

# FSBA

# BOARDER-LINE

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As the 2010 Legislative Session begins, this issue of Boarder-Line is intended to give you a preview of what to expect during the Session. The legislature has just completed a series of Interim Committee Meetings that lay the groundwork for many of the issues that the Legislature is likely to focus on during the Session. From these meetings, it is evident that the education related issues that the Legislature will be devoting time and attention to will include class size requirements, teacher quality and compensation, standards and assessments, graduation requirements, virtual education, voucher programs, ethics issues, the Florida Retirement System, health insurance, various curriculum enhancements, and cell phone use. However, Florida's struggling economy, and its effects on the budget, will remain at the forefront of all of these other issues.

### ***State Economy & Budget***

State revenue is slowly and modestly climbing again, signaling the end of three consecutive years of serious decline. However, despite this encouraging up-tick, revenue collections are still well below the level in FY 2005-06 and are not expected to recover to that level within the next three years. Furthermore, state economists are predicting as much as a \$3.2 billion deficit between the state's needs and available funding for the 2010-2011 budget. Adding to the economic pressure, lawmakers will have to address the increasing demand on Medicaid (which currently costs nearly \$18 billion, or 25% of the state budget), growing unemployment costs (Florida's unemployment rate of 11.8% is already among the highest in the nation), lower property values (revenues are more than \$800 million below expectations), actuarial instability of the Florida Retirement System, and dramatic declines in population growth (historically, growth has served as an economic engine).

Despite this dramatic economic picture, it is highly unlikely that the budget deficit and higher costs will be reduced by new state revenues or increases in existing taxes and fees. In particular, it is doubtful that offshore oil drilling will be pursued this year due, largely, to the Senate's resistance. Similarly, the legislature is not happy with the terms of the \$433 million deal struck between Governor Crist and the Seminole Indians because it ignores parimutuel interests, thus leaving the potential revenue from the Seminole Gaming Compact in limbo. Also, since the legislature garnered about \$2 billion from tax and fee hikes to support the current year budget, it is doubtful that they will pursue that course again for the 2010-2011 budget – in fact, it is more probable that the legislature will reduce or mitigate some of those tax and fee increases during the this Session. As a result, it is expected that the legislature will craft a 2010-2011 budget that depends heavily on federal stimulus and matching funds, additional budget cuts, and measures to reduce costs (such as reduced services and personnel layoffs).

It is difficult to predict how this dour economic picture will effect the education budget. On one hand, funding for PreK-20 education programs currently comprises more than 50% of state general revenue, so the slight increase in general revenue projections for 2010-2011 is mildly encouraging. However, Lottery revenue projections have declined by 7%, or about \$8 million, below the current year. In addition, a recent report shows that the Florida Retirement System (FRS) has a \$15.4 billion unfunded actuarial liability which is likely to require significant increases in employer contribution rates. Even more disturbing, property tax revenue is expected to continue to decline

with projections 9.5% below the current year, which translates into a loss of nearly \$815 million in Required Local Effort (using the current RLE millage rate of 5.288 mills). Meanwhile, student enrollment in 2010-2011 is projected to increase by about 20,000 FTE. This increase in FTE is mainly attributed to migration from private schools, PreK enrollment increases, and the influx of Haitian students as a result of the earthquake (about 1500 school age Haitian children have already sought refuge in Florida and are expected to continue to arrive at a rate of about 200 per day, with an overall total of about 5,000 children expected). The projected increase in enrollment coupled with the significant decrease in overall available state and local funding places legislators in the very difficult position of having to “find” close to \$1 billion if they wish to maintain current funding per student – it is important to note that Florida is expected to demonstrate a “maintenance of effort” in the percentage of state funding to education in order to continue to qualify for \$1.1 billion in federal stimulus funding for education in 2010-2011. This challenge is further complicated because, even though the legislature hopes to amend the constitutional class size requirements, they must continue to fully fund class size – at a cost of about \$3 billion – unless and until such an amendment is passed. As a result of all of these education funding challenges, it is expected that legislators will craft an education budget that, again, depends heavily on federal and local funding but still includes budget cuts. The Legislature may also choose to tinker with property tax policies, change statutory class size provisions, expand voucher programs, adjust employee retirement and health benefits, and pursue other program changes that would reduce costs. The Education Appropriations Committees will receive their budget allocations by mid-March and work will then begin on the nuts and bolts of the education budget. Of course, FSBA will keep you informed as the budget process proceeds.

### ***Updates on Related Funding Issues***

#### ***Class Size Requirements***

Legislators in the Senate and House have filed identical joint resolutions – [SJR 2](#) by Gaetz and [HJR 7039](#) by Weatherford – proposing to amend Florida’s constitutional class size requirements to provide greater flexibility and to reduce the ongoing costs. The joint resolutions provide that, by the beginning of the 2010-2011 school year, the **average** school level number of students per teacher in PreK-3 may not exceed 18 students and the **maximum** may not exceed 21; the **average** school level number of students per teacher in grades 4-8 may not exceed 22 students and the **maximum** may not exceed 27; and the **average** school level number of students per teacher in grades 9-12 may not exceed 25 students and the **maximum** may not exceed 30. The joint resolutions also repeal obsolete language requiring the annual average two-student-per-year reductions to class size and clarifies that the constitutional class size requirements do not apply to virtual classes. The joint resolution must be passed by a 3/5 vote of the membership in each chamber (24 votes in the Senate; 72 votes in the House) in order to be placed on the November 2010 ballot and then must pass by 60% of voters in order to be enacted. Both chambers admit that it will be a close vote and also acknowledge that the timing for placing the amendment on the ballot will make it difficult for both the state and school districts to budget and plan for the 2010-2011 school year. Meanwhile, opponents to the proposed amendment argue that legislators have the power to provide similar flexibility by amending the statutes that implemented the constitutional requirements. To date, the state has spent about \$18 billion on the operating and capital costs to meet the constitutional mandate.

#### ***Florida Retirement System***

The Florida Retirement System Actuarial Assumption Conference met to conduct an actuarial valuation of Florida’s Retirement System (FRS). Their report shows that the overall funding status of the FRS declined from being 106.7% funded (an \$8.2 billion surplus) on July 1, 2008, to 88.5% funded (\$15.4 billion unfunded actuarial liability) as of July 1, 2009. The decline is attributed to poor asset performance in FY 2008-2009. This unfunded actuarial liability will require participating employers to contribute an amount equal to normal cost. This will have an impact on the state and school district budgets.

### Transparency Florida

Last year, the Legislature passed [SB 1796](#) that requires a website be established for public access to government entity financial information. The Joint Legislative Auditing Committee (JLAC) is responsible for oversight of the website and will propose additional phases of information to be made available. The initial phase, which provides appropriations data and expenditure data for all branches of state government, was launched last year, and has been expanded regularly to include more information. On March 1, 2010, JLAC will provide a schedule of additional phases that will include similar information from any local government that receives state appropriations (this includes school boards). State education associations and school district staff have been meeting with JLAC and other legislative committees to develop reports on implementation and cost issues related to providing such massive amounts of information online. We will keep you informed about this project as it proceeds. Meanwhile, we encourage you to visit the Transparency Florida website at [www.transparencyflorida.gov](http://www.transparencyflorida.gov) where you may access quite a bit of very useful and informative information about the state budget.

### **Key Legislators & Committees**

Senate President Jeff Atwater and House Speaker Larry Cretul have revised the leadership and membership of many of the various committees and councils. We have created a list of the key education related committees and posted it on the FSBA website at [www.fsba.org](http://www.fsba.org) along with this issue of Boarder-Line (please click on the Boarder-Line icon on the main page or use this direct link: <http://www.fsba.org/boarderline.asp>). FSBA encourages you to familiarize yourself with these committees and to note those members who represent your school district so that you may contact these legislators when issues of interest come up during the Session.

### **FSBA Bill Tracking**

A number of education related bills have been filed for consideration during the legislative session. We have compiled a list and brief summary of the bills that are of particular interest and posted it on the FSBA website at [www.fsba.org](http://www.fsba.org) along with this issue of Boarder-Line (please click on the Boarder-Line icon on the main page or use this direct link: <http://www.fsba.org/boarderline.asp>). Our Tracking List links each bill number to the House or Senate web page that can provide additional information about the bill, including the bill sponsor, bill text, legislative staff analysis, and recent actions. We will update and expand our Tracking List as needed throughout the session.

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