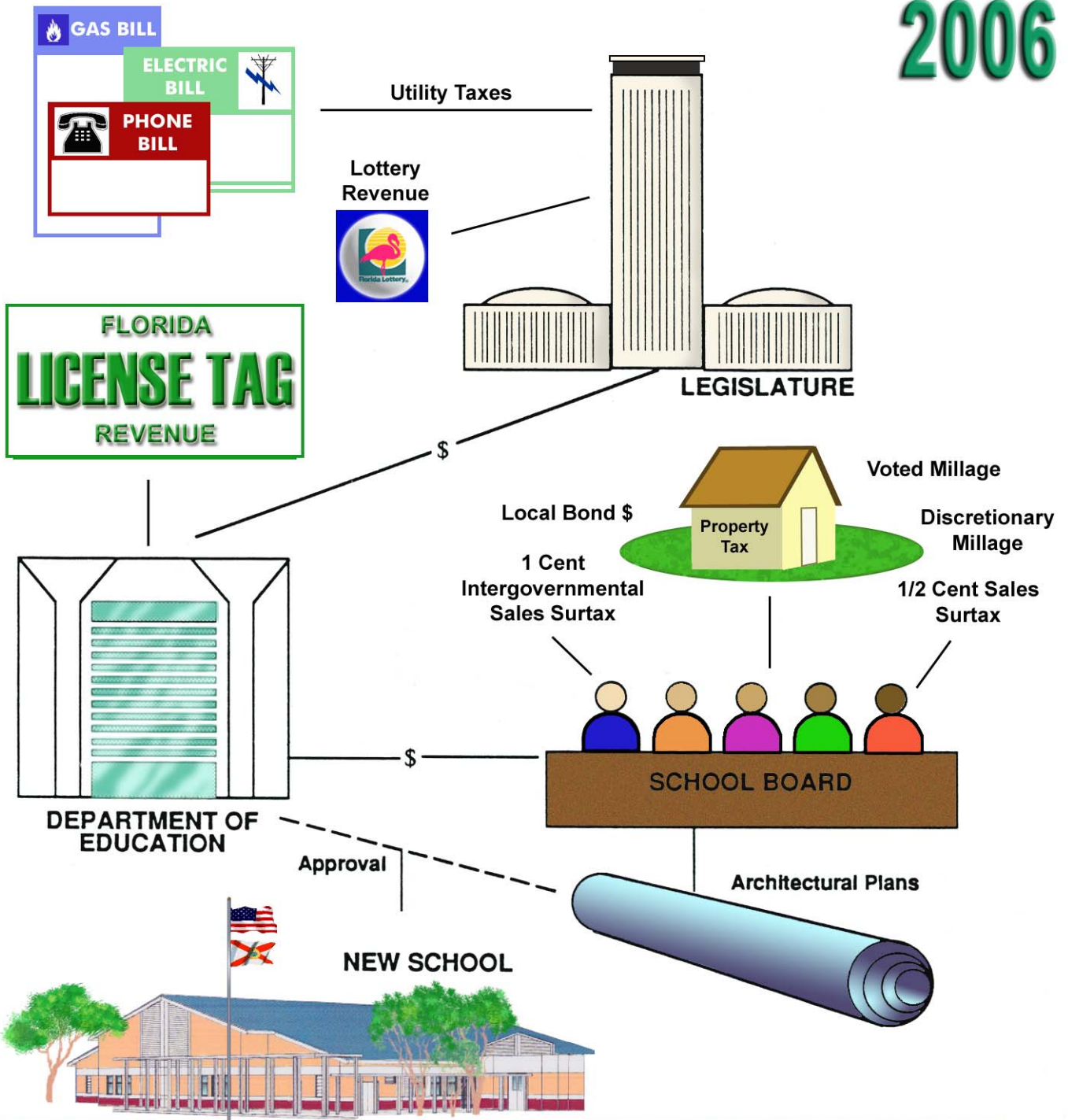


2006



# CAPITAL OUTLAY MANUAL

## FLORIDA DEPARTMENT OF EDUCATION

### Office of Educational Facilities

**FIXED CAPITAL OUTLAY  
PUBLIC SCHOOL  
FINANCE MANUAL**

**2006  
EDITION**

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STATE OF FLORIDA**

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## **INTRODUCTION**

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

Chapter One defines terms generally used relating to 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 method, voted bond millage.

The revenue source described in Chapter Three originates from Motor Vehicle License Taxes, 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 generated from the Gross Receipts Tax on utilities.

Chapter Five addresses fixed capital outlay funding for eligible charter schools.

Chapter Six identifies the programs funded from bonded lottery proceeds. They are the Classrooms First Program, Effort Index Grants, Small County Assistance Program, School Infrastructure Thrift Program, Classrooms for Kids Program, and District Effort Recognition Program.

Chapter Seven outlines the Commissioner's Legislative Fixed Capital Outlay Budget Request, which involves community colleges and state universities, as well as school districts and other education agencies.

***This manual should serve as a guide and is NOT intended to be a legal document or a substitution for familiarity with the appropriate Florida Statutes or State Board Rules.***

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

Readers may also wish to visit the following website for more information:

<http://www.firn.edu/doe/edfacil/index.htm>

## CHAPTER 1

### DEFINITIONS

The following terms are used throughout this manual.

<b>Ancillary Plant</b>	Comprises the building site and site improvements necessary to provide such facilities as vehicle maintenance, warehouses, maintenance, or administrative buildings essential to providing support services to an educational program.
<b>Auxiliary Facility</b>	The spaces located at educational plants that are not designed for student occupancy.
<b>Board</b>	Unless otherwise specified, refers to a district school board, a community college board of trustees, a university board of trustees, or 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 Governors.
<b>Capital Project</b>	For the purpose of Article XII Section 9(a) of the State Constitution, as amended, refers to 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.
<b>Core Facilities</b>	The media center, administration, cafeteria, toilet facilities, and circulation space of an educational plant.
<b>Educational Facilities</b>	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.
<b>Educational Plant</b>	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.
<b>Educational Plant Survey</b>	A systematic study of educational and ancillary plants often used to determine future needs for appropriate educational program and services for each student.
<b>Fixed Capital Outlay</b>	Includes fixed assets or real property. Land, new buildings, additions to buildings, replacement of buildings, and remodeling of real property that 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 equal systems meeting current code requirements, provided that the replacement item places neither increased demand on utility services nor structural supports and adversely affects the function of safety-to-life systems.

**New Construction**

Any construction of a building or unit of a building whether the entire building is new or whether an entirely new addition is being 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, library books for a new school, science lab equipment, 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, community college, or the state university.

**CO&DS**

Refers to the Capital Outlay and Debt Service Trust Fund. Revenues are used for educational facilities included on an approved Project Priority List and recommended area survey.

**Project Priority List Projects**

A project that is listed on a State Board of Education approved list of projects (PPL) that has been survey recommended and for which priority of need has been established by the board in accordance with Section 2.1(4), State Requirements for Educational Facilities (SREF).

**Remodeling**

A change to existing facilities by rearrangement of spaces and their use. 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. 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 that has been recommended for continued use by an educational plant survey or that has been classified as satisfactory in the state inventory of educational facilities.

Definitions for many terms, in addition to those listed above, may be found in Section 1013.01, F.S., and State Requirements for Educational Facilities, 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 that are to be repaid by a local millage levy. There are two types of capital outlay millage authorized for pay-as-you-go financing of capital outlay expenditures: voted and non-voted. There is also voted millage for local bond issues.

The first pay-as-you-go method provided under Article VII, Section 9, of the State Constitution, authorizes school districts to levy taxes approved by a millage election. Section 1011.73, F.S., refers 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 extended by an interim election.

The second pay-as-you-go method provided under Section 1011.71(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:

1. New construction and remodeling projects, as set forth in Sections 1013.64(3)(a) and (6)(a), F.S., and included in the district's educational plant survey pursuant to Section 1013.31, F.S., without regard to prioritization, sites, site improvement, expansion to new sites, existing sites, auxiliary facilities, athletic facilities, or ancillary facilities.
2. Maintenance, renovation, and repair of existing school plants or of leased facilities to correct deficiencies pursuant to Section 1013.15(2), F.S.
3. 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.
4. The purchase, lease-purchase, or lease of new and replacement equipment.
5. Payments for educational facilities and sites due under a lease-purchase agreement entered into by a school board pursuant to Section 1001.42(9)(b)5., F.S., or Section 1013.15, 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.
6. Payment of loans approved pursuant to Sections 1011.14 and 1011.15, F.S.
7. Payment of costs directly related to complying with state and federal environmental statutes and regulations governing school facilities.
8. Payment of costs of leasing relocatable educational facilities, of renting or leasing educational facilities and sites pursuant to Section 1013.15(2), F.S., or of renting or leasing buildings or space within existing buildings pursuant to Section 1013.15(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 Section 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 described in the original ad. These ads are required in addition to the other budget notices required by Section 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 categories of pay-as-you-go capital outlay millage described above, school districts are authorized to sell bonds to be repaid from local property taxes. Sections 1010.40 through 1010.55, 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 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 bond. They also address such topics as how to dispose of balances left in the various funds, and 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 1011.14, 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 when the balance of the loan is not repaid during the budget year. Funds borrowed under this authority may be used to purchase buses, land, and equipment for educational purposes; the erection of, alteration to, or addition to educational facilities; and the adjustment of insurance on educational property for 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 that 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 Section 1011.14, F.S., loans because this is the only authority to purchase capital assets and extend the payment over more

than the current period besides bond sales. Because of this, all contracts for installment purchase should be approved and accounted for in the same manner as a loan for which funds have actually been borrowed from a lender and then paid to the vendor or contractor.

Section 1011.15, F.S., has provisions similar to those contained in Section 1011.14, F.S. However, for a district to borrow under this authority, the need for funds must be declared 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 that year.

Both types of loans described above may be repaid from funds available from the millage levy authorized in Section 1011.19, F.S. Interest rates on such loans are limited by law and may not exceed rates authorized in Sections 1010.59 and 215.84, F.S. Districts are reminded that the Internal Revenue Code should be consulted regarding investment limitations and arbitrage rebate provisions concerning bonds and other types of debt issued 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 rate paid on those bonds. The objective of the United States Congress is to develop regulations to prevent tax-exempt borrowers from earning an arbitrage profit by investing borrowed funds at higher yields than they must pay in interest on those funds and keeping excess earnings.

Although 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 had the option of using the spend-down requirement method (this option must be chosen when the debt obligations are issued). 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 six months

45% within 12 months

75% within 18 months

\*100% within 24 months

\*(Up to five percent 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 percent of the amount of the proceeds NOT expended according to the above schedule is assessed and paid to the federal government.

## **CHAPTER 3**

### **CAPITAL OUTLAY AND DEBT SERVICE (CO&DS)**

One of the oldest (since 1953-54) and most restrictive sources of fixed capital outlay funds available to school districts and community college districts is the Motor Vehicle License Tax Revenue (MVL) known by several names including MVLR, capital outlay and debt service funds, CO&DS, and tag money. 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 Capital Outlay Bond Issue (COBI). Bond proceeds received today mean fewer funds available to flow through to the district during the life of the bonds.

The first installment (in school year 2004-05 about \$115,000,000) 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) acts as a trustee for the 67 school districts and 28 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 and the state interest earnings are distributed annually to the districts in June.

Unlike PECO appropriations discussed in Chapter 4, funds accruing under this amendment are not subject to the 31-month reversion provision of Section 216.301(3)(a), F.S.

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

**LEGAL AUTHORITY:** Article XII, Section 9(d), of the Constitution of the State of Florida  
*Public Schools started receiving these funds in 1953-54*

**FUND SOURCE:** Motor Vehicle License Tax Revenue

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

**ALLOCATION PROCEDURES:** CO&DS funds are allocated by the Office of Educational Facilities Budgeting 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 in instruction units of the current year over the 1967-68 base year. Both base units and growth units for community colleges are worth \$400.

Each instruction unit calculated by the Office of Funding and Financial Reporting 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 ensures 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 entitlement in any fiscal year in which any COBI bonds were validated, sold, and still outstanding; and never less than an amount sufficient to cover 1.12 times the amount of principal and interest due on COBI bonds.

Furthermore, the State Board of Education cannot change the method of calculating the number of instruction units to 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 Office of Educational Facilities Budgeting (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 Office of Funding and Financial Reporting 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 entitlements and is distributed shortly after the spring distribution.

**EXPENDITURE RESTRICTIONS:** CO&DS funds may be used in acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing capital outlay projects in school districts. These funds should be spent in order of priority of need (i.e., A, B, and C) as shown on the district's approved Project Priority List. This list is developed from projects recommended in the educational plant survey, determined by Section 2.1(4), State Requirements for Educational Facilities (SREF) 2006, and approved by the State Board of Education.

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 Office of Educational Facilities Budgeting 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 Office of Funding and Financial Reporting for appropriate entries and code numbers. Many factors should be considered regarding the dilemma of whether or not to bond CO&DS funds. The cost of construction, inflation rates, rates of interest that must be paid on a bond issue, urgency of need for funds, outlook for school construction, the economy in both the short and intermediate term, and state and local political considerations are just some of the factors that must be considered.

**FUND: State Capital Outlay Bond Issue Funds (COBI)**  
**For School Districts or Community Colleges that Bond their CO&DS entitlement**

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

**FUND SOURCE:** Motor Vehicle License Tax 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 Office of Educational Facilities Budgeting 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 calculating an average.

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 figure available for a new issue.

After consulting with the Division of Bond Finance of the State Board of Administration, the agency that coordinates the issuance of the bonds, a rate of interest is then used to calculate each district's current bonding capacity (minimum of \$250,000).

Letters are sent to each district notifying them of their estimated bonding capacity. All districts with bonding capacity also receive a sample bond resolution to be adopted by their boards with two signed originals to be returned to the Office of Educational Facilities Budgeting within 60 days if they wish to participate in 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 Department.

For those districts returning the bond resolution to participate in the sale, bond capacity calculations and the adopted resolutions are forwarded to the Division of Bond Finance for the sale of one combined issue for all participating districts. (After the sale, individual maturity schedules are developed.) The bond proceeds are typically received by the end of the fiscal year.

**DISTRIBUTION PROCEDURES:** As soon as the bond sale occurs, 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 amount available for projects is deposited into the Department's account. In subsequent years, principal and interest payments will be withheld by the Office of Educational Facilities Budgeting from the district's CO&DS allocation (i.e., fall distribution of CO&DS funds).

**EXPENDITURE RESTRICTIONS:** COBI funds must 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 funded in order of priority of need - the same as CO&DS funds [Section 2.1(4), State Requirements for Educational Facilities 2006]. Any time after the sale of the bonds, a district may submit Form OEF 216 to the Office of Educational Facilities (OEF) 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 form 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 copies with original signatures) and returned to the Office of Educational Facilities Budgeting within 60 days.

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

It is advised that the district or community college send a completed page two of its COBI Bond Resolution to the Office of Educational Facilities Budgeting or Educational Facilities Planning section for approval prior to submitting it to the respective board. The project list will be reviewed and the district notified of any necessary changes. This prevents a board's adopting an incorrect resolution that must be redone prior to court validation.



## **CHAPTER 4**

### **PUBLIC EDUCATION CAPITAL OUTLAY AND DEBT SERVICE (PECO)**

In November 1963, an amendment to the State Constitution was approved that began pledging gross receipts tax revenue from utilities to fund 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. Other funds (e.g., general revenue, principal state school trust fund) 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 no authority over the fund. Funds are strictly available for annual appropriations by the Legislature to any educational agency or institution as deemed appropriate. Each appropriation must be under the terms of a binding contract or a general construction contract by the receiving agency within 31 months of the effective date of the appropriation, as provided by Section 216.301(3)(a), F.S., or the appropriation is subject to reversion to the general PECO Trust Fund for re-appropriation by the Legislature. The major subsections of Section 1013.64, 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 1013.64(1), F.S.

*Public Schools started receiving PECO funds for this purpose in 1980-81*

**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 an 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 SBE Rules and multiplying 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. One is added to the net result. Each entity receives a portion of the total amount appropriated for the division as calculated by the preceding formula.

**EXPENDITURE RESTRICTIONS:** Districts involved with PECO maintenance funds should be familiar with all subsections of Section 1013.64(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 Section 1013.12, F.S., or a lesser amount may be spent if it is 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 1013.64(2), F.S.

*Public Schools started receiving PECO funds for this purpose in 1981-82*

**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-years.

These authorized sources of revenue have been determined to include: CO&DS flow-through; Section 1013.64(3), F.S., PECO allocated by the Office of Educational Facilities Budgeting or new construction funds; Section 1011.71(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 Section 1013.64(2), F.S., with revenue of an equal amount from its school capital outlay surtax authorized under Section 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 Section 1011.71(2), F.S., and must continue to do so for 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 Office 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 Section 1013.36, F.S., and SBE Rules. Districts seeking funding will submit a resolution to the Office of Educational Facilities 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. The approved projects are submitted to the Legislature for funding in the Commissioner's K-20 Fixed Capital Outlay Legislative Request. The five members of the SFCA Committee consist of two representatives from the Department of Education, one representative from the Governor's office, one individual selected annually by the school boards, and one individual 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-(New Construction)**  
**(Allocated by the Office of Educational Facilities Budgeting using the Statutory Formula)**

**LEGAL AUTHORITY:** Section 1013.64(3), F.S.

*Public Schools started receiving PECO funds for this purpose in 1975-76*

**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 among the 67 school boards and four developmental research schools based upon the Capital Outlay Formula in Section 1013.64(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 (fourth prior year) Capital Outlay Full Time Equivalent (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 Office of Educational Facilities Budgeting. After the appropriation has been allocated and approved by the Commissioner of Education on the annual Capital Projects Plan, each school board is advised of its annual allocation.

**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 below:

1. District school boards will provide landscaping through 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 2006.
2. 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 to enhance athletic and performing arts facilities.

## **FUND: PECO Cooperative-Use Facilities**

**LEGAL AUTHORITY:** Section 1013.52, F.S.

**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 Governors, to cooperatively establish a common educational facility to accommodate students, may request funds under the provisions of this statute as follows:

1. Jointly request a formal assessment by the Commissioner, the Division of Community Colleges, or Board of Governors, 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. Resolutions for projects involving state universities and community colleges should also be submitted to the Board of Governors or the Division of Community Colleges, as appropriate, for approval. These boards will determine the priority for funding of these projects with respect to all other Capital Outlay Projects under their consideration. To be eligible for funding, the project must appear on the boards' respective 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 conduct an educational need assessment 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 funding consideration by the subsequent Legislature.
3. Upon approval of the project by the Commissioner, the project will be included in the K-20 Fixed Capital Outlay Legislative 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 Capital Projects Plan, allocates the appropriation to the educational entity designated to administer or act as 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 1013.75, F.S.

**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. of this section, levy the maximum millage against the nonexempt assessed property value as provided in Section 1011.71(2), F.S.
  - c. Certify to the Division of Workforce Development that the project has been survey recommended by the Office of Educational Facilities.
  - d. Certify to the Division of Workforce and Economic Development that it 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 and Economic 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 Office of Educational Facilities Budgeting.
  - g. If a construction contract has not been signed 90 days after the advertising of bids, certify to the Division of Workforce and Economic Development and the Office of Educational Facilities Budgeting the cause for delay. Upon request, an additional 90 days may be granted by the Commissioner.
2. The Division of Workforce and Economic Development must establish and communicate to the Office of Educational Facilities 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 and Economic Development to establish facility needs will include, but not be limited to, labor market needs analysis and information submitted by the school districts.

3. The total cost of the proposed facility will be determined by the district school board using established state board averages for determining new construction cost.
4.
  - a. A career education construction committee will include 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 a priority 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 Section 1013.60, F.S., 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 an independent appraiser under contract with the board. The optimum size of the site to adequately provide for the implementation of the proposed educational programs will also be determined by the board. 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. of this section, state and school district funding pursuant to paragraph a. above, 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 Annual Capital Projects Plan, allocates the appropriation to the appropriate board for the Career Education Project.

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

## **FUND: PECO Satellite Facilities**

**LEGAL AUTHORITY:** Section 1013.54, F.S.

**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 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 lease to 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 education. 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 Sections 1013.64(2) and (3), F.S.

## **FUND: OTHER PECO**

**LEGAL AUTHORITY:** Various Sections of Chapter 1013, F.S.

**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, and public broadcasting facilities. 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 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 the project or projects for which 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 the 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 chairpersons 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. At the same time, the 31-month reversion provision should encourage an educational 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 Office of Educational Facilities Budgeting in the State Treasury for projects approved for that agency. The agency, in essence, may treat the funds as if they were in its local bank account.

The instrument used to request a PECO encumbrance authorization is Form OEF 352. 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. This form can be found at: <http://www.firn.edu/doe/pdf/Form352.pdf>

It is essential that encumbrance request forms be received by the Office of Educational Facilities Budgeting 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 computerized accounting system. They are automatically mailed 11 months of each year by the Office of Educational Facilities Budgeting to all PECO user agencies that 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 during 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 it 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 Office of Educational Facilities Budgeting 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 electronic funds transfer (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 Office of Educational Facilities Budgeting.

As noted earlier, all PECO appropriations are subject to reversion as provided in Section 216.301(3)(a), F.S. Therefore, districts should use PECO funds on the first eligible project after the initial effective date of the appropriation.

The Office of Educational Facilities Budgeting 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 an OEF Form should call the Office of Educational Facilities Budgeting.

## **CHAPTER 5**

### **CHARTER SCHOOL CAPITAL OUTLAY**

In each year that 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 Section 1013.62(1), F.S. and submit a Capital Outlay Plan.

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 Section 1013.62(3), F.S., 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 Section 1013.64(6)(b), F.S., for an elementary school, middle school, 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 measured 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 1013.62, F.S.

**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 Section 1013.64(6)(b), F.S., for an elementary school, middle school, 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:** 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:

1. Purchase of real property.
2. Construction, renovation, repair, and maintenance of school facilities.
3. Purchase, lease-purchase, or lease of permanent or relocatable school facilities.
4. 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 Sections 1013.62(3), and 1002.33(8)(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 upon in the charter contract prior to the expenditure of funds.

**ELIGIBILITY PROVISIONS:** Section 1013.62(1)(a) and (7)

**EXPENDITURE REQUIREMENTS:** Section 1013.62(1)(a) and (7)

## **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 eliminate the need for relocatable or portable classrooms.

Other Lottery Bond Programs include the Classrooms for Kids and the Effort Recognition programs.

## **FUND: CLASSROOMS FIRST LOTTERY BOND PROGRAM**

**LEGAL AUTHORITY:** Section 1013.68, F.S.

**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 Article XII, Section 9(d), 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 Section 1013.64(3), F.S.

Ten percent of the appropriation must be allocated among district school boards according to the allocation formula in Section 1013.64(1)(a), F.S.

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

1. Construct, renovate, remodel, repair, or maintain educational facilities; or
2. 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 Section 1013.01, F.S., have been satisfied.

However, if more than nine 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. Districts with fewer than 10,000 full-time equivalent students are exempt from this requirement.

## **FUND: EFFORT INDEX GRANTS**

**LEGAL AUTHORITY:** Section 1013.73, F.S.

**FUND SOURCE:** Bonded Lottery Funds

**APPROPRIATION PROCEDURES:** The Legislature hereby allocates for Effort Index Grants the sum of \$300 million of the funds appropriated from the Educational Enhancement Trust Fund by Section 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 1. or paragraph 2. below.

1. 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 Section 212.055(7) F.S., or from the local government infrastructure sales surtax authorized by Section 212.055(2), F.S.(b)
2. The school district met two of the following criteria:
  - a. Levied the full two mills of non-voted discretionary capital outlay authorized by Section 1011.71(2) F.S., during 1995-1996, 1996-1997, 1997-1998, and 1998-1999.
  - b. Levied a cumulative voted millage for capital outlay and debt service equal to 2.5 mills for fiscal years 1995 through 1999.
  - c. Received proceeds of school impact fees greater than \$500 per dwelling unit that were in effect on July 1, 1998.
  - d. Received direct proceeds from either the one-half cent sales surtax for public school capital outlay authorized by Section 212.055(7), F.S., or from the local government infrastructure sales surtax authorized by Section 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:

1. 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 Section 1013.64(3), F.S.
2. Ten percent of the appropriation must be allocated among district school boards according to the allocation formula in Section 1013.64(1)(a), F.S.

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

1. Construct, renovate, remodel, repair, or maintain educational facilities; or
2. 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 Section 1013.01, F.S., have been satisfied.

However, if more than nine 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. Districts with 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 the reader can understand the entire process.

Section 1013.60, 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.

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 Governors, all community colleges, the Community Colleges Chancellor, all district school boards, the Florida School for the Deaf and the Blind, Public Broadcasting, Division of Blind Services, the Department of Education, the State Board of Administration, Division of Bond Finance, and many other entities. The Legislature has decreed that the submission of this input data is of such importance that the Office of Educational Facilities Budgeting is prohibited from disbursing any PECO funds to any board that fails to submit such data in a timely manner.

The Public Education Capital Outlay Consensus Revenue Estimating Conference furnishes the Department of Education with a detailed estimate of the PECO funds expected to be available over the following 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, 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 for 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 non-capital outlay projects, only surplus revenue and interest earnings are available for maintenance appropriations. The Commissioner has the prerogative of asking the Legislature for

other funds (i.e., general revenue, principal state school trust fund, lottery) to supplement PECO sources of revenue.

After receiving the figures from the Revenue Estimating Conference and considering the possibility of other funds, the Commissioner determines the total dollar figure for the PECO Budget Request to the Legislature. An off-the-top amount is set aside to cover projects such as those at the Florida School for the Deaf and the Blind, Public Broadcasting, and Division of Blind Services.

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).

Florida statutes require that this maintenance figure be broken down between universities, community colleges, and public schools based upon the sum-of-digits formula detailed in this manual. The remaining dollars are available for fixed capital outlay projects, usually called "new construction," among the three major divisions – the State Universities, the Community Colleges, and Public Schools. Section 1013.03(11), F.S., requires the Commissioner to divide this figure among the three divisions based upon five-year historical appropriation data.

The figure furnished to each individual public school district for budget planning is based upon a capital outlay full-time equivalent membership formula required by Florida Statutes. Allocation amounts are furnished to the Community College Chancellor and the Board of Governors to develop and approve a three-year project priority list. These approved lists become a part of the Commissioner's PECO Budget Request.

Staff from the Board of Governors 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 in this manual. The staff is also responsible for developing, on an annual basis, and submitting for approval to the Board of Governors, a three-year project priority list for all universities based upon the estimated total amount of funds as specified in the previous paragraph.

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 with the Division of Community Colleges is responsible for items similar to those described for the staff of the Board of Governors. The post secondary construction cost figures for community college construction is developed by the Office of Educational Facilities Budgeting.

The Office of Educational Facilities is responsible for seeing that the public school inventory, or FISH, is updated annually. Form OEF 564 is furnished to the public school districts to enable them to furnish cost construction data for facilities projects 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 in this manual.

During July and early August, the information and data received by the Office of Educational Facilities Budgeting from all potential PECO user agencies are reviewed and analyzed. In late August this material is presented by the staff of the Office of Educational Facilities Budgeting to the Commissioner and staff. Final decisions are then made regarding which items, categories, and projects are to be included in the PECO Legislative Budget Request and in what priority order. Upon approval of the State Board of Education, a final document is distributed 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 "Annual Capital Projects Plan" is used to allocate the appropriation to all PECO user agencies. It is also the document later used to reallocate, revert, or change the appropriation as needed. The Commissioner of Education has the authority to approve the Annual Capital Projects Plan. Approved copies of the plan are furnished to the members of the State Board of Education and the chairs of the Legislative Appropriations Committees.

From the data in the approved Annual Capital Projects Plan, appropriation letters are sent by the Office of Educational Facilities Budgeting 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 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 OEF 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 Office of Educational Facilities Budgeting and detailed 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 fund the appropriation.

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



## CHAPTER 8

### COMMONLY ASKED QUESTIONS WITH ANSWERS **CAPITAL OUTLAY FINANCING**

#### ***CAPITAL OUTLAY AND DEBT SERVICE (CO&DS)***

1. May the school board use flow-through CO&DS funds to pay principal and interest on a lease-purchase facility?

Yes. If the lease-purchase facility appears on the project priority list (PPL) approved by the State Board of Education, the school board may use flow-through CO&DS funds to pay the principal and interest on the lease-purchase facility.

2. May CO&DS funds be used to correct safety-to-life deficiencies?

Yes, as long as the safety-to-life deficiencies have been identified and reported in the annual safety-to-life inspection report, pursuant to Section 1013.12, F.S., and listed on the district's approved PPL.

3. May school boards use CO&DS funds to pay for furniture and equipment in a new school 13 months after the date of certification of final inspection?

Yes, provided that the school was constructed using CO&DS funds and the school board buys furniture and equipment for the new school within the budget year that the school board receives the certification of final inspection or in the budget year following the date of the certification of final inspection pursuant to State Requirements for Educational Facilities (SREF), Chapter 2.1(8)(e)1.b. The furniture and equipment must be necessary to make the facility operational.

4. May the school board buy textbooks, toys for kindergarten classrooms, and tape recorders using CO&DS funds in a new school?

No. CO&DS funds may be spent in a new school to purchase equipment that is built, installed, or established to serve an educational purpose and that may be lawfully used. This includes capital outlay furniture and equipment, e.g., desks, science demonstration tables, library tables, library books for the media center, equipment for agricultural shops, appliances for home economics classrooms, and equipment for science labs. Capital outlay funds may NOT be used to purchase textbooks, classroom supplies, expendable supplies, consumable supplies, or other non-capital outlay items, including other instructional and/or teaching materials.

5. May CO&DS funds be used to pay for a maintenance study?

No. CO&DS funds are to be used for maintenance, repair, and renovation, and not to pay for a management study or evaluation of maintenance needs.

6. May CO&DS be used to pay for an asbestos study?

No. CO&DS funds may not be used to pay for an asbestos study. These funds may be used to pay to correct asbestos deficiencies under the safety-to-life provisions of SBE Rules provided the deficiencies are on a board approved PPL, approved by the State Board of Education. Discretionary mileage (2.0 mills) may be used to pay for an asbestos study.

7. For a project being built utilizing CO&DS, may the district use 2.0 mill capital outlay funds to pay for a part of a project being built utilizing CO&DS, if the part exceeds the space standards found in SBE Rule 6A-2.0010?

No. A school board cannot exceed space standards in a facility by paying for part of a facility for which a school board desires to exceed the space standards by utilizing local 2.0 mill money or local bond money or local capital improvement funds (LCIF). The gross square footage determination standards established by rule can be exceeded when using local operating funds. Correspondingly, local operating funds can be used to fund corridors, roof overhangs, etc., which would exceed the established net-to-gross square footage, assuming such additions are recommended in a survey and comply with SREF.

8. May the district use interest earned from CO&DS funds to pay for maintenance, repair, renovations, remodeling, or new construction of facilities not survey recommended?

No. Interest earned on CO&DS funds shall be applied back to the fund that earned the interest and may only be used for projects that are survey recommended, listed on a board approved PPL, and approved by the Department of Education (DOE).

9. Section 2.1(4)(e)1.b. of SREF states, "During any fiscal year, a board may encumber up to 20% of its current entitlement of CO&DS funds for equipment for existing satisfactory facilities." Does this mean that if a district receives \$150,000 in CO&DS funds it can only use \$30,000 for equipment? Also, do Priority A projects have to be funded before Priority B projects?

Yes. Up to 20% of the CO&DS entitlement can be encumbered for equipment to make the facility operational. Priority A projects must be funded before Priority B projects.

10. May a district use flow-through CO&DS funds to pay the lease-purchase payment for a new construction project?

Yes. The school board may use flow-through CO&DS money to pay the lease-purchase payment on a new construction project provided the project meets the eligibility requirements for expenditure of CO&DS funds.

11. May a district construct one relocatable classroom costing \$30,000 using CO&DS money without a survey recommendation or the project being listed on a PPL approved by the SBE?

No. A school board may not construct a relocatable classroom, regardless of the cost, using CO&DS funds, unless (1) a survey recommendation supports such construction, (2) the project is listed on an approved PPL, and (3) the PPL is approved by the SBE.

12. May a district use CO&DS funds on a school facility classified as C-3?

No. A school district may not use CO&DS funds on a school facility that is classified as C-3 because no survey recommendations are made at a C-3 center.

13. For what type of projects does the Constitution of the State of Florida authorize expenditure of CO&DS fund?

Acquiring, building, constructing, altering, remodeling, improving, enlarging, furnishing, equipping, maintaining, renovating, or repairing of capital outlay projects for school purposes.

14. Who has the constitutional authority to manage, control, and supervise the CO&DS program - the Legislature or the State Board of Education?

The State Board of Education has this authority.

15. What restrictions does the Constitution place on the expenditure of CO&DS funds?

Projects must be survey recommended; funds must be spent "only in the order of priority of needs"; and expenditures must have the approval of the State Board of Education.

16. How are priorities for expenditures of CO&DS funds established?

By SBE Rule 6A-2.0010.

17. How do school districts/community colleges obtain State Board of Education approval for the expenditure of CO&DS funds?

A PPL is submitted to the State Board of Education for approval of the expenditure of CO&DS funds.

18. May CO&DS flow-through funds be expended on anything other than Priority A projects?

Yes. There are four exceptions provided for in SBE Rules.

- (1) Up to 20% of CO&DS flow-through and 20% of COBI bond issue proceeds may be expended on Priority B projects before completing all Priority A projects contained in the school plant survey.
- (2) Up to 20% of CO&DS entitlement may be spent on equipment for existing schools.
- (3) Exceptions for the schedule of priorities may be approved by the State Board of Education pursuant to SBE Rule 6A-2.0010.
- (4) If all capital outlay needs, as determined by a survey, are met, a school board may apply to the State Board of Education for approval of the expenditure of CO&DS/COBI funds for purposes other than capital outlay (SBE Rule 6A-2.0010).

19. Can flow-through CO&DS funds be used for lease-purchase agreements or debt service?

Yes, when the proceeds of such loans are used to pay for capital outlay projects that are eligible for the expenditure of CO&DS funds (i.e., local bond issues, Sections 1011.14 and 1011.15, F.S., loans), provided the projects for which lease-purchase or debt service payment is being made meet all requirements for expenditure of CO&DS funds (i.e., survey recommended; listed on school board approved PPL; and approved by the SBE)

20. If CO&DS funds are commingled with other funds (PECO, local bond, 2.0 mill, etc.) to pay for a project, which rules/ procedures for the expenditure of funds apply to the project?

The same rules/procedures that apply to CO&DS funds, including survey recommendation, PPL requirements, and approval by the SBE. When commingling funds on any project, the rules applicable to the most restrictive fund source must be applied to the entire project.

21. Can CO&DS funds be utilized to purchase school buses?

No. CO&DS funds may not be used to purchase school buses.

22. What happens to CO&DS money left over from a project?

Money that may be left over from a CO&DS project accrues to the district to be spent on other or future survey recommended capital outlay projects that are approved by the school board, listed on the board approved PPL, and approved by the SBE. The money is never lost or reverted; it continues to accrue to the district. It is considered the district's money.

23. What is the minimum amount of CO&DS money that must be applied to any one project?

There is no minimum amount of CO&DS money that must be applied to any one project. Whatever the school board decides to apply to any one project is acceptable as long as the project meets the requirements of a CO&DS project (i.e., it is survey recommended, listed on the PPL, approved by the SBE, and the school board approves expenditures for that project).

24. Can flow-through CO&DS money be used for any purpose without a direct survey recommendation and an approved PPL?

No.

25. Under what circumstances may a district use CO&DS monies to finance the construction of a covered hard surfaced play court?

If survey recommended, listed on school board approved PPL, and approved by the SBE.

26. Can CO&DS funds be used for projects that are survey recommended but exceed the provisions of SBE Rule 6A-2.0010 and/or the educational specifications?

No.

27. Can CO&DS funds be used to repair a heating/ventilating/air-conditioning (HVAC) system?

Only in the order of priority pursuant to a PPL approved by DOE.

28. Can CO&DS funds be used to lease portable space when construction renders a portion of the school temporarily unusable?

No.

29. Can CO&DS funds be used to remodel or renovate a facility prior to a lease agreement to bring a facility (non-school board owned) up to standard?

No.

30. Can CO&DS funds be used to pay for tests that may be required prior to the purchase of a site?

Yes, if the site is approved.

31. Can CO&DS funds be used to build Pre-K classrooms?

Yes, for Pre-Kindergarten exceptional student education (NOT regular Pre-K), and if the school district can meet all class size reduction requirements and the classrooms are survey recommended, listed on a board approved PPL, and approved by the SBE.

### ***PUBLIC EDUCATION CAPITAL OUTLAY (PECO)***

32. May PECO funds pursuant to Section 1013.64(3), F.S., be used to correct safety-to-life deficiencies?

Yes. As long as the safety-to-life deficiency has been identified and reported in the safety-to-life report, then PECO funds pursuant to Section 1013.64(3), F.S., may be used to correct deficiencies.

33. May school boards use PECO funds (new construction funds) pursuant to Section 1013.64(3), F.S., to pay for furniture and equipment in a new school 13 months after the date of certification of final inspection?

Yes, provided that the school was constructed using CO&DS funds and the school board buys furniture and equipment for the new school within the budget year that the school board receives the certification of final inspection or in the budget year following the date of the certification of final inspection pursuant to SREF, Chapter 2.1(8)(e)1.b. The furniture and equipment must be necessary to make the facility operational.

34. May the school board use PECO funds to buy textbooks, toys for kindergarten classrooms, and tape recorders for a new school?

No. PECO funds may be spent in a new school to purchase equipment that is built, installed, or established to serve an educational purpose and that may be lawfully used. This includes capital outlay furniture and equipment; e.g., desks, science demonstration tables, library tables, library books for the media center, equipment for agricultural shops, appliances for home economics classrooms, and equipment for science labs. Capital outlay funds may NOT be used to purchase textbooks,

classroom supplies, expendable supplies, consumable supplies, or other non-capital outlay items, including other instructional and/or teaching materials.

35. May PECO funds pursuant to Section 1013.64(1), F.S., (maintenance, repair, renovation) and/or PECO funds pursuant to Section 1013.64(3), F.S., (new construction) be used to pay for a maintenance study?

No. PECO maintenance or PECO new construction funds may not be used to pay for a maintenance study. PECO maintenance funds, pursuant to Section 1013.64(1), F.S., are to be used for maintenance, repair, and renovation, and not to pay for a management study or evaluation of maintenance needs.

36. May PECO funds pursuant to Section 1013.64(3), F.S., (new construction) be used to pay for an asbestos study?

No. PECO funds pursuant to Section 1013.64(3), F.S., may not be used to pay for an asbestos study. These funds may be used to correct asbestos deficiencies under the safety-to-life provisions of SBE Rules. Discretionary mileage (2.0 mills) may be used for an asbestos study.

37. When a project is being built utilizing PECO funds, may the district use 2.0 mill capital outlay funds to pay for part of the project if the part exceeds the space standards set in SBE Rule 6A-2.0010?

No. A school board cannot exceed space standards in a facility by paying for that part of a facility for which the school board desires to exceed the space standards by utilizing local 2.0 mill money, local bond money, or LCIF. The gross square footage determination standards established by rule can be exceeded when using local operating funds. Correspondingly, local operating funds can be used to fund corridors, roof overhangs, etc., which would exceed the established net-to-gross square footage, assuming such additions are recommended in a survey and comply with the SREF.

38. May the district use interest earned from PECO funds pursuant to Section 1013.64(3), F.S., to pay for maintenance, repair, renovations, remodeling, or new construction of facilities not survey recommended?

No. Interest earned on PECO funds shall be applied back to the fund that earned the interest. PECO funds derived pursuant to Section 1013.64(3), F.S., may be used only for survey recommended projects.

39. Is there a limit to the amount a school board may spend of PECO maintenance funds pursuant to Section 1013.64(1), F.S., for maintenance?

No. A school board could spend all of the PECO funds it receives pursuant to Section 1013.64(1), F.S., on maintenance and spend none of

it on repair or renovation; however, at least one-tenth of the funds from this source shall be spent on correcting deficiencies as listed in the district's Comprehensive Safety Inspection Report pursuant to Section 1013.12, F.S..

40. May a district use PECO funds to pay the lease-purchase payment for a new construction project?

No. Pursuant to current federal tax regulations, PECO funds cannot be used to pay principal or interest on any obligations issued on behalf of a governmental unit.

41. May a district construct one relocatable classroom costing \$30,000 using PECO funds without a survey recommendation?

No. A school board may not construct a relocatable classroom, regardless of the cost, using PECO funds without a survey recommendation.

42. May a district use PECO maintenance funds received pursuant to Section 1013.64(1), F.S., to purchase a computer and maintenance software to automate and track the district maintenance program?

No. Maintenance funds are to be used for maintenance and not to purchase a management system to improve the administration or efficiency of managing the district's maintenance program.

43. May a school district purchase a district-wide computer system from PECO funds?

No. PECO dollars are appropriated to construct educational and ancillary facilities, not to purchase equipment used to manage the district.

44. May a district use PECO funds, received pursuant to Section 1013.64(3), F.S., on a school facility classified as C-3?

No. A school district may not use CO&DS funds, 2.0 mill funds, or PECO funds received pursuant to Section 1013.64(3), F.S., (new construction money) on a school facility that is classified as C-3 because no survey recommendations are made at a C-3 center. The school board may use its local 2.0 mill money for maintenance, repairs, safety-to-life, health and sanitation, or renovation of that facility to bring it up to standard, but may not use the 2.0 mill money for remodeling or new construction at that facility, because there are no survey recommendations.

45. If PECO funds are commingled with other funds (CO&DS, local bond, 2.0 mill, etc.) to pay for a project, which rules/procedures for the expenditure of funds apply to the project?

The same rules/procedures that apply to CO&DS funds, including survey recommendation, PPL requirements, and approval by the SBE. When commingling funds on any given project, the rules applicable to the most restrictive fund source must be applied to the entire project.

46. For what purposes does the Constitution of the State of Florida permit PECO funds to be spent?

Any capital project authorized by the Legislature.

47. Does the Florida Constitution require survey recommendations for projects funded with PECO funds?

No. Survey recommendations are required by Florida Statutes.

48. Must public school PECO construction funds be expended only in the order of priorities as is the case with CO&DS funds?

No. PECO funds may be expended for any project as long as there is a survey recommendation for it.

49. Are PECO fund projects required to be listed on the PPL?

No. If PECO funds are commingled with CO&DS funds for a project, then that project must be listed on a PPL and approved by the SBE.

50. Can PECO funds be used for debt service?

No. Pursuant to current federal tax regulations, PECO funds cannot be used to pay principal or interest on any obligations issued on behalf of a governmental unit.

51. Can PECO construction money be used for educational planning such as educational specification?

No.

52. Can asbestos studies be done with PECO construction or maintenance money?

No. 2.0 mill monies may be used for this purpose.

53. Can maintenance equipment at a new school be purchased with PECO funds?

Yes. Lawn mowers, heavy-duty vacuum cleaners, etc., may be purchased as part of furniture, fixtures, and equipment (FFE).

54. Can musical instruments (built in organs, etc.) be purchased with PECO funds?

Yes. At time of construction a basic stock of musical instruments may be purchased to equip the choral music and band rooms.

55. Can PECO funds be used to lease a building?

Yes. Non-bonded PECO and local capital outlay mileage funds may be used to lease portables for up to three years.

56. If a building was built with PECO funds and later declared surplus by the school board and sold, then can this income be used to construct a new project?

Yes, if it is survey recommended.

57. What happens if my PECO cash disbursement request is sent to the Office of Educational Facilities (OEF) before my encumbrance authorization is issued by the OEF?

If the encumbrance authorization is approved prior to the disbursement date, the cash request will be honored.

58. How often are we required to send in a PECO cash request Form-442 to OEF?

Monthly -- Cash is disbursed to the districts on a 30-day basis.

59. Can a PECO disbursement for one line item be applied to another line item without changing the Form 442?

No.

60. How long after our district requests the PECO funds on OEF Form-442 do we really receive the money?

Approximately three weeks.

61. Can PECO funds be used to buy back vouchers of other fund sources?

Yes, if during the same fiscal year, and if the item is survey recommended.

62. Can our PECO project funds be reverted if cash has been received by the district?
- Yes. All PECO funds not under contract or committed within 31 months from appropriation date will revert pursuant to Section 216.301, F.S., regardless of the cash location.
63. If an architect is hired to design an educational plant and the plans do not meet net-to-gross square footage requirements established in SBE Rule 6A-2.0010, and the district elects to use the plans to build the proposed facility with local bond funds, is the architect's fee an appropriate expenditure if the fees have already been paid from PECO funds prior to the district's decision to fund the project with local bond funds?
- No. If the local district school board decides to fund the project utilizing local bond funds, then it must include paying for the architectural and engineering fees.
64. Can \$6,000,000 in PECO new construction funds be combined with \$2,000,000 in 2.0 mill dollars to build 20 new classrooms (of which 18 are survey recommended) and remodel two classrooms?
- No, because only 18 of the 20 new classrooms are survey recommended.
65. Under what circumstances may a district use PECO monies to finance the construction of a covered hard surfaced play court?
- Yes, if survey recommended.
66. Can PECO funds be used to lease portable space when construction renders a portion of the school temporarily unusable?
- Yes. Non-bonded PECO funds may be used for up to three years.
67. Can PECO funds be used to remodel or renovate a facility prior to a lease agreement to bring a facility (non-school board owned) up to standard?
- No.
68. Can PECO funds be used to pay for tests that may be required prior to the purchase of a site?
- Yes, if the site is approved.
69. Can PECO funds be used to build Pre-K classrooms?
- Yes, for Pre-K ESE, and if the school district can meet all class size reduction requirements and the classrooms are survey recommended.

**DISTRICT SCHOOL BOARD CAPITAL OUTLAY MILLAGE (2.0 MILLS), SECTION 1011.71(2), F.S.**

70. May the school board use proceeds from the discretionary 2.0 mill capital outlay levy pursuant to Section 1011.71(2), F.S., for remodeling or for construction of a new addition not survey recommended?

No. Section 1011.71(2)(a), F.S., states that new construction and remodeling projects must meet the requirements of Sections 1013.64(3)(b) and (6)(b), F.S., which requires survey recommendation.

71. May the school board use proceeds from the discretionary 2.0 mill capital outlay levy for remodeling or new construction of an item that was not publicly advertised in the notice of intent to levy the additional 2.0 capital outlay mileage by the local school board?

No. The proceeds from the discretionary 2.0 mill levy for capital outlay purposes must be spent on those projects specifically stated in the public advertisement of the intent to levy the mileage; however, the district may re-advertise, should projects be added or the scope of work change from the time of the initial public advertisement, public hearing, and approval by the district school board.

72. May the school board use proceeds from the discretionary 2.0 mill capital outlay levy to rent or lease relocatable classrooms?

Yes, for up to three years.

73. May the school board use 2.0 mill funds to buy textbooks, toys for kindergarten classrooms, and tape recorders for a new school?

No. 2.0 mill capital outlay funds may be spent in a new school to purchase equipment that is built, installed, or established to serve an educational purpose and that may be lawfully used. This includes capital outlay furniture and equipment; e.g., desks, science demonstration tables, library tables, library books for the media center, equipment for agricultural shops, appliances for home economics classrooms, and equipment for science labs. Capital outlay funds may NOT be used to purchase textbooks, classroom supplies, expendable supplies, consumable supplies, or other non-capital outlay items, including other instructional and/or teaching materials.

74. May the district use 2.0 mill capital outlay funds to pay for a part of a project being built utilizing CO&DS or PECO funds pursuant to Section 1013.64(3), F.S., if the part exceeds the space standards set in SBE Rule 6A-2.0010?

No. Only local operating funds may be used for that part which exceeds the conversion factor for net-to-gross square foot standards (circulation,

roof overhang, etc.).

75. May a school district use local 2.0 mill capital outlay funds for in-house staff to construct a relocatable classroom?

Yes, as long as (1) the classroom has been survey recommended; (2) the plans (Phase III drawings) have been approved by a registered architect; and (3) the district receives a certificate of final inspection once it is completed.

76. Can 2.0 mill revenues be used to purchase portable classrooms or can portable classrooms only be leased/rented with 2.0 mill funds?

Portable classrooms can be purchased, rented, or leased with 2.0 mill funds.

77. Is there a limit on how much of the levied 2.0 mill funds a district can bond?

Pursuant to Section 1011.71(2)(e), F.S., the 2.0 mill revenues cannot be bonded; however, up to 75% of the levied amount can be pledged for debt service on certificates of participation (COPs).

78. May a school district use local 2.0 mill capital outlay funds to match an energy grant from the Governor's office?

Yes. 2.0 mill capital outlay funds may be used to match an energy grant from the Governor's office as long as the energy grant project was survey recommended.

79. May a district construct one relocatable classroom costing \$30,000 using 2.0 mill money without a survey recommendation?

No. A school board may not construct a relocatable classroom using 2.0 mill money, regardless of the cost, without a survey recommendation.

80. Can the 2.0 mill equivalent appropriation for university developmental research schools be used for a lease or lease-purchase arrangement?

Pursuant to Section 1031.64(3)(c), F.S., non-bonded PECO funds may be used to lease relocatable educational facilities for up to three years. The 2.0 mill equivalent for developmental research schools would not be an appropriate funding source for lease or lease-purchase arrangements related to relocatable classrooms.

81. If 2.0 mill funds are commingled with other funds (PECO, local bond, CO&DS, etc.) to pay for a project, which rules/procedures for the expenditure of funds apply to the project?

The same rules/procedures that apply to CO&DS funds, including survey recommendation, PPL requirements, and approval by the SBE. When commingling funds on any given project, the rules applicable to the most restrictive fund source must be applied to the entire project.

82. What type of projects requires survey recommendation from the 2.0 mill levy?

New construction, remodeling, sites, site improvement, expansion to new sites, existing sites, auxiliary or ancillary facilities, and lease-purchase capital outlay projects require survey approval pursuant to Section 1011.71(2)(e), F.S..

83. What type projects do not require survey recommendations for the expenditure of the 2.0 mill money?

Maintenance, renovations, repair, school bus purchases, and the purchase or replacement of equipment pursuant to Section 1011.71(2), F.S., provided other requirements of Section 1011.72 (5), F.S., are met.

84. Can \$6,000,000 in 2.0 mill dollars be combined with \$2,000,000 in PECO new construction dollars to build 20 new classrooms (of which 18 new classrooms are survey recommended) and renovate two classrooms.

No, because two of the 20 new classrooms are not survey recommended.

### ***LEASE-PURCHASE (COP)***

85. May the school board use proceeds from the 2.0 mill capital outlay levy to lease-purchase relocatable classrooms?

Yes. The interest and principal on the lease-purchase payment shall not exceed 1.5 mills or 75% of the proceeds from the capital outlay millage levied, pursuant to Section 1011.71(2)(e), F.S..

86. May a school board use the lease-purchase option under Section 1013.15, F.S., for maintenance, repair, renovation and remodeling?

No. A school board may not use a lease-purchase option under Section 1013.15, F.S., for maintenance, repair, renovation and remodeling. Section 1013.15(3)(a), F.S., states that a board may lease-purchase educational facilities and sites as defined in Section 1013.01, F.S., which defines educational facilities to mean buildings and equipment that are built, installed or established to serve educational purposes and that may

lawfully be used.

### ***ONE-HALF CENT SALES SURTAX (REQUIRES A REFERENDUM)***

87. May the school board use interest earned on local school district one-half cent sales surtax proceeds to maintain, repair, or renovate facilities not on the one-half cent sales surtax referendum, if all projects on the one-half cent sales surtax referendum have been completed?

Yes. Pursuant to Section 1010.54, F.S., surplus bond proceeds may be expanded for the exclusive use of the public schools within the school district as said school board may deem reasonable and proper.

88. May a school district add or delete projects to be paid for from the one-half cent sales surtax referendum proceeds after the referendum?

Yes, if the one-half cent sales board resolution authorizing the referendum contained language that provides for such action and is advertised under the Administrative Procedures Act.

89. May a school district build new schools or remodel and/or renovate existing schools that are not survey recommended from the one-half cent sales surtax referendum proceeds?

Yes, providing the board resolution authorizing the one-half cent sales surtax referendum referenced the specific projects in the language authorizing the referendum.

90. May a school district exceed the room sizes specified in SREF if constructed using proceeds from one-half cent sales surtax?

Yes. As long as the project is approved in a one-half cent sales surtax referendum, the school board may build any of the projects approved for sales surtax financing to any size it desires as long as the building meets the building code requirements found in SREF.

### ***VOTED MILLAGE (BOND REFERENDUM)***

91. May the school board use interest earned on local school district bond proceeds to maintain, repair, or renovate facilities not on the bond referendum, if all projects on the bond referendum have been completed?

Yes. Pursuant to Section 1010.54, F.S., surplus bond proceeds may be expanded for the exclusive use of the public schools within the school district as said school board may deem reasonable and proper.

92. May a district add or delete projects to be paid for from local bond referendum proceeds after the referendum?

Yes, provided the bond resolution contained language that provides for such action and is advertised under the Administrative Procedures Act.

93. If local bond funds are commingled with other funds (PECO, CO&DS, 2.0 mill, etc.) to pay for a project, which rules/procedures for the expenditure of funds apply to the project?

The same rules/procedures that apply to CO&DS funds, including survey recommendation, PPL requirements, and approval by the SBE. When commingling funds on any given project, the rules applicable to the most restrictive fund source must be applied to the entire project.

### ***LOCAL CAPITAL IMPROVEMENT FUND (LCIF) - OPERATING BUDGET***

94. Under what conditions may public funds be expended for capital outlay purposes without a survey recommendation?

Public funds may be spent for capital outlay purposes without a survey recommendation in one of four ways:

- (1) school buses that a capital outlay expenditure from the 2.0 mill levy;
- (2) bond proceeds from a voted bond referendum for a project that was specified in the bond resolution and/or the bond resolution contained language giving the board authority to amend the resolution to include the project;
- (3) a local project built utilizing LCIF, which comes from local operating funds; or
- (4) providential causes.

### ***GENERAL QUESTIONS***

95. Can PECO planning money be encumbered for architecture planning without Phase III plan approval?

Yes, approximately 8% of the project cost.

96. Can asbestos removal be paid for with construction money?

Yes.

97. Can incidental construction as a result of asbestos removal be funded with PECO, CO&DS, 2.0 mill, asbestos, or maintenance money?

Yes, if required to adequately accomplish this abatement.

98. Can lawn-mowers, etc., be purchased along with a new construction project paid for from CO&DS or PECO funds?

Yes, if they are to be used exclusively for the project under construction.

99. Can a computer be purchased for a project that will enable construction management prior to construction?

Yes, as long as it is a part of that project.

100. If a change order results in a project being over \$200,000, must plans be submitted if the revised contract is over \$200,000?

Yes, at the time of the change order.

101. If a contract is let for several projects, each under \$200,000, must plans be submitted if the total combined contract is over \$200,000?

Yes.

102. If two contracts are let for fencing and paving, each under \$200,000 but totaling over \$200,000, must plans be submitted?

No.

103. What constitutes a day-labor contract that will comply with the requirements of Section 216.301(3) (a), F.S. (the reversion statute)?

A purchase order issued by the school board.

104. Does a project approved for fast-track or construction management imply that all funds for that project are under contract?

Yes, if it meets the requirement of statutes and a construction contract or purchase order has been issued.

105. If a bid is opened and awarded but a bid protest is made that negates the award, does this comply with the reversion requirements?

Yes, if the board is obligated to award the bid to one of the contractors.

106. Can an agency buy back a voucher from a previous fiscal year to comply with reversions?

No.

107. If a project receives an additional appropriation in a later year, does that extend the reversion date of the original appropriation?

No. The Governor's office always has the option not to revert the appropriation.

108. If a project does not require the use of all funds appropriated and under contract, possibly due to a change order, does this amount revert or can it be used on another recommended project?

It can be used on another recommended project if a negative encumbrance is approved and the new project has received an encumbrance authorization. If it is a Line Item Appropriation, it will revert.

109. Does PECO maintenance money pursuant to Section 1013.64(1), F.S., need architectural and survey approval?

Yes. If cost is over \$200,000, plans must be approved, and if it is a remodeling project, it must be survey recommended. Plans for maintenance projects as defined in Section 1013.01(12), F.S., do not require plan approval regardless of the estimated cost.

110. Can PECO encumbrance requests be submitted prior to final approval?

Yes. They cannot be approved until final plans are approved.

111. Can an encumbrance authorization be given with stipulations attached (i.e., "authorization subject to plan approval")?

No.

112. Can special PECO allocations be expended on anything other than what is specified in the special allocation?

No, unless appropriation language provides otherwise.

113. Generally, what sources of funding can we use without a survey recommendation?

There are six sources of funds that can be used without a survey recommendation for capital outlay purposes:

(1) the local capital outlay improvement fund which consists of funds that come from and are a part of the district's basic operating budget;

- (2) a voted bond referendum when a board decides to build something without a survey recommendation and the taxpayers approve the referendum;
- (3) one-half cent sales surtax revenue;
- (4) one cent local governmental surtax revenue;
- (5) impact fees; and
- (6) private gifts or donations.

114. What happens if a project is built with funds that legally require a survey recommendation, but the project doesn't have that recommendation?

Should a school district decide to build a facility and pay for it using funds that require a survey recommendation, yet it does not have a recommendation, the school district may be required to repay those funds that were not legally authorized to be spent for that purpose.

115. What requirements must be met in order to use state dollars for the purchase of land for a future school site?

As long as the proposed purchase of land is for a future school site and a future school site or school is recommended in the educational school plant survey, then there is a recommendation for sites and the recommendation is valid.

116. What sources of funds may a district use if it needs a new school?

PECO (new construction); CO&DS (also on PPL), approved by SBE; lease-purchase (COPS) money; funds from the 2.0 mill levy; local bond referendum proceeds; one-half cent sales surtax revenue; one cent intergovernmental sales surtax revenue; and impact fees. These sources may be used provided that they are available to the school district and meet the statutory requirements for expenditure for each type of fund.

117. What sources of funds may a district use if it needs a new boiler at a satisfactory school?

Any except those earmarked for other items.

118. What source of funds may a district use if it needs a new roof (roof is more than 18 years old)?

Any, except those earmarked for other items.

119. What source of capital outlay funds may a district use to pay the salary of the Director of Facilities?

Any legally authorized source with an audit trail.

120. What is the approximate construction period for K-12 educational facilities?

Rough approximations of how long it would take to construct the schools are:

Elementary - 1 - 1½ years

Middle – 1½ - 2 years

High -- 2 - 2½ years

**NOTE:** The size of the school and length of the design phase would have an impact on the construction time as well.

### ***CHARTER SCHOOL NEW QUESTIONS***

121. Can charter school capital outlay funds be used to purchase furniture, fixtures, and equipment for a new school?

The expenditure of charter school capital outlay funds for these purposes is allowable since these are necessary costs incurred as part of the project cost in order to make the facility operational/useable.