacement of glass; repair of hardware, furniture, equipment, electrical fixtures, and plumbing fixtures; and repair or resurfacing of parking lots, roads and walkways. The terms "maintenance and repair" do not include custodial or grounds keeping functions, or renovation except for the replacement of equipment with new equipment of equal systems meeting current code requirements, provided that the replacement item places neither increased demand on utility services nor structural supports nor adversely affects the function of safety to life systems.
New Construction	any construction of a building or unit of a building in which the entire work is new or an entirely new addition connected to an existing building.
Operating Capital Outlay	includes tangible personal property of a non expendable nature, with a normal life expectancy of one year or more. Equipment, bound books, and fixtures are examples of operating capital outlay items.
PECO Funded Projects	site and site improvements necessary to accommodate buildings, equipment, and other structures, and special educational use areas that are built, installed, or established to serve primarily the educational instructional program of the district school board or community college and the Board of Regents.
Project Priority List Project	a project which is listed on a State Board of Education approved list of projects (PPL) which has been survey recommended and priority of need has been established by the board in accordance

with Section 2.1(4), SREF, 1999.

Remodeling	the changing of existing facilities by rearrangement of spaces and their use and includes, but is not limited to, the conversion of two classrooms to a science laboratory or the conversion of a closed plan arrangement to an open plan configuration.
Renovation	the upgrading of existing facilities by installation or replacement of materials and equipment and includes, but is not limited to, air-conditioning, heating, or ventilation equipment; fire alarm systems; emergency lighting; electrical systems; and complete roofing or roof replacement, including replacement of membrane or structure.
Satisfactory Educational Facility	a facility which has been recommended for continued use by an educational plant survey or which has been classified satisfactory in the state inventory of educational facilities.

Definitions for many terms, in addition to those listed above, may be found in Section 235.011, Florida Statutes, and State Requirements for Educational Facilities (SREF) 1999, Chapter 1, Section 1.2.

CHAPTER 2

CAPITAL OUTLAY MILLAGE AND LOANS

School districts are authorized by Florida Statutes (F.S.) and the State Constitution to levy capital outlay millage or to issue bonds which are to be repaid by a local millage levy. There are two separate types of capital outlay millage authorized for "pay-as-you-go" financing of capital outlay expenditures (one voted and one non-voted). There is also one voted millage for local bond issues.

The first "pay-as-you-go" method provided under Section 9, Article VII of the State Constitution, authorizes school districts to levy taxes approved by a millage election. Sections 236.31 and 236.32, Florida Statutes, refer to the procedures to be followed for this type of voted millage levy. Such millage may be levied for only a two-year period unless changed by an interim election.

The second "pay-as-you-go" method provided under s. 236.25(2), F.S., authorizes districts to levy up to 2.0 mills without an election. Funds derived from this levy may be used for the following purposes:

(a) New construction and remodeling projects, as set forth in s. [235.435](#)(3)(b) and (6)(b), F.S., and included in the district's educational plant survey pursuant to s. [235.15](#), F.S., without regard to prioritization, sites and site improvement or expansion to new sites, existing sites, auxiliary facilities, athletic facilities, or ancillary facilities.

(b) Maintenance, renovation, and repair of existing school plants or of leased facilities to correct deficiencies pursuant to s. [235.056](#)(2), F.S.

(c) 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.

(d) The purchase, lease-purchase, or lease of new and replacement equipment.

(e) Payments for educational facilities and sites due under a lease-purchase agreement entered into by a school board pursuant to s. [230.23](#)(9)(b)5, F.S., or s. [235.056](#)(2), F.S., not exceeding, in the aggregate, an amount equal to three-fourths of the proceeds from the millage levied by a school board pursuant to this subsection.

(f) Payment of loans approved pursuant to s. [237.161](#), F.S., and s. [237.162](#), F.S.

(g) Payment of costs directly related to complying with state and federal environmental

statutes and regulations governing school facilities.

(h) 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.

Violations of any of the above expenditure provisions will result in an equal dollar reduction in the Florida Education Finance Program (FEFP) funds for the violating district in the fiscal year following the audit citation. Districts are required to advertise in the newspaper their intent to levy these taxes as well as to identify the projects to be funded from this levy. The size and content of the ad are prescribed in s. 200.065(9), F.S., as well as a format to be used to amend the notice whenever a district decides to use the funds for different projects than those included in the original ad. These ads are required in addition to the other budget notices required by s. 200.065, F.S. Revenues and expenditures from each year's levy should be accounted for separately in order to identify projects funded from each levy as well as from interest earnings on each levy.

In addition to the two pay-as-you-go capital outlay millage described above, school districts are authorized to sell bonds to be repaid from local property taxes. Sections 236.36 through 236.56, F.S., discuss the provisions for issuing such bonds and the use of both the bond proceeds as well as the taxes collected to service the debt on these bonds. A separate accounting is required for each bond sale as well as for the tax levy imposed to service the debt. Bond proceeds should be accounted for in the Capital Projects Fund using fund names and numbers prescribed in the Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book). Tax levies to repay such bonded debt should be accounted for in the Debt Service Funds identified in the Red Book. The various sections of law related to these bond issues include provisions for investing both the bond proceeds as well as the debt service funds used to repay the bonds. They also address such topics as how to dispose of balances left in the various funds, as well as prescribe the steps to follow in order to advertise and conduct the elections.

In addition to the millage levies for capital outlay funding, there are provisions in law for districts to borrow funds for specified capital outlay purposes. Section 237.161, F.S., provides districts with the authority to borrow funds for one year, renewable for a period of time not to exceed a total of four additional years. Letters of agreement to extend these loans must be sent to the Department of Education along with each budget submitted where the balance of the loan is not being repaid during the budget year. Funds borrowed under this authority may be used to purchase buses, land, and equipment for educational purposes; the erection or alteration to, or addition to educational facilities; and the adjustment of insurance on educational property on a five-year plan, as provided by rules of the State Board. Currently, there are no rules related to the insurance provisions, nor has any district attempted to borrow funds for this purpose in the past 20 years. Amounts which can be borrowed under this section are limited to one-fourth of the ad valorem tax revenue for operations (General Fund)

from the preceding year less the principal amount still outstanding on existing loans.

A separate fund should be established within the Capital Projects Fund to account for the receipt of the amount borrowed and for the expenditure of borrowed funds. Repayment of such loans is also usually accounted for through a separate fund established within the Debt Service Fund. When resources used to repay this type of loan, are included in a district's General Fund, it is not necessary to establish a separate Debt Service Fund; however, such payments should be budgeted and accounted for in the Debt Service Function (9200).

Installment purchases are also considered to be s. 237.161, F.S., loans since this is the only authority to purchase capital assets and extend the payment over more than the current period other than through bond sales. Because of this, all contracts for installment purchase should be approved and accounted for in the same manner as a loan where funds have actually been borrowed from a lender and then paid to the vendor or contractor.

Section 237.162, F.S., has similar provisions to those contained in s. 237.161, F.S. However, for a district to borrow under this authority, the need for funds must be declared to be an emergency. School boards are required to adopt a resolution describing the emergency condition, giving the nature of the obligations to be incurred and the plan of repayment, and providing that funds will be budgeted during the period of the loan from current revenues to retire the portion due during that year.

Both types of loans described above may be repaid from funds available from the millage levy authorized in s. 236.24(2), F.S. Interest rates on such loans are limited by law and may not exceed rates authorized in s. 236.68 and s. 215.84, F.S.

Districts are reminded of the enactment by the United States Congress of the Internal Revenue Code/Tax Reform Act of 1986 with regard to the investment limitations and arbitrage rebate provisions concerning bonds and other types of debt borrowing by tax exempt agencies. Arbitrage is the investment income derived from the investment of proceeds allocated to a bond issue in excess of what would have been earned if those proceeds had been invested at the interest yield paid on those bonds. The objective of the U.S. Congress is developing regulations to deprive tax-exempt borrowers of this opportunity to earn an "Arbitrage Profit" by investing borrowed funds at higher yields than they must pay in interest on those funds and keeping those "excess earnings."

While districts may not issue local bonds or participate in COBI bond sales (Capital Outlay and Debt Service Bonds issued by the State Board of Education on behalf of a district and pledging Motor Vehicle License Revenue as repayment), all districts are at least participants in the proceeds derived from the sale of Public Education Capital Outlay Bonds - PECO. Therefore, at least a general working knowledge of "Arbitrage" is necessary at the district level.

Prior to December 19, 1989, tax-exempt agencies' only choice was to return any "Arbitrage Profit" to the Federal Government. Since that date, agencies have a choice - the other being an election that must be made at the time of issuance of the debt obligations to use the so-called spend down requirement method. This available option for "eligible issues" (mainly those in which at least 75% of the net proceeds are used for construction) allows the agency to earn as much profit as possible and to keep that profit, provided the proceeds (including interest earnings on the proceeds) are expended in accordance with the following table:

10% within 6 months
45% within 12 months
75% within 18 months
*100% within 24 months

*(Up to 5% of the net proceeds can be retained for an additional 12 months if the amount is a "reasonable retained amount," i.e., to assure compliance with the terms of construction contracts.)

If these spend down requirements are not met, a "penalty" equal to one and one-half (1 1/2) percent of the amount of the proceeds NOT expended according to the above schedule is accessed and paid to the federal government.

Various forms and instructions are now available to the tax-exempt agencies from the Internal Revenue Service. On the state level, the Department of Education will be working closely with and, also, districts may seek help from:

Director, Division of Bond Finance
State Board of Administration
Hermitage Center, Suite 200
1801 Hermitage Boulevard
Tallahassee, Florida 32308
Telephone (850) 488-4782 SUNCOM 278-4782

CHAPTER 3

CAPITAL OUTLAY AND DEBT SERVICE (CO&DS)

One of the oldest and most restrictive sources of fixed capital outlay funds available to school districts and community college districts is Motor Vehicle License Revenue. It is known by several names including: MVLR, capital outlay and debt service funds, CO&DS, and tag money. Regardless of the title applied, this constitutionally authorized source of funds requires little effort by the district to obtain the funds. The most important decision a district can make each year affecting these funds is whether or not to participate in the next State Board of Education bond sale (COBI). (All districts participating in the Classrooms First Lottery Bond Program must bond their CO&DS funds until the Classrooms First Program Bond Sale has been completed.) Bond proceeds received today mean fewer funds available to flow through to the district during the life of the bonds.

The first (annually about \$103,000,000) of more than \$425,000,000 of license tag revenue collected beginning July 1 of each year is deposited into a separate trust fund considered "belonging to the districts." The Department of Education (DOE), in essence, acts as a trustee for the sixty-seven school districts and twenty-eight community college districts in disbursing these funds. Therefore, all interest earnings on the fund also belong to the districts. A charge (currently 1.5%) is made by the State Board of Education for administering the fund. The administrative fee and the net debt service due on bonds (issued by the State Board of Education at the request of and on behalf of the district) are deducted from the district's entitlement. The remaining flow-through funds are automatically distributed to the districts twice a year, as well as the state interest earnings which are distributed annually to the districts in June.

It should also be noted that, unlike PECO appropriations discussed in Chapter 4, funds accruing under this amendment are **not** subject to the 31 months reversion provision of s. 216.301(3)(a), F.S.

FUND: School District and Junior College/Community College District - Capital Outlay and Debt Service Fund (CO&DS).

LEGAL AUTHORITY: Article XII, Section 9(d) of the Constitution of the State of Florida.

FUND SOURCE: Motor Vehicle License Revenue.

APPROPRIATION PROCEDURES: Legislative appropriations are not needed, except for in-state governmental transactions, as revenue accrues to the districts from the time collected and deposited into the State Trust Fund.

ALLOCATION PROCEDURES: CO&DS funds are allocated by the Educational Facilities Budgeting office to all school districts and community colleges based upon a constitutional funding formula. This formula provides \$600 for each instruction unit for the 1967-68 base year and \$800 for each "growth" unit or the increase of the current year from the 1967-68 base year. Both base units and growth units for community colleges are worth \$400.

Each instruction unit calculated by the Division of Public Schools represents approximately 23 full-time equivalent student memberships or FTE. The base, plus the growth allocation, equals the district's total entitlement. A district's total entitlement is protected from drastic declines, primarily to protect the security of a bondholder by the establishment of "floor units." This coverage provides that a school district's total entitlement will never be less than that based upon the 1967-68 base year units for school districts; never less than the highest in any fiscal year in which any COBI bonds were validated, sold, and still outstanding; and never less than a sufficient amount to cover 1.12 times the amount of principal and interest due on COBI bonds.

Furthermore, the State Board of Education cannot make changes in the method of calculating the number of instruction units that would alter the number of units to a number lower than those described above.

DISTRIBUTION PROCEDURES: Funds are automatically distributed in the late fall and late spring of each fiscal year. The debt service on outstanding bonds and the administrative expense of the Educational Facilities Budgeting office (1.5 percent) are withheld. The debt service funds forwarded to the State Board of Administration (SBA) become part of the district's sinking funds invested at the SBA. These sinking funds consist of current debt service (principal and interest due) and any interest earnings on the sinking fund.

The fall distribution is based upon estimated instruction units. Therefore, only 80 percent of a district's estimated entitlement is considered available at that time. Because all known debt service due that fiscal year is withheld, some districts will receive little or no funds in the fall distribution.

The spring distribution is based upon actual FTE determined by the Division of Public Schools after the second FTE count. The time frame of the late spring distribution is largely determined by how early or how late the final FTE count is made and validated. Interest earned while funds are invested by the State is prorated among districts based upon their entitlement and is distributed shortly after the spring distribution.

EXPENDITURE RESTRICTIONS: CO&DS funds may be used in the acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects in school districts. These funds should be spent in an order of priority of need (i.e., A, B, and C)' as shown on the district's approved Project Priority List, developed from projects recommended in the educational plant survey, and as determined by s. 2.1(4), State Requirements for Educational Facilities (SREF) 1999.

However, a district may spend up to 20 percent of its total entitlement for the purchase or replacement of equipment at existing satisfactory educational facilities.

DOCUMENTATION: No forms are required from the districts. Each year, as soon after June 30 as possible, the Educational Facilities Budgeting office provides to each district an annual financial report for the fiscal year just ended and a budget projection report for the ensuing fiscal year. The content of these reports is coordinated with the Division of Public Schools for appropriate entries and code numbers.

Many factors should be considered regarding the dilemma of whether or not to bond School Capital Outlay Amendment funds. The cost of construction, inflation rates, rates of interest that must be paid on a bond issue, how urgently the funds are needed, the outlook for school construction and the economy in both the short and intermediate term, and state and local political considerations are just some of the factors which must be considered.

FUND: State Capital Outlay Bond Issue Funds (COBI).

LEGAL AUTHORITY: Article XII, Section 9(d) of the Constitution of the State of Florida.

FUND SOURCE: Motor Vehicle License Revenue.

APPROPRIATION PROCEDURES: Legislative appropriations are not needed, except for in-state governmental transactions.

ALLOCATION PROCEDURES: Shortly after the beginning of each fiscal year, without a request from the district, the Educational Facilities Budgeting office calculates the COBI bonding capacity for each of the 67 school districts and 28 community college districts. This individual district capacity is determined by taking that district's actual entitlement (see CO&DS funds allocation procedures) for the previous fiscal year and adding it to the estimated entitlement for the current fiscal year and an average obtained.

However, if the district's estimated entitlement is declining, the lower figure, rather than an average, is used. This entitlement is considered available for each year of the life of the bonds - usually 20 years. Entitlements are often larger than the district earns due to the floor units described in the CO&DS funds allocation procedures section.

From this entitlement, the debt service due on any local issues pledging CO&DS funds for each fiscal year is subtracted. The resulting figure for each fiscal year is multiplied by 90 percent to obtain a figure available each fiscal year for debt service on capital outlay bond issues. From this 90 percent all debt service due on outstanding capital outlay bonds, issued subsequent to July 1, 1973, is subtracted. The resulting amount is the net available for a new issue.

After consulting with the Division of Bond Finance of the State Board of Administration, the agency which validates and sells the bonds, a mutually agreed upon rate of interest is then used to calculate each district's current bonding capacity (Minimum of \$500,000).

Letters are sent to each district notifying them of their estimated bonding capacity, estimates for the cost of selling the issue, estimated sinking fund required, and the estimated net to be available. All districts with bonding capacity also receive a blank bond resolution to be adopted by their boards with two originals (signatures) to be returned to the Educational Facilities Budgeting office within sixty days if they wish to enter the next COBI bond sale. This bond resolution lists the Capital Outlay projects for which the bond proceeds are to be expended. Those projects listed must appear on the district's Project Priority List. They are checked for eligibility and approval by the State Board of Education.

For those districts returning the bond resolution to enter the sale, bond capacity calculations and the resolutions are forwarded to the Division of Bond Finance in November of each year

for the sale of one combined issue for all participating districts. (After the sale, individual maturity schedules are developed.) The bonds should be validated and sold by early spring.

DISTRIBUTION PROCEDURES: As soon as the State Board of Education has approved the COBI bond sale (after opening bids), a district may enter into a contract for up to the expected net amount of bond proceeds. Approximately three weeks after the sale, the bonds are delivered to the purchaser in exchange for immediately available funds. On the delivery day, debt service requirements are forwarded to the State Board of Administration, administrative costs are paid to the Division of Bond Finance, and the remainder or net wired to the district. In subsequent years, principal and interest payments will be withheld by the Educational Facilities Budgeting office from the districts CO&DS allocation (i.e., fall distribution of CO&DS funds).

EXPENDITURE RESTRICTIONS: COBI funds are required to be expended on the capital outlay projects listed in the local bond resolution. Unless an exception in the order of priority has been made, these projects are from an order of priority of need - the same as CO&DS funds. [See Section 2.1(4), State Requirements for Educational Facilities (SREF) 1999].

Any time after the sale of the bonds, a district may submit OEF Form 216 to the Bureau of Educational Facilities and amend the project list in the bond resolution to include currently needed and eligible projects.

DOCUMENTATION: Districts are involved with two forms regarding COBI funds.

The first is the local bond resolution (SCOA-1) automatically sent (with a cover letter of instructions) to all districts with bond capacity. This resolution is adopted by the local board (two with original signatures) and returned to the Educational Facilities Budgeting office within sixty days.

The second form (OEF 216 - with instructions) is obtainable from the Bureau of Educational Facilities and is used to amend or change the projects originally listed on the local resolution for which the bond proceeds may be expended. This amending of the bond resolution can only be made after the bonds are sold.

It is advised that the district or college send a completed page two of their COBI Bond Resolution to the Educational Facilities Budgeting office for approval prior to submitting it to their respective boards. The Bureau will review and return page two within three working days of its receipt with necessary changes. This eliminates a board's adopting a resolution with errors that must be redone prior to court validation.

CHAPTER 4

PUBLIC EDUCATION CAPITAL OUTLAY AND DEBT SERVICE (PECO)

In November 1963, an amendment was approved to the State Constitution that began pledging gross receipts tax revenue for capital outlay projects in the state institutions of higher learning (universities, junior/community colleges and vocational/technical schools). This "Higher Education Bond Amendment" authorized bonds to be sold pledging gross receipts tax revenue. Bond proceeds and revenue available each year are used to fund capital outlay projects authorized by the Legislature.

Following the 1973 "oil crisis," gross receipts tax revenue began to skyrocket. With the November 1974 amendment to the State Constitution, public schools became eligible to participate in the annual legislative appropriation of these funds. With the increase in gross receipts tax revenue and higher limits of bonding (90% instead of 75%), the appropriation (now called PEBA for Public Education Bond Amendment) had increased to more than \$177 million in 1975-76 with over half going to public school districts. The School for the Deaf and The Blind, Public Broadcasting, Community Education, and other recipients soon joined in what is now known as the Public Education Capital Outlay and Debt Service Fund or "PECO" for short. Other funds (i.e., general revenue, principal state school trust fund, etc.) are sometimes used to supplement the receipts tax revenue.

Unlike the CO&DS Trust Fund discussed in Chapter 3, funds that compose the PECO Trust Fund do not belong to any educational district or agency and the ultimate recipient has absolutely no authority over the fund. Funds are strictly available for annual appropriations by the Legislature to any educational agency or institution as deemed appropriate - not just public schools and community colleges. Usually each appropriation must be under the terms of a binding contract or a general construction contract by the receiving agency within thirty-one months from the effective date of the appropriation, or as provided by s. 216.301(3)(a), F.S., or the Executive Office of the Governor will revert the appropriation to the general PECO Trust Fund for re-appropriation by the Legislature.

The major subsections of s. 235.435, F.S., affecting public school districts, include: sum-of-the-digits or special maintenance, Special Facilities Construction Account (SFCA), capital outlay for new construction allocated by formula, joint-use projects, and vocational education projects.

FUND: PECO Remodeling, Renovation, Maintenance, Repairs and Site Improvement.

LEGAL AUTHORITY: Section 235.435(1), Florida Statutes.

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

APPROPRIATION PROCEDURES: Appropriated annually by the Legislature.

ALLOCATION PROCEDURES: Funds are allocated to each division by the Commissioner of Education via a PECO Annual Capital Projects Plan based upon the "sum of the digits" formula which calculates the square footage of buildings in the Florida Inventory of School Houses (FISH), community colleges inventory, and state university inventories; determines the age value of the buildings; and establishes a relative need. This need is calculated pursuant to the following basic formula: the building value times the building age over the sum of the years' digits assuming a 50 year building life. For relocatable facilities, a 20 year life is used. "Building Value" is calculated by multiplying each building's total assignable square feet times the appropriate net-to-gross conversion ratio found in State Board Rules and that product times the current average new construction cost. "Building Age" is calculated by multiplying the prior year's building age times one minus the prior year's sum received from this subsection divided by the prior year's building value. To the net result is added the Number 1. Each entity receives the percentage generated by the preceding formula of the total amount appropriated for the division.

EXPENDITURE RESTRICTIONS: Districts involved with PECO maintenance funds should be familiar with all subsections of s. 235.435(1), F.S., highlighted as follows:

1. These funds for prolonging the useful life of educational plants cannot be used to supplant funds in the current fiscal year approved operating budget and a detailed fund accounting must be maintained.
2. Remodeling (change of use) projects will be based on the recommendations of an Educational Plant Survey.
3. At least one-tenth of a board's annual allocation provided under this section will be spent to correct unsafe, unhealthy, or unsanitary conditions in its educational facilities, as required by s. 235.06, F.S., or a lesser amount sufficient to correct all deficiencies cited in its Annual Comprehensive Safety Inspection Reports. This paragraph will not be construed to limit the amount a board may expend to correct such deficiencies.

FUND: PECO Funds for Special Facilities Construction Account.

LEGAL AUTHORITY: Section 235.435(2), Florida Statutes.

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

APPROPRIATION PROCEDURES: Funds are appropriated by the Legislature.

ALLOCATION PROCEDURES: Public school districts may request funding from the Special Facilities Construction Committee for a specific project that is survey recommended and appears on the district's approved Project Priority List for which they lack sufficient resources at present and cannot reasonably anticipate sufficient resources within the next three-year period.

These authorized sources of revenue have been determined to include: CO&DS flow-through; s. 235.435(3), F.S., PECO allocated by Educational Facilities Budgeting office or new construction funds; s. 236.25(2), F.S., Ad Valorem Tax (1.5 mills of the 2.0 mills) funds; and any unencumbered capital outlay funds beginning with July 1 of the year of the appropriation. No district will receive funding for more than one approved project in any three-year period.

Effective July 1, 2001, a district may substitute the value of 1.5 mills as required by s. 235.435(2), F.S., with revenue of an equal amount from their school capital outlay surtax authorized under s. 212.055(6), F.S. This amount must be pledged for three years.

The first year of the three-year period is the first year a district receives an appropriation. At the time of the request for funding, a district must be levying the maximum millage provided in s. 236.25(2), F.S., and must continue to do so for a period of three years. Districts contemplating the possibility of receiving funds from the Special Facilities Construction Account (SFCA) should begin to plan with the appropriate educational facilities personnel of the Bureau of Educational Facilities at least one year prior to the requested funding.

A site for the construction project must have been selected and approved pursuant to s. 235.19, F.S., and State Board of Education Rules. Districts seeking funding will submit a resolution to the Educational Facilities Budgeting office by August 1, of the fiscal year preceding the appropriation year request.

Architectural plans must be completed and approved at the time the resolution is submitted. The five members of the SFCA Committee review all requests, evaluate the ability of the project to relieve critical needs, and rank the requests in priority order. This statewide priority list is submitted to the Legislature in the Commissioner's Fixed Capital Outlay Budget Request by September 1. The five members of the SFCA Committee consist of two

representatives from the Department of Education, one from the Governor's Office, one selected annually by the school boards and one selected annually by the superintendents. Districts receiving SFCA funding must advertise for bids within 30 days of the receipt of an encumbrance authorization and award a contract within 90 days after the advertising for bids.

EXPENDITURE RESTRICTIONS: All funds must be expended on the one approved specific construction project.

FUND: PECO Funds for Survey Recommended Projects
(Allocated by the Educational Facilities Budgeting Office Formula).

LEGAL AUTHORITY: Section 235.435(3), Florida Statutes.

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

APPROPRIATION PROCEDURES: Funds are appropriated by the Legislature.

ALLOCATION PROCEDURES: From a lump sum appropriation by the Legislature, funds are allocated between the 67 school boards and four developmental research schools based upon the Capital Outlay Formula in s. 235.435(3), F.S.

This formula provides for 40 percent of the appropriation to be allocated among the districts, based upon their respective percentages of a base fiscal year Capital Outlay FTE (COFTE) membership. The other 60 percent is to be allocated based upon their growth COFTE membership from the highest of the previous three years to the current fiscal year, as determined by the Educational Facilities Budgeting office. After the appropriation has been allocated and approved by the Commissioner of Education on a PECO Annual Capital Projects Plan, each school board is advised of their annual entitlement.

EXPENDITURE RESTRICTIONS:

Funds accruing to a district school board from the provisions of this section will be expended on needed projects as shown by survey or surveys under the rules of the State Board of Education.

A district school board may lease relocatable educational facilities for up to three years using non-bonded PECO funds and for any time period using local capital outlay millage.

District school boards will identify each fund source and the use of each proportionate to the project cost, as identified in the bid document, to assure compliance with this section. The data will be submitted to the department, which will track this information as submitted by the boards. PECO funds will not be expended as indicated in the following:

- (a) District school boards will provide landscaping by local funding sources or initiatives. District school boards are exempt from local landscape ordinances, but may comply with the local requirements if such compliance is less costly than compliance with the landscape requirements of the State Requirements for Educational Facilities 1999.
- (b) PECO funds will not be used for the construction of football fields, bleachers, site lighting for athletic facilities, tennis courts, stadiums, racquetball courts, or any other competition-

type facilities not required for a physical education curriculum. Regional or intra-district football stadiums may be constructed with these funds provided a minimum of two high schools and two middle schools are assigned to the facility and the stadiums are survey recommended. Sophisticated auditoria will be limited to magnet performing arts schools, with all other schools using basic lighting and sound systems as determined by rule. Local funds will be used for enhancement of athletic and performing arts facilities.

FUND: PECO Cooperative-Use Facilities.

LEGAL AUTHORITY: Section 235.195, Florida Statutes.

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

APPROPRIATION PROCEDURES: Funds are appropriated by the Legislature. Two or more boards, including district school boards, community college boards of trustees, the Board of Trustees for the School for the Deaf and the Blind, and the Board of Regents, desiring to cooperatively establish a common educational facility to accommodate students, may request funds under the provisions of this statute highlighted as follows:

1. Jointly request a formal assessment by the commissioner, State Board of Community Colleges, or Board of Regents, as appropriate, of the academic program need and the need to build new joint-use facilities to house approved programs. This assessment should demonstrate the need for construction of new joint-use facilities involving post secondary institutions by sufficient actual full-time equivalent enrollments in leased, rented, or borrowed spaces.
2. Adopt and submit to the commissioner a joint resolution indicating the locale of the facility and their commitment to utilize the requested facility. Resolution for projects involving state universities and community colleges should also be submitted to the Board of Regents or State Board of Community Colleges, as appropriate, for approval. These respective boards will determine the priority for funding of these projects in relation to the priority of all other Capital Outlay Projects under their consideration. To be eligible for funding, the project must appear on both of their three-year Capital Outlay Priority lists. Joint resolutions must also include comprehensive plans for the operation and management of the facility. Resolutions should request the commissioner to have an educational need assessment conducted to determine the need. Resolutions must include a commitment to finance at least 75 percent of the cost to plan, construct and equip the facility, with the state funding the remaining percentage up to a maximum of 25 percent. These resolutions are to be submitted to the commissioner by August 1 for consideration of funding by the subsequent Legislature.
3. Upon approval of the project by the commissioner, the project will be included in the Legislative Capital Outlay Budget Request. Only one joint-use facility for any given board, college, or university will be approved in any five-year period.

ALLOCATION PROCEDURES: The Commissioner of Education, through the PECO Annual Capital Projects Plan, allocates the appropriation to the educational entity designated to administer or be the fiscal agent for the cooperative-use project.

EXPENDITURE RESTRICTIONS: All funds must be expended only on the approved joint-use project

FUND: PECO Cooperative funding of Vocational Educational Facilities.

LEGAL AUTHORITY: Section 235.199, Florida Statutes.

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

APPROPRIATION PROCEDURES: Funds are appropriated by the Legislature.

(1) Each district school board operating a designated area technical center may submit, prior to August 1 of each year, a request for funds to plan, construct, and equip a career educational facility identified as critical to the economic development and the workforce needs of the school district. Prior to submitting a request, each school district will:

- (a) Adopt and submit to the commissioner a resolution indicating its commitment to fund the planning, construction, and equipping of the proposed facility at 40 percent of the requested project amount. The resolution will also designate the locale of the proposed facility. If funds from a private or non educational public entity are to be committed to the project, then a joint resolution will be required.
- (b) Except as provided in paragraph (5)(b), levy the maximum millage against the nonexempt assessed property value as provided in s. 236.25(2), F.S.
- (c) Certify to the Division of Workforce Development that the project has been survey recommended by the Bureau of Educational Facilities.
- (d) Certify to the Division of Workforce Development that district school board adopted educational specifications, based upon the normal net square foot requirements stipulated in the State Requirements for Educational Facilities.
- (e) Certify to the Division of Workforce Development that final phase III construction documents, free of all mandatory requirements, have been approved.
- (f) Sign an agreement that the school board will advertise for bids within 90 days of receiving an encumbrance authorization from the Educational Facilities Budgeting office.
- (g) If a construction contract has not been signed 90 days after the advertising of bids, certify to the Division of Workforce Development and the Educational Facilities Budgeting office the cause for delay. Upon request, an additional 90 days may be granted by the commissioner.

(2) The Division of Workforce Development will establish and transmit to the Educational Facilities Budgeting office the need for additional vocational education programs and the continuation of existing programs before facility construction or renovation related to vocational education can be included in the educational plant survey. Information used by the Division of Workforce Development to establish facility needs will include, but not be limited to, labor market need's analysis and information submitted by the school districts.

- (3) The total cost of the proposed facility will be determined by the Educational Facilities Budgeting office using established state board averages for determining new construction cost.
- (4) (a) A vocational education construction committee will be composed of the following: three representatives from the Department of Education and one representative from the Executive Office of the Governor.
- (b) The committee will review and evaluate the requests submitted from the school districts and rank the requests in priority order in accordance with statewide critical needs. This statewide priority list will be submitted to the commissioner.
- (c) The commissioner's legislative capital outlay budget request may include up to two (2) percent of the new construction allocation to public schools for area vocational-technical capital outlay projects recommended by the vocational education construction committee.
- (5) (a) Upon approval of a project, the commissioner will include up to 60 percent of the total cost of the project in the legislative capital outlay budget request as provided in s. 235.41 for educational plants. The participating school board will provide 40 percent of the total cost of the project. When practical, the school board will solicit and encourage a private or non-educational public entity to commit to finance a portion of the funds to complete the planning, construction, and equipping of the facility. If a site does not exist, the purchase price or, if donated, the assessed value of a site may be included in meeting the funding requirements of the school board, a private or non-educational public entity, or the educational agency. The value of existing sites, intended to satisfy any portion of the funding requirement of a private or non-educational public entity, will be determined by the Educational Facilities Budgeting office through an independent appraiser. The size of the site to adequately provide for the implementation of the proposed educational programs will also be determined by the Educational Facilities Budgeting office. Funds from the Public Education Capital Outlay and Debt Service Trust Fund may not be expended on any project unless specifically authorized by the Legislature.
- (b) In the event that a school district is not levying the maximum millage against the non-exempt assessed property value pursuant to paragraph (1)(b), state and school district funding pursuant to paragraph (a) will be reduced by the same proportion as the millage actually being levied bears to the maximum allowable millage.

ALLOCATION PROCEDURES: The Commissioner of Education, through the PECO Annual Capital Projects Plan, allocates the appropriation to the appropriate board for the Vocational Education Project.

EXPENDITURE RESTRICTIONS: All funds must be expended on the approved vocational educational facility.

FUND: PECO Satellite Facilities.

LEGAL AUTHORITY: Section 235.198, Florida Statutes.

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

APPROPRIATION PROCEDURES: Funds are appropriated by the Legislature. Each district school board may submit to the commissioner prior to August 1 of each year, a request for funds to construct, remodel, or renovate an educational facility within the industrial environment (maximum of one facility per year). Such requests should contain the following provisions:

1. A detailed description of the facility on a site owned by the business and leased to the school board at no cost for a period of at least five years. An early terminated lease will result in the business reimbursing some funds to the board.
2. A detailed description and analysis of the educational programs to be offered and the benefits that will accrue to the student through the instructional programs.
3. The estimated number of full-time students whose regularly scheduled daily instructional program will utilize the facility.
4. The estimated cost of the facility and site development or site purchase as required.
5. A resolution or other documentation indicating the intent of private industry to provide at least one-half of the funding of the cost of the facility. The board will provide one-fourth of the cost of the facility and, if approved, the state will provide one-fourth of the cost. The resolution should also indicate which agency is to assume responsibility for the operation, maintenance, and control of the proposed facility.
6. The board must obtain a minimum 40 year lease (or the life expectancy of the facility if longer) for the use of the educational facility from private industry.

Such satellite facilities will be exempt from ad valorem taxes as long as the facility is used exclusively for public educational purposes. A review committee appointed by the commissioner will review, make recommendations, and prioritize all satellite facilities requests. Funding by the state of such facilities will not exceed five (5) percent of the off-the-top total funds recommended pursuant to s. 235.435(2) and (3), F.S.

FUND: Increased Utilization Account

LEGAL AUTHORITY: Section 235.436, Florida Statutes

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

Chapter 90-241, Laws of Florida, established s. 235.435(5), F.S., which creates a sub-PECO account known as the "Increased Utilization Account." The purpose of this section is to encourage school districts to increase their FTE facility capacity by using a modified school calendar defined as an extended school week or an extended school year. Funding for this account is from up to five (5) percent of the funds appropriated under the provisions of s. 235.435(3)(a), F.S.

To be eligible for these funds, the district school board must submit a resolution prior to August 1 of each fiscal year, beginning August 1, 1992, of its intent to participate in the Increased Utilization Account and listing each of the schools eligible during the prior fiscal year, with the first year being 1991-92. The information listed for each school must include the maximum FTE capacity for the year as contained in the Florida Inventory of School Houses (FISH) in the Bureau of Educational Facilities and the increased FTE attributable to the modified school calendar. For each individual school increasing its FTE by at least 20 percent more than the FISH capacity, the district may be paid up to \$100 per total FTE for a maximum of five years provided funds are available (insufficient funding will be prorated by the commissioner). Funds received from the account may be expended on any survey recommended project and are exempt from repayment of a Special Facilities Construction Account - s. 235.435(2), F.S.

FUND: OTHER PECO.

LEGAL AUTHORITY: Various Sections of Chapter 235, Florida Statutes.

FUND SOURCE: Gross Receipts Taxes. Article XII, Section 9(a)(2) of the Constitution of the State of Florida.

APPROPRIATION PROCEDURES: The Legislature also makes various other appropriations pertaining to PECO. These may include appropriations for science needs, preschool facilities for disabled students, asbestos abatement, fire safety corrections, the Florida School for the Deaf and the Blind, public broadcasting facilities, and/or items pertaining to the Board of Regents Capital Improvement Building Fee Trust Fund. While each appropriation is different, the Legislature usually specifies the purpose of each and how the funds may be spent in any particular year.

ALLOCATION PROCEDURES: The Commissioner of Education, through the PECO Annual Capital Project Plan, allocates the appropriation to each individual agency.

EXPENDITURE RESTRICTIONS: Funds must be expended in accordance with each specific appropriation. That appropriation should specify on which project or projects the funds may be expended and any restrictions that apply.

DISTRIBUTION PROCEDURES FOR ALL PECO FUNDS: The PECO appropriation is made each year by the Legislature. Subsequent to any vetoes by the Governor and the legal effective date of the appropriation, the Commissioner of Education approves a document known as the "PECO Annual Capital Projects Plan."

This document is used as the official means of allocating PECO funds from the appropriation authorized by the Legislature to each individual recipient or agency. Legally authorized re-allocations over the life of the appropriation may be made by the commissioner by amending the Capital Projects Plan.

Upon the commissioner's approval of the original capital projects plan and each time it is amended, approved copies are furnished to all members of the State Board of Education and the chairmen of the Legislative Appropriations Committees.

From the capital projects plan, allocated dollar amounts for all agencies are entered into the PECO automated accounting system as that agency's appropriation for that particular fiscal year. An "appropriation letter" is usually sent to all PECO user agencies in July following the appropriation made by the Legislature. These letters describe to each agency involved what every appropriation is for and any restrictions or special circumstances surrounding the appropriation.

However, an appropriation does not mean funds are available. Therefore, an encumbrance authorization system has been developed to assure that funds are available for disbursement as needed by the agency. This system is necessary because it usually takes from one to one and one-half years to fully fund the PECO appropriation. At the same time, the 31-month reversion provision essentially forces a PECO user agency to use its PECO appropriation as soon as possible.

This encumbrance authorization system is an accounting means of informing an agency that funds are available and set aside or earmarked by the Educational Facilities Budgeting office in the State Treasury for projects approved for that agency. The agency, in essence, may treat the funds as if they were in their own local bank account.

The instrument used to request a PECO encumbrance authorization is Form OEF 352. The agency should have a supply of these one-page letter size forms on hand. Encumbrance request forms should be submitted monthly or when an encumbrance authorization (original or change) is needed. Encumbrance request forms (OEF 352) must be manually signed by the District School Superintendent or Community College President. Instructions are printed on the reverse side.

As the PECO system becomes more computerized, it is essential that encumbrance request forms be received by the Educational Facilities Budgeting office **one month** before there is an actual need to award a contract or begin an in-house project. Only after an encumbrance authorization has been issued may an agency request a cash disbursement.

The instrument used to request PECO cash is Form OEF 442. These computerized forms are generated as part of the PECO computerized accounting system. They are automatically mailed eleven months of each year by the Educational Facilities Budgeting office to all PECO user agencies who have un-disbursed cash available.

Due to appropriation releases being cut off at the end of each fiscal year in the State Comptroller's Office and then reopened later, there is usually a period of one month in which it is impossible to disburse PECO cash to any agency. Each agency should project and plan to withdraw, in the June disbursement, enough cash to carry them for at least two months instead of the usual one month.

Form OEF 442 lists the status of each appropriation from which some or all cash is still available for disbursement. Forms are usually mailed by the Educational Facilities Budgeting office to reach the agency by the eighth day of the month. They are usually due back around the end of the same month for an EFT on the third Friday of the following month. Districts may now complete their Form OEF 442 "online" via the PECO Online Record System at North West Regional Data Center. Account ID and passwords are made available through the

Educational Facilities Budgeting office.

As noted earlier, all PECO appropriations are subject to reversion as provided in s. 216.301(3)(a), F.S. Therefore, it would be advisable that a district use PECO funds on the first "eligible" project after the initial effective date of the appropriation.

The Educational Facilities Budgeting office, in assisting the Governor's office, sends to each PECO user agency a memorandum to determine from the agency if any PECO appropriations are not under contract and subject to reversion. A purchase order to a vendor is considered a binding contract. This information is forwarded to the Executive Office of the Governor where a final decision is made whether or not to revert any particular appropriation. Any individual in any agency requiring assistance in completing any OEF Form should call the Educational Facilities Budgeting office for assistance.

CHAPTER 5

CHARTER SCHOOL CAPITAL OUTLAY

In each year in which funds are appropriated for charter school capital outlay purposes, the Commissioner of Education will allocate the funds among eligible charter schools. To be eligible for a funding allocation, a charter school must meet the provisions of s. 228.0561(6), F.S., must have received final approval from its sponsor pursuant to s. 228.056, F.S., for operation during that fiscal year, and must serve students in facilities that are not provided by the charter school's sponsor.

Prior to the release of capital outlay funds to a school district on behalf of the charter school, the Department of Education will ensure that the district school board and the charter school governing board enter into a written agreement that includes provisions for the reversion of any unencumbered funds and all equipment and property purchased with public education funds to the ownership of the district school board, as provided for in subsection (3), in the event that the school terminates operations. Any funds recovered by the state will be deposited in the General Revenue Fund.

A charter school is not eligible for a funding allocation if it was created by the conversion of a public school and operates in facilities provided by the charter school's sponsor for a nominal fee or at no charge or if it is directly or indirectly operated by the school district. Unless otherwise provided in the General Appropriations Act, the funding allocation for each eligible charter school will be determined by multiplying the school's projected student enrollment by one-fifteenth of the cost-per-student station specified in s. 235.435(6)(b), F.S., for an elementary, middle, or high school, as appropriate. If the funds appropriated are not sufficient, the commissioner will prorate the available funds among eligible charter schools.

Funds will be distributed on the basis of the capital outlay full-time equivalent membership by grade level, which will be calculated by averaging the results of the second and third enrollment surveys. The Department of Education will distribute capital outlay funds monthly, beginning in the first quarter of the fiscal year, based on one-twelfth of the amount the Department reasonably expects the charter school to receive during that fiscal year. The commissioner will adjust subsequent distributions as necessary to reflect each charter school's actual student enrollment as reflected in the second and third enrollment surveys. The commissioner will establish the intervals and procedures for determining the projected and actual student enrollment of eligible charter schools.

FUND: CHARTER SCHOOL CAPITAL OUTLAY

LEGAL AUTHORITY: Section 228.0561, Florida Statutes

FUND SOURCE: PECO NON-BONDED REVENUE

APPROPRIATION PROCEDURES: Appropriated annually by the Legislature.

ALLOCATION PROCEDURES: A charter school is not eligible for a funding allocation if it was created by the conversion of a public school and operates in facilities provided by the charter school's sponsor for a nominal fee or at no charge or if it is directly or indirectly operated by the school district. Unless otherwise provided in the General Appropriations Act, the funding allocation for each eligible charter school will be determined by multiplying the school's projected student enrollment by one-fifteenth of the cost-per-student station specified in s. 235.435(6)(b), F.S., for an elementary, middle, or high school, as appropriate. If the funds appropriated are not sufficient, the commissioner will prorate the available funds among eligible charter schools. Funds will be distributed on the basis of the capital outlay full-time equivalent membership by grade level, which will be calculated by averaging the results of the second and third enrollment surveys. The Department of Education will distribute capital outlay funds monthly, beginning in the first quarter of the fiscal year, based on one-twelfth of the amount the department reasonably expects the charter school to receive during that fiscal year. The commissioner will adjust subsequent distributions as necessary to reflect each charter school's actual student enrollment as reflected in the second and third enrollment surveys. The commissioner will establish the intervals and procedures for determining the projected and actual student enrollment of eligible charter schools.

EXPENDITURE RESTRICTIONS: (2) A charter school's governing body may use charter school capital outlay funds for any capital outlay purpose that is directly related to the functioning of the charter school, including the:

- (a) Purchase of real property.
- (b) Construction, renovation, repair, and maintenance of school facilities.
- (c) Purchase, lease-purchase, or lease of permanent or relocatable school facilities.
- (d) Purchase of vehicles to transport students to and from the charter school.

When a charter school is not renewed or terminated, any unencumbered funds and all equipment and property purchased with public funds will revert to the ownership of the district school board, as provided for in s. [228.056](#)(10)(e), and (f), F.S. The reversion of such equipment, property, and furnishings will focus on recoverable assets, but not on intangible or irrecoverable costs such as rental or leasing fees, normal maintenance, and limited renovations. If there are additional local issues, such as the shared use of facilities or partial ownership of facilities or property, these issues will be agreed to in the charter contract prior to the expenditure of funds.

CHAPTER 6

LOTTERY BOND PROGRAMS

In the November 1997 Special Session of the Legislature the Classrooms First, Effort Index, and Small County Assistance programs were created. It was the intent of the Legislature that \$2.5 billion created by bonding Florida Lottery winnings would help stop the “crisis” of overcrowding in Florida’s public schools and begin the elimination of relocatable or portable classrooms.

FUND: CLASSROOMS FIRST LOTTERY BOND PROGRAM

LEGAL AUTHORITY: Section 235.187, Florida Statutes

FUND SOURCE: Bonded Lottery Funds

APPROPRIATION PROCEDURES: The Commissioner of Education will allocate funds appropriated for the Classrooms First Program among the district school boards. It is the intent of the Legislature that this program be administered as nearly as practicable in the same manner as the capital outlay program authorized under Section 9(d), Article XII of the State Constitution. Each district school board's share of the annual appropriation for the Classrooms First Program must be calculated according to the following formula, but the share of each district will, at a minimum, be at least equal to the amount required for all payments of the district relating to bonds issued by the state on its behalf:

ALLOCATION PROCEDURES: Twenty-five percent of the appropriation will be prorated to the districts based on each district's percentage of base capital outlay full-time equivalent membership; and 65 percent will be based on each district's percentage of growth capital outlay full-time equivalent membership as specified for the allocation of funds from the Public Education Capital Outlay and Debt Service Trust Fund by s. [235.435](#)(3), F.S.

Ten percent of the appropriation must be allocated among district school boards according to the allocation formula in s. [235.435](#)(1)(a), F.S.

EXPENDITURE RESTRICTIONS: A district school board will expend the funds received pursuant to this section only to:

- (a) Construct, renovate, remodel, repair, or maintain educational facilities; or
- (b) Pay debt service on bonds issued pursuant to this section, the proceeds of which must be expended for new construction, remodeling, renovation, and major repairs. Bond proceeds will be expended first for providing permanent classroom facilities. Bond proceeds will not be expended for any other facilities until all unmet needs for permanent classrooms and auxiliary facilities as defined in s. [235.011](#), F.S., have been satisfied.

However, if more than 9 percent of a district's total square feet is more than 50 years old, the district must spend at least 25 percent of its allocation on the renovation, major repair, or remodeling of existing schools, except that districts with fewer than 10,000 full-time equivalent students are exempt from this requirement.

FUND: EFFORT INDEX GRANTS

LEGAL AUTHORITY: Section 235.186, Florida Statutes

FUND SOURCE: Bonded Lottery Funds

APPROPRIATION PROCEDURES: The Legislature hereby allocates for Effort Index Grants the sum of \$300 million from the funds appropriated from the Educational Enhancement Trust Fund by s. 46, Chapter 97-384, Laws of Florida, contingent upon the sale of school capital outlay bonds.

ALLOCATION PROCEDURES: From these funds, the Commissioner of Education will allocate to the four school districts deemed eligible for an effort index grant by the SMART Schools Clearinghouse the sums of \$7,442,890 to the Clay County School District, \$62,755,920 to the Dade County School District, \$1,628,590 to the Hendry County School District, and \$414,950 to the Madison County School District. The remaining funds will be allocated among the remaining district school boards that qualify for an effort index grant by meeting the local capital outlay effort criteria in paragraph (a) or paragraph (b).

(a) Between July 1, 1995, and June 30, 1999, the school district received direct proceeds from the one-half cent sales surtax for public school capital outlay authorized by s. [212.055\(7\)](#), F.S., or from the local government infrastructure sales surtax authorized by s. [212.055\(2\)](#), F.S.

(b) The school district met two of the following criteria:

1. Levied the full two mills of non-voted discretionary capital outlay authorized by s. [236.25\(2\)](#), F.S., during 1995-1996, 1996-1997, 1997-1998, and 1998-1999.
2. Levied a cumulative voted millage for capital outlay and debt service equal to 2.5 mills for fiscal years 1995 through 1999.
3. Received proceeds of school impact fees greater than \$500 per dwelling unit which were in effect on July 1, 1998.
4. Received direct proceeds from either the one-half cent sales surtax for public school capital outlay authorized by s. [212.055\(7\)](#), F.S., or from the local government infrastructure sales surtax authorized by s. [212.055\(2\)](#), F.S.

Each district school board's share of the appropriation for the Effort Index Grants must be calculated according to the following formula using the same basis as the Classrooms First allocation formula, but the share of each district will, at a minimum, be at least equal to the amount required for all payments of the district relating to bonds issued by the state on its behalf:

- (a) Twenty-five percent of the appropriation will be prorated to the districts based on each district's percentage of base capital outlay full-time equivalent membership; and 65 percent will be based on each district's percentage of growth capital outlay full-time equivalent membership as specified for the allocation of funds from the Public Education Capital Outlay and Debt Service Trust Fund by s. [235.435](#)(3), F.S.
- (b) Ten percent of the appropriation must be allocated among district school boards according to the allocation formula in s. [235.435](#)(1)(a), F.S.

EXPENDITURE RESTRICTIONS: A district school board will expend the funds received under this section only to:

- (a) Construct, renovate, remodel, repair, or maintain educational facilities; or
- (b) Pay debt service on bonds issued under this section, the proceeds of which must be expended for new construction, remodeling, renovation, and major repairs. Bond proceeds will be expended first for providing permanent classroom facilities and related auxiliary facilities. Bond proceeds may not be expended for any other facilities until all unmet needs for permanent classrooms and auxiliary facilities as defined in s. [235.011](#), F.S., have been satisfied.

However, if more than 9 percent of a district's total square feet are more than 50 years old, the district must spend at least 25 percent of its allocation on the renovation, major repair, or remodeling of existing schools, except that districts having fewer than 10,000 full-time equivalent students are exempt from this requirement.

CHAPTER 7

COMMISSIONER'S **LEGISLATIVE FIXED CAPITAL OUTLAY BUDGET REQUEST**

As the current PECO system has developed from managing a few million dollars in 1963 to hundreds of millions today, the Commissioner of Education's Legislative Fixed Capital Outlay Budget Request has increased likewise. Described in detail below, this continual PECO Budget Request process, from the initial gathering of data to the final allocation of the PECO appropriation, gives an overall view of the workings of the Public Education Capital Outlay Amendment. Although this manual is primarily for public school districts, this budget process discussion includes other agencies so one can follow the action of the entire process.

Section 235.41, F.S., requires the Commissioner of Education to develop, in priority order, an integrated, comprehensive budget request for educational facilities construction and fixed capital outlay needs for all boards and other educational agencies, and to submit this request to the Executive Office of the Governor and to the Legislature no later than September 1 of each fiscal year.

The depth and magnitude of this "PECO Capital Outlay Budget Request," as it is called because it involves primarily PECO funds, is such that it is essentially a year-round process. The development of the budget requires input from the staff of the Legislature, Governor's office, Board of Regents, all community colleges, the State Board of Community Colleges, all district school boards, the Florida School for the Deaf and the Blind, Public Broadcasting, the Department of Education, and many others, such as the State Board of Administration, Division of Bond Finance, etc. The Legislature has decreed that the submission of this input data is of such importance, that the Educational Facilities Budgeting office is prohibited from disbursing any PECO funds to any board that fails to submit such data in a timely manner.

First, the Public Education Capital Outlay Consensus Revenue Estimating Conference furnishes the Department of Education a detailed estimate of the PECO funds estimated to be available over the next six years. This Estimating Conference is composed of representatives from the Governor's office, the Economic and Demographic Research Division, The Florida Senate, The Florida House of Representatives, the Division of Bond Finance, and the Department of Education.

The most important figure furnished by this conference is the estimated maximum possible PECO appropriation (from gross receipts taxes, PECO bond sales, and interest earnings) which serves as the basis of the Commissioner's PECO Budget Request. A further breakdown shows the amount estimated to be available for the sum-of-digits or maintenance category. Since bond proceeds cannot be used to fund noncapital outlay projects, only surplus revenue and interest earnings are available for maintenance type appropriations. Of

course the commissioner has the prerogative of asking the Legislature for other funds (general revenue, principal state school trust fund, lottery, etc.) to supplement PECO sources of revenue.

After receiving the figures from the Revenue Estimating Conference and considering the possibility of other funds, the commissioner decides the total dollar figure to comprise the PECO Budget Request to the Legislature. Depending upon prior historical figures, approximately 2 to 3 percent is reserved for off-the-top projects. This figure is, however, finalized before the actual submission of the Budget Request. This reserved amount is to cover projects at the Florida School for the Deaf and the Blind, Public Broadcasting, etc.

Next, a fixed dollar amount is set aside for the sum-of-the-digits or maintenance projects statewide. Although Florida Statutes require that the Legislature give priority consideration to funding these projects, the figure must be limited to non bondable sources of revenue (i.e., excess gross receipts tax, interest earnings, etc.). If bond proceeds are a relatively insignificant part of the total picture, a figure based upon historical appropriations (currently about 15 percent) may be used.

Florida statutes require this maintenance figure to be broken down between universities, community colleges, and public schools based upon the sum-of-digits formula detailed elsewhere in this manual. The remaining dollars are available for fixed capital outlay projects, usually called "new construction," among the three major divisions - Board of Regents, State Board of Community Colleges, and Public Schools. Florida Statutes require the commissioner to divide this figure among the three divisions based upon five-year historical appropriation data. Approximate current figures are public schools - 50 percent; community colleges - 25 percent; and universities - 25 percent.

The figure furnished to each individual public school district (from the 50 percent figure) for budget planning purposes is based upon a capital outlay full-time equivalent membership formula required by Florida Statutes. After consultation with the staff of the Appropriations Committees of the Legislature, budget figures are furnished to the State Board of Community Colleges and the Board of Regents for each to develop and approve a three-year project priority list. These approved lists become a part of the Commissioner's PECO Budget Request.

Convening in mid-July, a Fixed Capital Outlay Legislative Budget Request Committee begins meeting biweekly for about two months. This committee, composed of representatives from the Board of Regents, State Board of Community Colleges, Public School Division, and all sections of the Educational Facilities Budgeting office is assigned various responsibilities in facilitating the input of data for the PECO Budget Request.

Staff from the Board of Regents are responsible for gathering data to determine the post secondary construction costs for various types of university facilities, updating their facilities

inventory and determining the value of all facilities. This type of information, age and value of the buildings, is necessary for the sum-of-the-digits maintenance/depreciation formula detailed elsewhere in this manual. The staff is also responsible for developing, on an annual basis, an having approved by the Board of Regents, a three-year project priority list for all universities based upon the estimated total amount of funds as specified in the previous paragraph, to the Board of Regents.

In theory, the Legislature funds projects, in priority order, from the list, other projects move up and new ones are added to the third year each year. Explanations must be furnished to the Legislature for any changes in the list from year to year.

Staff from the State Board of Community Colleges are responsible for items similar to those described for the staff of the Board of Regents. The post secondary construction cost figures for community college construction is developed by the Educational Facilities Budgeting office.

The Bureau of Educational Facilities is responsible for seeing that the public school inventory, or FISH, is updated annually. A form OEF 564, is furnished to the public school districts in November to enable them to furnish cost construction data for school plant contracts awarded during the current calendar year. The tabulation of this data, resulting in cost of construction figures for public schools as well as the community colleges is applied to the sum-of-the-digits or maintenance depreciation formula detailed elsewhere in this manual.

During July and early August, the information and data received by the Educational Facilities Budgeting office from all potential PECO user agencies are reviewed and analyzed. In late August this material is presented by the staff of the Educational Facilities Budgeting office to the commissioner and his/her staff. Final decisions are then made regarding exactly which items, categories, and projects are to be included in the PECO Budget Request and in what priority order.

Based upon these decisions, a final document is then prepared and distributed by September 1 to the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives.

When the Legislature passes the PECO appropriation (any and all items are subject to veto by the Governor), a document known as the "PECO Annual Capital Projects Plan" is the vehicle used to allocate the appropriation to all PECO user agencies. It is also the document later used to reallocate, revert, or change the appropriation in any way as needed. The Commissioner of Education (previously the State Board of Education) has the authority to approve the PECO Annual Capital Projects Plan. Approved copies of the plan are furnished to the members of the State Board of Education and the chairmen of the Legislative Appropriations Committees.

From the data in the approved PECO Annual Capital Projects Plan, appropriation letters are sent by the Educational Facilities Budgeting office to all agencies involved in the legislative appropriation. These letters not only notify the agency of its allocation, but also highlight legislation that affects the appropriation, prior appropriations, or the agency in any other way.

For example, reversion dates for the current appropriation and any changes in reversion dates of prior appropriations are noted. Allocations from the plan are also entered into the PECO computerized accounting system. The appropriation then appears on a computerized Form OEF 442, "Request for Cash Disbursement," sent monthly to all PECO user agencies by the Educational Facilities Budgeting office and detailed elsewhere in this manual. During the fiscal year, gross receipts tax revenue is collected by the Department of Revenue and placed in the PECO Trust Fund. Essentially, the first nine monthly collections are reserved for debt service on PECO bonds and it is only the last three months (late in the fiscal year) collection that is available to help fund the current appropriation.

Public education capital outlay bonds are sold during the fiscal year by the Division of Bond Finance, State Board of Administration and the net bond proceeds are available to partially fund the current appropriation. Monthly interest earnings on the investment of the PECO Trust Fund are also used to help fund the appropriation.

Any other funds specified to supplement the legislative PECO appropriation (i.e., general revenue, infrastructure, Principal State School Trust Fund, lottery, etc.) are transferred into the PECO Trust Fund as they become available and as provided by the enacting legislation.