

BULLET POINTS SB 1852/HB 903 RELATED TO CHARTER SCHOOLS

Capital Implications (SB 1852)

- This bill would require schools districts to share the locally levied millage with Charter Schools with no accountability to taxpayers for use of these funds on facilities that will never be owned by the Taxpayers of the State.
- This change in law would create instability within school districts Five-Year Capital Programs which require extensive planning and state approvals by creating a diversion of these very same funds to meet the needs of the School Schools were built with 5 year capital outlay plans in place that plan on a reliable revenue stream.
- This provision would severely impact school districts ability to meet the capital needs of their districts.
- Miami-Dade County Public School has faced several major reductions in its Capital Program as a result of the reduction of the allowable millage from 2 mills to 1.5 mills and the eroding property values due to the economic downturn.
- The Florida Legislature shifted 0.5 mill of capital outlay millage to operating, resulting in a decrease of a quarter of available projected capital millage revenues.
- As a result, roughly seventy percent of district's current revenue stream for capital is dedicated for the repayment of debt service related to debt issued to meet class size reduction mandates.
- The district has a \$ 1.7. billion deficit, and growing, in the district's Capital Program.
- School districts certified taxable values are expected to decline another 3% in FY 2012-13 on top of 28% decline statewide in prior years.
- Without providing for payment of debt obligation and the cost of insuring the school facilities prior to pro-ration the Florida Legislature will be viewed as fiscally irresponsible by the rating agency and investors who hold these obligations.
- Beginning in FY 2013-14, pro-ration of capital millage to charters will require General Fund to pay debt incurred to meet class-size and renovate aging school campuses.
- Further by FY 15-16 a reduction of 22% in capital outlay millage funding due to Charter pro-ration will require 9% of debt to be paid by the General Fund plus any maintenance expenses & property insurance.
- District's rely heavily on Capital Millage Outlay for all capital related expenditures especially since General Fund dollars have sharply declined since 2007.
- Laws are in place to allow districts to pay for property and casualty insurance with Capital revenue since the insurance safeguards capital assets.
- The enormity of the changes SB1852 proposes would leave billions of dollars of assets belonging to the taxpayers of the State of Florida at risk.
- Statewide downgrading out credit rating is eminent.
- Buildings that house children would quickly begin to deteriorate without adequate dollars to maintain them. Many Districts would have difficulty keeping up with code and ADA requirements.
- SB 1852 as it is written and without significant amendment takes taxpayers assets and places them in jeopardy to put resources in the hands of private non elected board who for the most part use the dollars to lease facilities owned privately.
- Purchase, construction, and financing cost for privately owned facilities are paid through revenue stream from publicly funded charters schools.

- This provision would increase financial stress on school districts debt burden. Coupling these two along with reducing capital funding further to share with Charter Schools will place many school districts in a precarious financial position.

Federal Funds (SB 1852/HB 903)

Both SB 1852 and HB 903 require school districts to provide charter schools federal funds with no requirement that those funds be used for its earmarked purpose determined by the federal government. There is no requirement that federal regulations be followed by the charter schools. There is a requirement to provide charter schools the federal funds immediately without any evidence of expenditures made pertaining to the allowable purpose. Grant funds are drawn down by the grantee based on expenditures, unlike the FEFP. The current language without additional language protecting the integrity of the purpose of the federal funds could lead to audit exceptions and question costs in the district's single audit.

Federal funds are provided for a specific purpose such as Title I, low-income students, IDEA, for special education , those funds should remain earmarked for its specific purpose. The language should be inserted to ensure that the charter school that receives such funds or equitable services use it for the specific purpose and invoice the district and is reimbursed only after proof that such services have been provided. Furthermore, the amendment releases the district from liability should the services not be provided. This amendment ensures that federal regulations are followed to avoid any audit exceptions in the district single audit.

Additional information:

- Charter School enrollment has increased to almost 7% statewide and to 12% for M-DCPS in FY 11-12.
- Due to rapid expansion of Charter Schools in M-DCPS, Charter School enrollment is projected to increase to 22% for FY 15-16, representing 79,000 student
- Lack of capital outlay millage funding has not hindered rapid expansion of Charter Schools in M-DCPS.
- School Districts with large aging school campuses, such as M-DCPS, are most at risk of not being able to adequately and securely maintain its facilities and equipment.
- Unless additional funding sources are obtained by the District, access to capital markets will be at risk, impacting the district's ability to continue to meet outstanding obligations.
- If the District were to default on COP debt, use of 26% of the district's student stations under the COPs Master Lease will be at risk of loss of use due to cross default provisions.
- Losing confidence by the investment community will ultimately cost Florida taxpayers.
- The significant growth in M-DCPS Charter School FTE coupled with healthy growth in Charter Net Assets indicate that Charter Schools do not need additional funding to expand, while allowing "for profit" Management Companies and their related real estate developer arms to further erode the school district's capital program and financial condition, will ultimately drive up cost for local taxpayers.