

CAPITAL SCHOOL FUNDING

1. Public Education Capital Outlay (PECO)

(PECO), simply put, is a state program that provides funds to school districts from a tax, collected on the gross receipts from the sale of utility services. There are two types of PECO funds: (1) PECO Maintenance and (2) PECO New Construction.

EXAMPLE:

The next time you receive a bill from an energy company, examine the energy costs and you will see a line titled "gross receipts tax." On a 250 to 300 dollar energy bill, that tax would be approximately 6 to 7 dollars, which is approximately 2.5% of your total energy cost. That money is used to help fund higher education and K-12 construction needs. The vast majority goes to the universities and colleges. The Gross Receipts Tax has remained the same but is now being spread across more educational institutions. We are not opposed to these other entities receiving funds but as you can see this funding source is inadequate for meeting all the needs.

CONCERN:

Through the years, the PECO dollars distributed to Pasco have been relatively small, amounting from 1 to 3 million dollars. It should also be noted that PECO dollars are often diverted to charter schools. In 2012, 2013 and 2014, K-12 traditional schools received **NO** PECO funds. PECO is a very inadequate revenue source for meeting the needs of K-12 student growth and the maintenance of our existing buildings.

2. Local Capital Outlay

Since 1994, Florida Statute 1011.71(2) authorized districts to levy up to 2.0 mills for construction, renovations and maintenance of school buildings. A mill is short for millage, not millions. Basically, 1 mill means that for every 1000 dollars in value, you pay one dollar (one dollar on the thousand). So lets suppose that your total millage rate for schools and county services is 15 mills. You own a house worth \$200,000. You have a Homestead Exemption of \$25,000. Therefore, your total taxable value is \$175,000. 175 times 1.5 mills equal \$262.50. This is oversimplified to explain the math. In reality, you have a \$50,000 exemption on your county taxes and and \$25,000 exemption on your school taxes. The Tax Collector sends to you each fall a Truth in Millage Notice (TRIM) that specifies the taxes and fees you must pay. In 2008, in response to insufficient funding for school districts operating accounts (payroll, utilities, school supplies, etc....) the legislature diverted .25 mills to the operating account. In 2009, the legislature again diverted .25 mills to the operating account, reducing the capital outlay millage to 1.5 mills. The state shifted local capital outlay dollars to operations to balance the state budget. By today's standards, that is approximately 12 million dollars that the District is no longer receiving annually.

EXAMPLE:

In the fall of each year, you receive a "truth in millage" statement or TRIM notice. This notice includes the assessed value of your property, tax saving exemptions and the tax amounts (millage) and other assessed fees. The changes noted above can be observed on the TRIM notice if you happen to have any filed away.

CONCERN:

Beginning in 2008, this local capital millage was reduced by .25, bringing total millage to 1.75 and then again in 2009 the millage was reduced by another .25, bringing the total millage to 1.5. At the time, there was some logic to the diversion of these funds for the operating account because in some counties, growth in the student population had come to a standstill. Due to the Great Recession and the lower tax base, the millage rate was not sufficient to fund school operating costs. Now our economy is growing again, student numbers are on the rise and the state has a budget surplus. Unfortunately, the Florida Legislature has refused to reinstate the .5 mill reduction that occurred in 2008 and 2009. In fact, suggestions to make the increase contingent upon a unanimous vote of your local school board have been rejected. Additionally, the state legislature is attempting to distribute funds to charter schools from the remaining 1.5 mills. Charter schools are technically public schools and we recognize the need for a capital funding source. But how do you justify reducing capital funds in general and then spreading the remaining dollars across additional capital projects?

3. Local Discretionary Sales Tax

In 2004, the school district in cooperation with the County, placed on the ballot a local option sales tax to fund school and county infrastructure. At the time, the school district was facing serious overcrowding with some schools at 200% capacity. The ten-year local option sales tax passed by a very slim margin and the District was able to address the overcrowding. In November 2012, the sales tax was renewed for an additional 10 years beginning in January 2015. It passed by an overwhelming majority.

EXAMPLE:

The sales tax rate for the State of Florida is 6%. When you purchase items in Pasco you should note that the tax rate is 7%. The good news is that if you are purchasing a large item such as a car or boat, the additional penny sales tax is only charged on the first 5000 dollars and the remaining cost is taxed at 6%. Of the 67 counties in Florida, only nine or ten do not levy the additional local option sales tax. In fact, some levy as much as 1.5%. The local option sales tax is a very common and well-accepted approach to dealing with local infrastructure issues. In most counties, it ranges from 7 to 7.5%.

Unfortunately for Pasco, the sales tax was renewed at the same time that the capital outlay millage was being reduced. Additionally, this sales tax was

designated for the remodel and renovation of aging schools and not as a funding source for growth.

4. Impact Fees on New Homes

In Pasco County, an impact fee is assessed on the construction of every new home with the exception of 55 and older communities. The idea behind an impact fee on new homes is that new growth should pay for itself instead of increasing the tax burden on existing citizens. This is, contrary to what some would say, a conservative concept. Repairing and maintaining schools, in addition to building new schools, requires a revenue stream. Impact fees are just one of our ways to collect money for building new schools. As would be expected, developers and builders are not fond of impact fees. Ultimately, a builder has to set a price for a house. They obviously have a certain profit margin they are seeking and impact fees may be passed on to the buyer or partially absorbed by the builder. The builder pays those fees to the County and they are generally figured into the total cost of a new home. The building industry will tell you that increasing the impact fee unfairly burdens the home buyer. A 5,000 dollar impact fee amortized for thirty years at 4% amounts to approximately 24 dollars a month. We will let you decide if the impact fee unfairly burdens the buyer or perhaps the profit a builder can expect on a house. If not new homes then existing residents. Schools have to be built.

EXAMPLE:

The current education impact fee on a single-family dwelling detached is \$4,876.28, a single-family dwelling attached is \$1,757.40, a multi-family dwelling is \$1,873.55 and a mobile home is \$2,871.43. The difference in the fees is based on a concept called "student generation rates." Impact fee studies in general are able to tell us on average how many children typically reside in certain types of dwellings.

CONCERN:

Ten years ago, Pasco Schools were seriously overcrowded. In order to meet the demand for future student spaces, we must make sure that we have the funds to respond to growth. Having impact fees set at the appropriate amount is just one part of the equation.

COSTS OF SCHOOLS:

The general public is often unaware of the cost incurred in building new schools. The average cost of a brand new elementary school in Pasco County is 20-23 million, a middle school is 35 to 40 million and the brand new high school being built on Old Pasco Road in Wesley Chapel will come in around 65 million.

CAPITAL CONSTRUCTION POWER POINT:

Now that you have an understanding of the four sources of funding for capital school construction, you will be better prepared to understand the information in this power point. We are confident that once you review the data, you will

understand why it is of urgent importance that we gain your support in addressing these issues with our Pasco County Commission and Legislative Delegation.

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