

# **Budget Development Workshop**

**August 13, 2001**

**COMMISSIONER'S FIXED CAPITAL OUTLAY**

**LEGISLATIVE BUDGET REQUEST**

## Commissioner's Fixed Capital Outlay Legislative Budget Request

- \_ What is included in the Budget Request?
  - \_ The Budget is primarily a recommended appropriation for Public Education Capital Outlay (PECO) Funds, in priority order.
  - \_ In addition to providing a recommended appropriation for PECO funds, the Budget provides a means to request appropriation authority required to administer the two primary educational facilities funding programs; PECO and Motor Vehicle License Revenue (MVLN). Authority is requested to pay debt service on PECO Bonds supported by utilities gross receipts tax revenue and to pay debt service on Capital Outlay Bonds supported by MVLN. Appropriation authority is also requested to enable distribution of MVLN funds and school capital outlay bond proceeds to school districts and community colleges.
  - \_ The Budget may also include a request for funding of educational facilities projects from general revenue.
- \_ What is PECO?
  - \_ Public Education Capital Outlay is a funding program established by the Constitution for educational facilities. The educational entities include K-20 facilities plus the School for the Deaf and the Blind, public broadcasting projects, and any other educational facilities projects, as determined by the Legislature.
  - \_ The revenue source for the program is the Gross Receipts Tax, a tax of 2.5% on utilities gross receipts. The revenue is derived primarily from electric utilities and communications.
  - \_ Appropriations from PECO are funded from cash collections of the Tax and from proceeds derived from the sale of bonds supported by the Tax revenues. Up to 90% of the average annual revenue for the past 24 months can be bonded. For 2001-2002, Gross Receipts Tax revenue is projected to be \$752.3 million and debt service costs including new bonds is projected to be \$616.8 million.
- \_ What is MVLN?
  - \_ Motor Vehicle License Revenue is the title used to identify an educational facilities funding program established by the Constitution for school districts and community colleges. Annually, the first receipts of the motor vehicle license revenue are pledged to the MVLN program.
  - \_ Each district or college receives an annual allocation based on instruction units (enrollment based) which is applied first to bonds sold or scheduled to be sold on

their behalf by the State Board of Education. A district or college may obligate up to 90% of their annual allocation for debt service on existing and proposed bonds. The remainder of the district or college allocation is applied to the cost of administering the program at the state level and to fund projects. Actual MVLR revenue for 2000-2001 was \$104.3 million and debt service cost was \$88 million.

– What is the process for preparing the Commissioner’s Fixed Capital Outlay Legislative Budget Request?

1. The appropriation amount is determined by the PECO Revenue Estimating Conference. The total is comprised of a cash amount and a bond proceeds amount, assuming that bonding capacity will be fully utilized. The principals of the Conference are the Associate Deputy Commissioner of Education for Educational Management, the Executive Office of the Governor, the coordinator of the Office of Economic and Demographic Research, and professional staff from the Senate and House who have forecasting expertise.
2. From the total appropriation amount allocations are made for projects at The School for the Deaf and the Blind and for Public Broadcasting projects.
3. The remaining funds are distributed between the divisions of public schools, community colleges, and universities. The method of distribution, as provided by statute (235.014(11) F.S.), is based on the percentage of funds appropriated for the five prior years. The percentages to be used for the 2002-2003 Budget are approximately 47.35% for public schools, 26.19% for community colleges, and 26.46% for universities.
4. An amount is designated from each division’s allocation for remodeling, renovation, maintenance, and repair. The total allocation for this purpose is based on the cash amount of the PECO appropriation. Each division’s share is based on their relative need for remodeling, renovation, maintenance, and repair, pursuant to a formula that considers the size, age, and replacement value of educational facilities. The formula is prescribed within s. 235.435(1) F.S..
5. Of the funds allocated to public schools, and available after designation for remodeling, renovation, maintenance, and repair, funds are then applied to statutory programs. The programs include the two-mill equivalent funding for developmental research schools, the special facilities program for districts that can not afford their top priority project from three years of local and state capital outlay funding, and cooperative funding for vocational educational facilities.
6. The final remaining amount for public schools is applied to survey recommended projects in all school districts. The distribution of funds for survey recommended projects to each district is determined by a formula provided in statute (235.435(3) which distributes 40% of the funds based on percentage of statewide base year enrollment and 60% of the funds based on percentage of statewide enrollment growth.

7. The remaining funds for universities and community colleges are applied to projects identified by the division within their respective Three-Year PECO Project Priority List. Each division submits their List to the Commissioner for inclusion within the Commissioner's Fixed Capital Outlay Legislative Budget Request. Statute provides that each project included in the first year of the List be supported by an educational plant survey recommendation and an approved educational specification (building program).
8. The Budget Request document is prepared by the Office of Educational Facilities Budgeting, approved by the Commissioner, and then transmitted to the Governor, Speaker of the House, and President of the Senate. The latest PECO estimate for the 2002-2003 is \$703.9 million.

**PROCEDURES FOR DEVELOPING THE  
FLORIDA BOARD OF EDUCATION  
FLORIDA COMMUNITY COLLEGES SYSTEM  
THREE-YEAR CAPITAL OUTLAY PROJECTS LIST**

In developing the community college's three-year capital outlay projects list each year, several steps are required to identify the projects that should be on the list.

– Plant Surveys

First, physical plant needs are identified by an educational plant survey as required by Sections 235.15 and 240.237, Florida Statutes.

– Capital Improvement Plan

The second step of the process is the requirement for the colleges to prepare and submit annually to the Division of Community Colleges a Capital Improvement Program (CIP) report in a prescribed format. The CIP report is a very comprehensive report identifying the college's capital project needs for a five-year period. The CIP report identifies and describes the projects, estimates the dollars required, and indicates the year the college would like to receive funding. The projects listed must be in priority order per category for each year listed and must be recommended in the college's educational plant survey.

– FCCS Capital Projects List

The third step of the process is the development of the Florida Community Colleges System's Three-year Capital Outlay Projects List. The projects submitted in the Capital Improvement Program (CIP) are used for preparing the three-year list.

– Commissioner's Allocation

The FCCS is provided the total dollar amounts to be requested each year based on the estimate of available funds provided by the Department of Education, Educational Facilities Budgeting in accordance with Section 235.014(11), Florida Statutes. A percentage of the total funds for each year are reserved for renovation projects and for remodeling projects. Using the first three years of the CIP report, generally, the totals requested for renovation projects and remodeling projects are computed as percentages of the total requested for all projects. The renovation allocation percentage is increased by 25% and the remodeling percentage is used as computed. The balance is used for prior year obligations, special projects and construction projects.

– FCCS Priorities

For the passed several years, the FCCS project list has general conformed to the following order of priority: (1) prior year obligations, (2) renovations, (3) major renovations, (4)

remodeling, (5) special, and (6) new construction.

Prior year obligations are funds to continue or complete a project retaining the same order as listed in the previous years if funding is available.

Renovation projects are listed with all first preferences of the college's projects within budget restrictions, then all second preferences, and so on until the dollar amount reserved for renovation is used up.

Major Renovation projects are to address documented environmental/health life-safety issues that need immediate attention.

Remodeling projects are allotted in the order of relative need until the total dollar amount reserved for remodeling is used up.

Special projects category is for joint-use projects, fund matching projects and land acquisitions projects.

Construction projects are allotted on the basis of relative need if funds are available until the total allocation is committed per year.

### Three-Year List Approval

The completed three-year list is reviewed by the Chancellor and presented to the Secretary of the Florida Board of Education and the Board for approval. It is then provided to the Department of Education, Educational Facilities Budgeting for inclusion in the Education Commissioner's Legislative Fixed Capital Outlay Budget as required by Section 235.014(11), Florida Statutes.

**PROCESS FOR DEVELOPMENT  
OF THE  
STATE UNIVERSITY SYSTEM FCO LEGISLATIVE BUDGET REQUEST**

- Receive from the Commissioner of Education the State University System PECO Allocation based on latest revenue estimate.
- Solicit and receive from each university a five year capital improvement program.
- Convene the State University System Capital Construction Committee to discuss systemwide issues and individual institutional needs.
- Florida Board of Education, Division of Colleges and Universities staff from Academic Programs, Facilities Planning, and the Capital Budget Offices evaluate the projects proposed by the universities for consistency with mission, master plan, academic program approval status, status of plant survey recommendations, status of building programs, reasonableness of cost estimates and project schedules, and relative need considering formula space needs.
- With input from Academic Programs and Facilities Planning, the Capital Budget Office prepares a budget request that considers all elements of review and which attempts to balance new construction requirements with other needs related to remodeling/renovation of older buildings, utilities/ infrastructure, roadways, land acquisition, and changes in institutional mission and programs.
- The proposed budget request is reviewed by the Chancellor before presentation to the Secretary of Education and Florida Board of Education and transmittal to the Commissioner of Education, Governor's Office, and Legislature.
- The State University System FCO Legislative Budget Request normally is submitted by September 30 and includes:
  - Three-Year PECO Project Priority List
  - Supplemental Fixed Capital Outlay Request
  - Five-Year Capital Improvement Program Project List
  - Alec P. Courtelis Facilities Enhancement Challenge Grant Program Request
  - Capital Improvement Fee (CIF) Project List (included approximately every third year)

**Summary of Commissioner's PECO Budget Request for 2002-2003  
Preliminary Draft Only**

8/14/2001

(Based on Distribution Per March 7, 2001 Revenue Estimating Conference on PECO & 2000 SOD FINAL)

	Priority Number	SUS	CC	PS	Off The Top	TOTAL
<b>Appropriation Amount</b>						<b>\$ 703,900,000</b>
Less Allocations For:						
The School for the Deaf & the Blind	II				\$ 10,310,000	\$ 10,310,000
Public Broadcasting Facilities	II				\$ 5,280,000	\$ 5,280,000
<b>TOTAL</b>					<b>\$ 15,590,000</b>	<b>\$ 15,590,000</b>
Dist. of Remainder Based on						
5 Yr.History of Approp.'s		\$ 182,133,709	\$ 180,260,818	\$ 325,915,473		\$ 688,310,000
Percent (a)		<b>26.46100</b>	<b>26.18890</b>	<b>47.35010</b>		100.00
Less: Amount for Sum of Digits (Rem/Renov/Maint/Repair & Site Imp)	I	\$ 20,501,175	\$ 12,590,042	\$ 124,808,783		\$ 157,900,000
Percent (b)		<b>12.98364</b>	<b>7.97343</b>	<b>79.04293</b>		100.00
Less: Projects That Benefit a Division;						
Dev. Res. Schools 2.0 mills	II			\$ 1,737,782		\$ 1,737,782
Special Fac -Requested Projects	III			\$ 28,398,358		\$ 28,398,358
	IV			\$ -		\$ -
	V			\$ -		\$ -
	VI			\$ -		\$ -
<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,136,140</b>		<b>\$ 30,136,140</b>
Amount Available for Distribution	II	\$ 161,632,534 (c)	\$ 167,670,776 (c)	\$ 170,970,550 (d)		\$ 500,273,860
<b>GRAND TOTAL</b>		<b>\$ 182,133,709</b>	<b>\$ 180,260,818</b>	<b>\$ 325,915,473</b>	<b>\$ 15,590,000</b>	<b>\$ 703,900,000</b>

(a) Based on PECO appropriations 1997-98 through 2001-2002

(b) Based on final 2000 sum of the digits formula need

(c) Amount available for Three-Year Project Priority List

(d) Amount available for distribution to school districts and developmental research schools

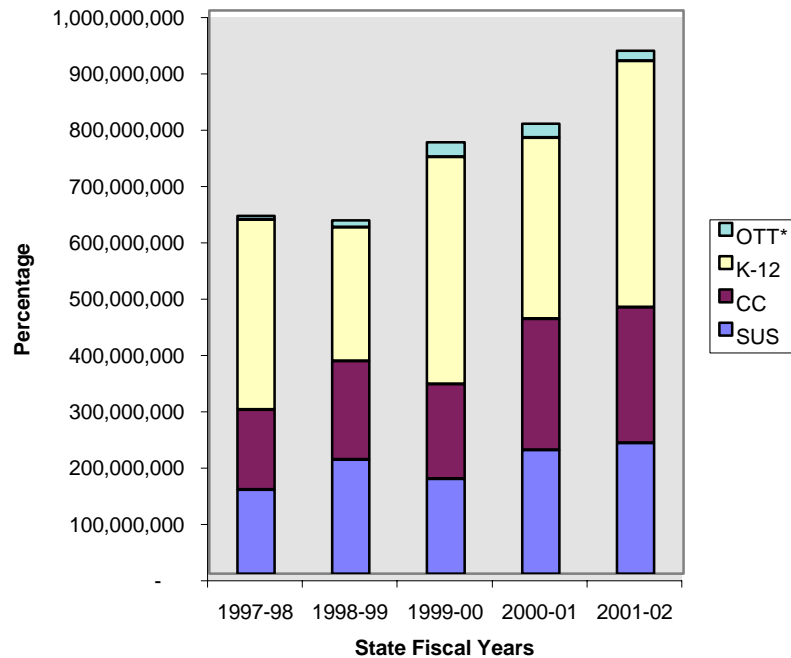
(e) Special Facilities request is recommended to be divided into two years as follows:

<b>SPECIAL FACILITIES PROJECTS</b>				
Section 235.435(2), F.S.	Project Total	2000-2001	2001-2002	2002-2003
Jackson - New Marianna High	19,898,277		9,949,139	9,949,138
Taylor - New Elementary "A"	11,395,211		10,255,690	1,139,521
Baker - New Elementary "B"	11,810,264		10,629,238	1,181,026
Gadsden - New High School	29,738,789		14,869,394	14,869,395
Wakulla - New Crawfordville Elem	12,592,785		11,333,507	1,259,278
<b>TOTAL</b>	<b>85,435,326</b>		<b>57,036,968</b>	28,398,358

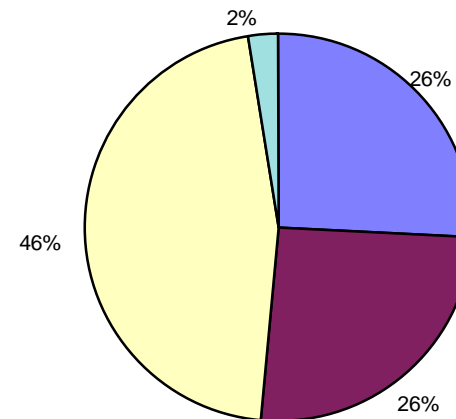
## PECO 5 YEAR APPROPRIATION HISTORY

	1997-98	1998-99	1999-00	2000-01	2001-02	TOTALS	%
SUS	148,884,943	202,494,802	167,942,366	219,556,646	231,357,720	970,236,477	26%
CC	142,446,178	174,401,229	168,635,685	233,243,543	241,531,672	960,258,307	26%
K-12	337,297,040	238,262,988	402,865,719	320,774,843	436,966,620	1,736,167,210	46%
OTT*	6,296,212	12,140,981	26,554,380	25,835,358	18,293,000	89,119,931	2%
<b>TOTAL</b>	<b>\$ 634,924,373</b>	<b>\$ 627,300,000</b>	<b>\$ 765,998,150</b>	<b>\$ 799,410,390</b>	<b>\$ 928,149,012</b>	<b>\$ 3,755,781,925</b>	<b>100%</b>

**PECO APPROPRIATIONS**



**FIVE YEAR AVERAGE**



\*OTT: Off The Top allocations for the Florida School for the Deaf and the Blind and Public Broadcasting