

## Issue

The state of Florida finances the building of the state universities' and colleges' physical plants through a variety of dedicated funding sources. One of the primary funding sources is the Public Education Capital Outlay Debt Service (PECO) Trust Fund, which services 67 public school districts, 28 public colleges, 12 state universities and other public entities (CITE). Since 1992, PECO has been able to provide \$20 billion dollars for capital projects (FL, Dept. Ed. 2019a; FL OEDR, 2019b). The PECO fund relies on the sale of bonds and dedicated tax revenue from Gross Receipts Tax (GRT) that comes from a 2.52 percent Communications Service Tax (CST) and 2.5 percent Gross Receipts Tax on Utility Services (FL Dept. Revenue, 2019a, 2019b; FL OEDR, 2019a). The fund has been unable to meet the demand of needed physical plant construction due to decreasing revenues from the CST and the states decreasing willingness to issue new PECO bonds (Garcia, 2016).

## Research Question

What are the reasons behind the declining revenues?

## PECO Funding FY92 to FY19

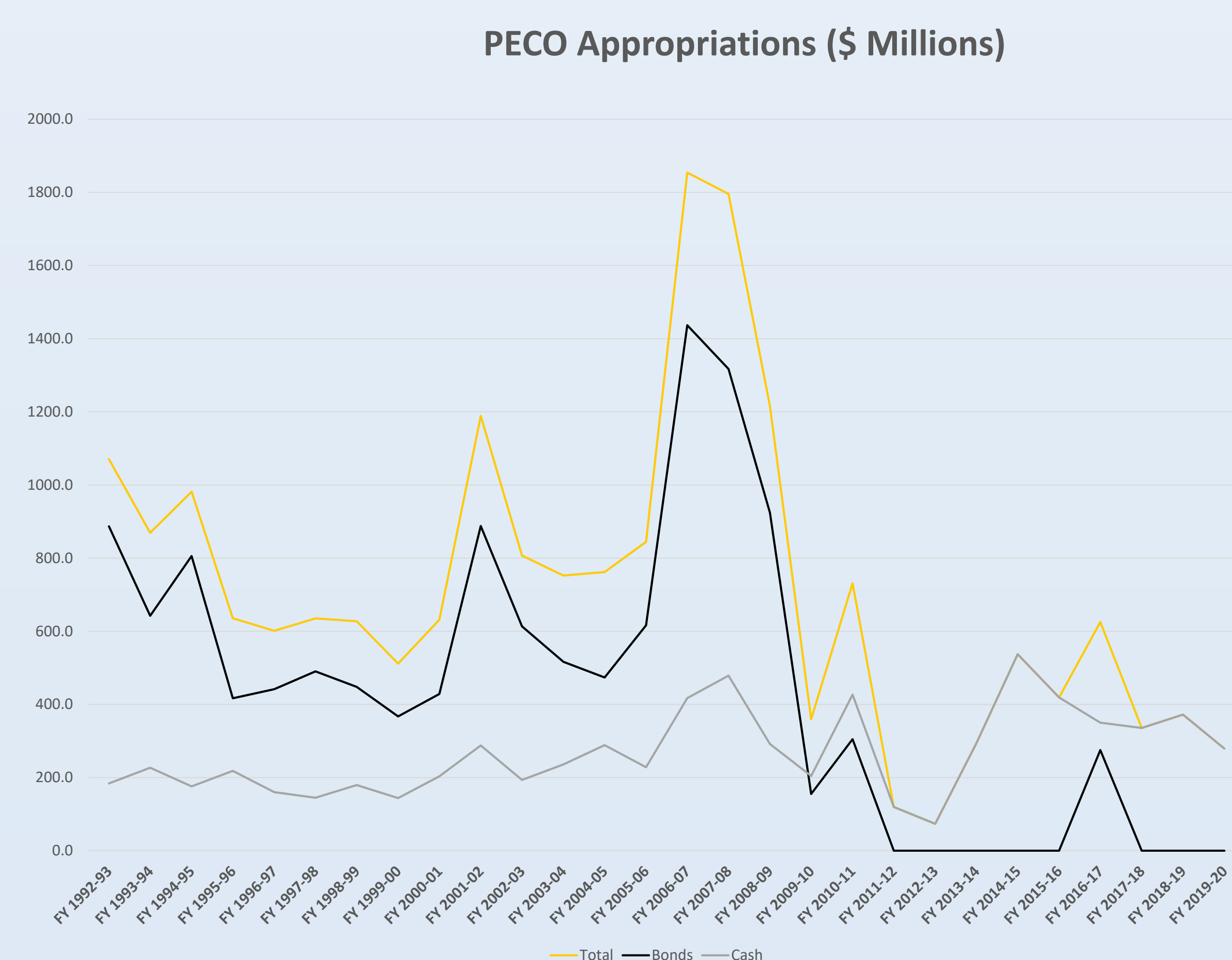
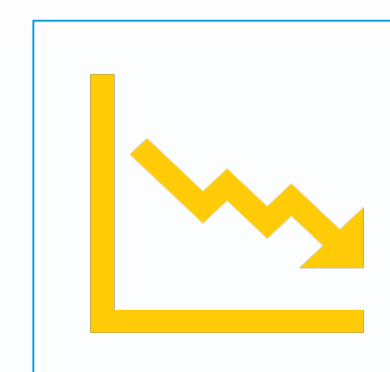


Figure 1: State of Florida annual PECO Appropriations FY1992-93 to FY2019-20. Florida Office of Economic and Demographic Research. (2019). *Public education capital outlay (PECO) program*. <http://edr.state.fl.us/Content/conferences/peco/index.cfm>

## Key Findings



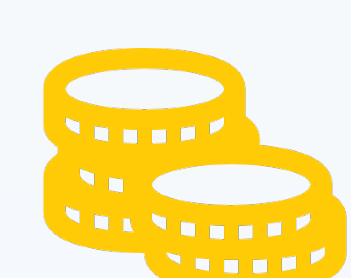
Since 2001, wireline connections decreased 85% from 12 million to 1.9 million (FL Public Service Commission, 2019; U.S. Census Bureau, 2020).



2007 FL Legislature exempted broadband services providers from CST (FL OEDR, 2019a)



From FY 1992 to FY 2010 the FL Legislature issued PECO bonds every year, but only once since FY2011 (FL OEDR, 2019a)



For the past decade, the FL Legislature has funded PECO with GRT revenue averaging \$310 million a year (FL OEDR, 2019a).

## Potential Revenue Enhancers

1. Repeal the CST and replace by increasing sales tax from 6% to 6.35% (CST Working Group, 2013).
2. Repeal exemption of broadband service providers so they must pay the 2.52% CST dedicated to the PECO fund (FL Dept. of Revenue, 2019a; Resnick & Robin, 2003).

## Discussion

1. Repeal of CST and increase sales tax would be politically difficult because of how to divide the revenue between the 431 local jurisdictions that obtain revenue from the CST (CST Working Group, 2013).
2. The 2.52% CST added to the \$60 the average Florida family pays for internet service would cost them an additional \$1.50 per month (U.S. Census Bureau, 2020). This would add an estimated \$109.3 million in revenue per year.\*

\* Estimate based on 7.5 million Florida households with 80 percent paying for broadband service would be taxed \$18 per year.

## Projected PECO Funding

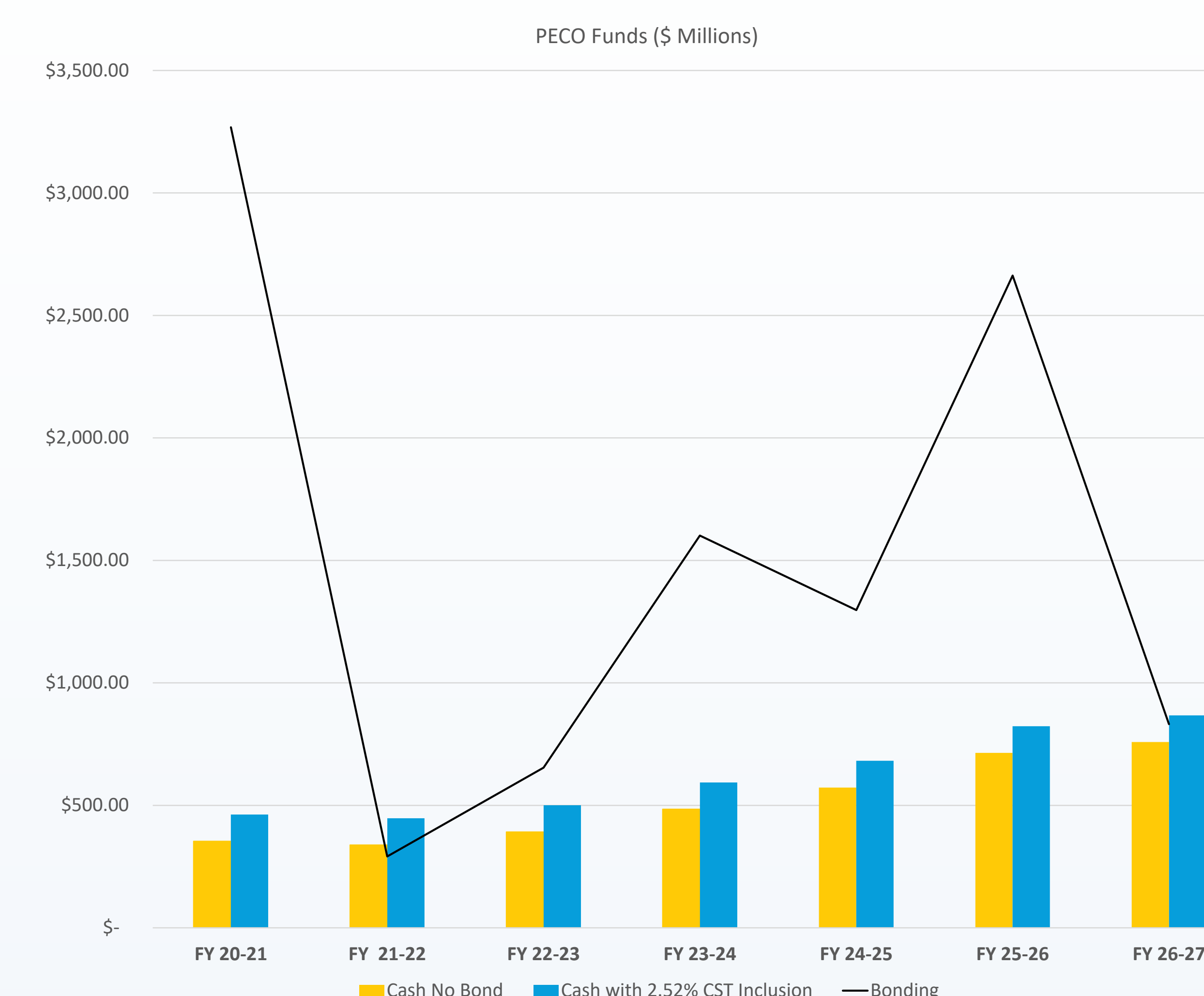


Figure 2: State of Florida forecasted PECO Fund FY20-21 to FY 26-27. Florida Office of Economic and Demographic Research. (2019). *State of Florida long range financial outlook: Fiscal years 2020-21 through 2022-23*. Retrieved from [http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan\\_Fall-2019\\_2021-2223.pdf](http://edr.state.fl.us/Content/long-range-financial-outlook/3-Year-Plan_Fall-2019_2021-2223.pdf)

## Recommendation

Repeal the tax exemption for broadband services to give PECO more revenue. Even if the FL Legislature does not want to bond the funds, it still provides more funding to support new construction.

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