



Information BRIEF

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Media contact: info@flbog.edu, 850-245-0466

FACT SHEET: Public Education Capital Outlay (PECO)

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HISTORY

The State's **Public Education Capital Outlay** (PECO) program was established in 1963, through an amendment to the Florida Constitution, to fund public higher education construction and maintenance projects. In 1974, K-12 was added into the program through a constitutional amendment. PECO works to fund Florida's long-term need for education facilities with a portion of the gross receipts tax (GRT) on utilities, including electricity, telecommunications and cable. The GRT is utilized to borrow money at very low interest rates by issuing tax-exempt PECO bond offerings. No more than 90 percent of revenues from the GRT may be committed toward the repayment of PECO borrowing—this ensures a conservative debt ratio. The municipal bond exemption benefit to states and investors is important, because interest earnings normally would be taxed by the federal government. Some national media coverage and "expert" forecasts to the contrary, municipal bonds have continued to maintain much lower if any default rates than corporate debt or other private securities. PECO is Florida's largest bond program, and has maintained the highest rating for many years at AAA (commonly called "triple A"). [Florida's Office of Economic and Demographic Research](#) also offers this regarding the PECO program on its website: *"The Gross Receipts Tax is a relatively stable, if slow growing, tax source, making it an ideal revenue source for financing the sale of bonds. This stability helps make PECO bonds more marketable, lowering interest costs, and assuring bond buyers that the cash flow to make the interest payments on the bonds is reliable. However, it has been observed that the amount available for appropriation to the PECO program can and has fluctuated substantially from one year to the next. It may seem counter-intuitive that funding for a program can go up and down as much as PECO funding can, while at the same time the tax source supporting the program continues to grow."*

HOW PECO IS UTILIZED

PECO is the primary source—and sometimes the only source, depending on a State budget year—of facility funding for the State University System. *State universities collectively represent the entity with the highest amount of state government square footage (80 million) of any entity in Florida.* The institutions utilize PECO not just for new teaching and research facilities but to keep existing buildings functional with deferred maintenance spending. PECO also can be utilized to retrofit older buildings into new uses, such as the comprehensive research labs critical to building a more stable, knowledge-based Florida economy.

WHAT'S HAPPENING WITH PECO FOR PUBLIC UNIVERSITIES

The Florida Board of Governors [continues to express significant concern](#) that critical facility needs and PECO resources are not aligned. At that same time Moody's Investors Service issued a "credit negative" (after the 2012 Session ended and universities' reserves were to be drawn down), the Board had just

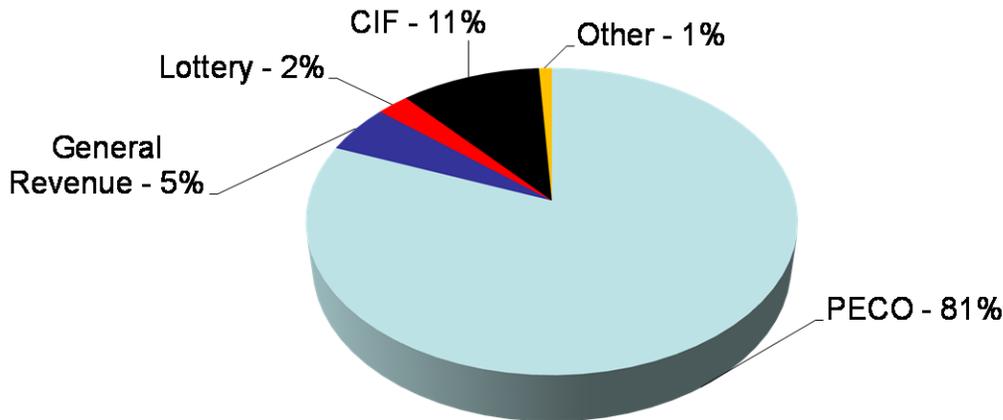
termed the overall PECO situation a “crisis.” There are now years-long delays in funding even the initial design phases of the highest-priority projects, while at the same time, major preventative maintenance activity is not happening on schedule. A summary of appropriation trends and other information follows. In [April 2012, the Board of Governors named members to its newly created Task Force on Facilities Funding](#) and charged it with a set of questions and issues. It is due to report back to the Board at its November 2012 meeting. Also, in the 2012 Session, [fixes to the Capital Improvement Trust Fund \(CITF, or CIF in the chart below\) were accomplished](#). By law, PECO funds cannot be used to construct student life facilities, such as student unions, cafeterias, recreational fields, and wellness centers/fitness centers.

Please see PECO appropriations specific to each university on page 3.

CONCLUSION

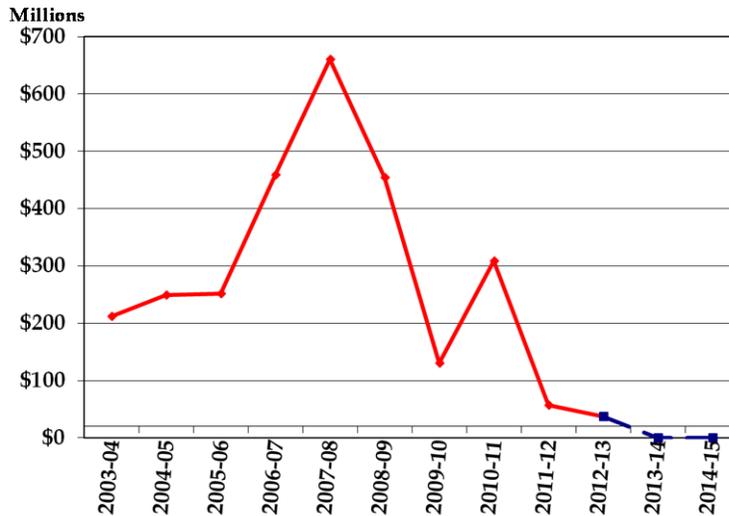
Further PECO reductions not only will severely [limit growth and student access to the State University System](#), but translate to reductions in the amount of usable space available by institutions. The cost to maintain the existing portfolio of facilities only increases exponentially when deferred maintenance is delayed and the properties become more expensive to maintain. As illustrated below, PECO has been by far the largest source of funding universities’ needs, followed by CIF.

Fixed Capital Outlay Appropriations by Funding Source 1983-84 to 2012-13 - \$7.2 Billion



PECO - \$5,842	General Revenue - \$370
Lottery - \$175	CIF - \$758
Other - \$70	

PECO - State Appropriations - Actual & Estimated Revenues - March 2012



STATE UNIVERSITY SYSTEM of FLORIDA
Board of Governors

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PECO APPROPRIATIONS BY INSTITUTION: The Board approves a three-year “PECO priority list” each year. It is also required by statute. The list is forwarded to the Legislature each year before Session and is based on the five-year Capital Improvement Plan submitted by each University’s Board of Trustees, also required by law (F.S. 1013).

	Actual* 2009-10	Actual* 2010-11	Actual* 2011-12	Actual* 2012-13	Requested 2013-14	Requested 2014-15
FAMU	9,629,396	32,531,227	775,488	392,000	28,539,294	17,861,493
FAU	10,455,765	25,253,640	775,488	392,000	21,574,631	19,711,044
FGCU	8,441,266	15,909,536	1,665,234	4,934,793	16,784,052	14,328,419
FIU	8,762,625	38,678,846	2,791,348	563,500	31,639,369	36,513,455
FSU	16,108,562	36,886,635	3,971,314	4,933,600	35,290,934	36,592,722
NCF	2,835,190	3,601,659	1,769,809	1,835,966	6,164,305	8,939,968
SUS	2,093,827	7,816,648	-	-	18,907,839	36,845,890
UCF	11,557,413	37,169,150	605,158	7,804,518	50,691,346	34,635,658
UF	21,905,291	53,443,267	5,360,561	8,709,700	65,507,157	70,440,098
UNF	8,231,488	21,788,483	451,445	228,200	15,921,778	26,065,753
USF	25,821,069	20,558,310	37,009,345	7,908,818	43,152,228	40,989,440
UWF	4,722,789	17,220,140	2,162,977	198,100	13,206,961	4,920,863
	130,564,681	310,857,541	57,338,167	37,901,195	347,379,894	347,844,803

* Notes: “Actual” appropriations are after Governor’s vetoes, if applicable. “SUS” PECO issues are one-time and rare, special capital issues at specific universities. Please inquire for what were USF-Lakeland PECO-funded issues in the USF appropriations above – Florida Polytechnic University will be reflected in the next cycle of the Board of Governors’ PECO priority list, for the 2013 Session.