

Board of Governors

Development of 2004 Legislative Issues January 22, 2004

Issue: Authorization and Approval of Long-Term Debt Financing Proposals (Bond Issues) for State University System Construction Projects

Issue Summary: The proper entity to authorize and approve the long-term debt financing (revenue bonds) for state universities' construction projects should be determined and clarified.

Background: During the recent evolution of the public higher education governance structure in Florida, the authority to approve construction projects for the state universities which are to be financed by revenue bonds pursuant to s. 11(d), Art. VII of the State Constitution of Florida, transferred from the Board of Regents to the Florida Board of Education and subsequently to the State Board of Education. Currently, s. 1010.60, Florida Statutes, provides such authority (including the authority for the issuance of debt by university direct support organizations) to the State Board of Education when the university project has been approved by the Legislature. The recently created Board of Governors, in its 2004-2005 Fixed Capital Outlay Legislative Budget Request, requested that it be authorized to approve revenue bonds for state university construction projects. To streamline the bond issuance process, the state universities' (SUPA), in their Proposed 2004 Legislation document, recommend that each university's Board of Trustees be authorized to approve such bonds and projects when the debt is to be issued by a university direct support organization.

Staff Recommendation: It needs to be determined whether the universities' boards of trustees can legally be the entity which authorizes and approves bond issues. If the answer is yes, the question then becomes: Should they have the authority to do so? The DOE General Counsel has been asked to determine if the universities' boards of trustees can legally have this authority. If the answer is in the affirmative, the advantages and disadvantages of such a delegation will be presented to the Board of Governors addressing matters such as obligations in the case of default, impacts on state bonding caps, effects on bond ratings, responsibilities for plant operational funding, title of real property, etc.