

FSBA

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Revenue Estimating Conference

The Revenue Estimating Conference has reduced its estimate of general revenue available for this year by \$1.1 billion to a new forecast total of \$20.9 billion. The Revenue Estimating Conference has also reduced its estimate of general revenue for 2009-2010 by more than \$2.36 billion to a new total of \$19.99 billion. This is more than \$6 billion LESS than the revenue forecast that was issued nearly one year ago and returns general revenue collections to the same level as FY 2002-2003. Further, this estimate marks the fourth consecutive year of declining revenue in Florida. *(We have posted the Executive Summary of the results of the Revenue Estimating Conference on the FSBA website or use this direct link: <http://www.fsba.org/userfiles/File/REC.Summary.pdf>)*

To put this in context, please remember that when the Legislature crafted the \$66 billion budget for this year (FY 2008-2009), they based the budget on the expectation that the state would earn about \$25 billion from General Revenue and the remaining \$41 billion would be supplied from federal and local revenue. In August, the Revenue Estimating Conference announced a general revenue shortfall of more than \$1.7 billion – reducing the General Revenue estimate from \$25 billion to \$23.3 billion. At that time, state agencies were subjected to a 4% holdback of funds (2% for school districts). This holdback covered about \$1 billion of the revenue shortfall and Governor Crist exercised the authority granted to him by the legislature to cover most of the remaining shortfall from state reserves. This move avoided the need to call a Special Session to cut the state budget prior to the November elections. However, later in November, the Revenue Estimating Conference determined that there would be an additional General Revenue shortfall for 2008-09 of about \$1.3 billion – reducing the General Revenue Estimate to just under \$22 billion. This additional shortfall, coupled with the \$1 billion that had been held back, but not actually cut, from the budget tipped the balance to require a Special Session in January to cut the state budget by about \$2.3 billion. When the Legislature convened in January, the legislature formally cut the budget by the \$1 billion holdback amount and, again, primarily used trust fund balances and reserves to cover the remaining \$1.3 billion in order to balance the budget.

It is unclear what steps the legislature will take in response to these new revenue estimates. However, for the current year budget, the new estimate makes it likely that the legislature will need to take some action to re-balance the 2008-09 budget which may require another round of budget cuts this year. In terms of crafting the 2009-2010 budget, the new estimate means that, in order to maintain current year funding levels and programs as they are TODAY, the legislature will need to “find” AT LEAST \$6.5 billion – \$1.1 billion from the reduction in the current year revenue estimate, \$2.36 billion from the reduction in the 2009-2010 revenue estimate, and \$3 billion in revenue losses that were covered this year by trust fund balances and reserves. It is important to note that this \$6.5 billion figure is based solely on the general revenue shortfall. It does NOT include revenue that would need to be added to cover the expected declines in local property tax revenue, PECO, or the Lottery – all of which are key components to education funding. It is also important to note that state reserves have been significantly depleted and potential funds from the federal stimulus package will not be sufficient to fill this \$6.5 billion budget “hole”. This might lead legislators to be less resistant to establishing new revenue streams to fund Florida’s needs.

Update on the Federal Stimulus Package

We provided an overview of the Federal Stimulus package – American Recovery & Reinvestment Act (ARRA) – in Boarder-Line 2 (link: <http://www.fsba.org/userfiles/file/Boarder-Line%202.pdf>). Since then, the U.S. Department of Education has issued Guidance that describes the principles and strategy that will guide the distribution and implementation of the ARRA funds appropriated to the U.S. Department of Education. This document sets forth four guiding principles that guide the distribution and use of ARRA funds:

1. Spend funds quickly to save and create jobs;
2. Improve student achievement through school improvement and reform with emphasis on college and career readiness, improved data systems, teacher effectiveness, and support for the lowest performing schools;
3. Ensure transparency, reporting and accountability; and
4. Invest one time ARRA funds thoughtfully to minimize the “funding cliff.”

The Guidance also provides clarification on several key issues, including information on waiver eligibility and the use of funds. The Guidance specifies that states will receive initial Title I, Part A and IDEA, Part B funds under preexisting applications. For the first round of State Fiscal Stabilization Funds (SFSF), governors must provide assurances that they are advancing the four reforms described above, baseline data on their current status in each of these areas, and basic information on how the funds will be used. The Guidance also provides a general schedule for how much and when ARRA funds will be available to states. The U.S. DOE has also provided this distribution schedule in chart form. *(Both of these documents have been posted on the FSBA website with this issue of Boarder-Line.)*

This week Commissioner Smith provided an update on Florida’s status on the stimulus that mirrored details from the U.S. DOE Guidance. He also provided legislators with a DRAFT of a chart detailing potential stimulus funds for education programs that includes the amounts and timeline for when the funds will be available. *(This chart has been posted on the FSBA website with this issue of Boarder-Line.)* Commissioner Smith also mentioned that he did not believe that Florida would need a waiver for the first year of the stimulus, but may need one for next year. However, this may change given the results of the Revenue Estimating Conference.

Bill Action

Below are summaries of the major bills that were considered this week.

HB 157 – Service Learning/Public Schools by Kriseman

The bill creates a new section of law that encourages service-learning programs and activities. Service learning is a teaching and learning strategy that engages students in meaningful service activities in their schools and communities. Service-learning activities are directly tied to academic curricula and foster academic achievement, character development, civic engagement, and career exploration. The bill requires DOE to encourage school districts to initiate, adopt, expand, and institutionalize service-learning programs, activities, and policies in K-12. DOE is also directed to provide assistance to any school district electing to implement service-learning programs and to develop and adopt elective service-learning courses for middle and high school course code directories. School districts are encouraged to include K-12 service-learning programs and activities in proposals submitted to the DOE under federal entitlement grants and competitive state and federal grants. School districts are also encouraged to include service learning as part of any course or activity required for high school graduation and to accept service-learning activities and hours in requirements for academic awards. The hours that high school students devote to course-based service-learning activities may count toward high school graduation and the Florida Bright Futures Scholarship Program community service requirements.

Status: Passed the House PreK-12 Policy Committee

HB 385 – Limit on Aggregate Ad Valorem Taxes by Rivera

This joint resolution proposes an amendment to Article VII, section 9 of the Florida Constitution to limit the amount of ad valorem taxes that may be collected by counties, school districts, municipalities, and special districts from any parcel of real property to 1.35 percent – the equivalent of 13.5 mills – of a parcel's highest taxable value. If the proposed amendment is adopted, each entity authorized to levy property taxes may continue to levy taxes, but the combined amount of property taxes collected on an individual parcel of property cannot exceed 1.35 percent of the parcel's highest taxable value. The 1.35 percent limit would not apply to ad valorem taxes levied for the payment of bonds to finance or refinance capital projects authorized by law with the approval of the voters or to ad valorem taxes levied for periods not longer than two years when authorized by a vote of the electors. The proposed amendment also requires the Legislature to enact general laws governing the distribution of all tax revenues derived from parcels for which the combined ad valorem tax levies of multiple taxing authorities exceed 1.35 percent of the parcel's highest taxable value.

Status: Passed the House Military & Local Affairs Policy Committee

HB 479 – Retirement by Schenck

This bill revises reemployment provisions for all FRS retirees, including those elected or appointed to an elective public office. It extends, from one month to 12 months, the exclusionary period immediately after retirement in which a retiree may not be reemployed with any FRS employer. The reemployment limitation period in which a retiree may not both collect retirement benefits and a salary from an FRS employer is extended, from months 2 through 12 to months 13 through 24, immediately after retirement. The bill also requires the suspension of an FRS retiree's retirement benefit if that retiree is rehired by an FRS employer and is earning a yearly income of \$100,000 or more. The bill removes all reemployment limitation exceptions that are not specific to educational institutions. It eliminates renewed membership in the FRS, however, it grandfathers in those members who are deemed renewed members before the bill's effective date.

Status: Passed the House Governmental Affairs Policy Committee as a CS

HB 543 – High School Science Assessment by Mayfield

The bill provides that, beginning in the 2010-2011 school year, students entering grade 9 are required to earn one credit in Biology I, or a series of equivalent courses that have been approved by the State Board of Education, in order to graduate from high school. The bill also replaces the existing Grade 11 Science FCAT with an end-of-course assessment in Biology I at the high school level. In order to give DOE time to produce a statewide, standardized end-of-course assessment in biology the bill includes a phased implementation schedule so that, by the 2012-2013 school year and thereafter, the end-of-course assessment in biology is administered in high school and students must earn a passing score on the end-of-course assessment in biology in order to pass the course and receive course credit.

Status: Passed the House PreK-12 Policy Committee as a CS

HB 835 – Gifted & Academically Talented Students by Legg

The bill revises the law relating to gifted education for students in grades K-12 to require that parents receive annual written notice from their school districts of the eligibility criteria required for gifted student classification and of the procedures for requesting gifted evaluations. School districts will be required to annually report to DOE by grade and school level the number of students classified as gifted, the types of gifted services provided, the hours of gifted services provided to each student and whether those services are provided by a gifted endorsed teacher, and performance data for students receiving gifted services. The DOE will be required to develop statewide policies for whole-grade and subject matter acceleration and school districts will be required to annually report the number of students who were accelerated one or more whole grades and who participated in subject matter acceleration programs. The bill requires state-approved teacher preparation programs to incorporate instruction on how to identify gifted students

and how to differentiate the general education curriculum for gifted students. In addition, school districts will be required to annually report how much they spend from the Exceptional Student Education Guaranteed Allocation for gifted services. The bill also establishes the Gifted and Academically Talented Task Force to provide the executive and legislative branches with recommendations for improvements to eligibility criteria, model procedures for screening students, model programs for gifted and academically talented education, and procedures for evaluating the effectiveness of such programs and the performance of students in those programs.

Status: Passed the House PreK-12 Policy Committee as a CS

HB 919 – Revision of the Class Size Requirements by Weatherford

The joint resolution proposes an amendment to Section 1 of Article IX of the Florida Constitution to amend the way that class size compliance is calculated. Beginning with the 2010-2011 school year and every year thereafter, the average number of students at the school level who are assigned to each teacher who is teaching in public school classrooms for prekindergarten through grade 3 does not exceed 18 students and the maximum number of students assigned to each teacher in an individual classroom does not exceed 21 students. For grades 4 through 8, the average number of students assigned to each teacher does not exceed 22 students and the maximum number of students assigned to each teacher in an individual classroom does not exceed 27 students. For grades 9 through 12, the average number of students assigned to each teacher does not exceed 25 students and the maximum number of students assigned to each teacher in an individual classroom does not exceed 30 students. The proposal also excludes virtual classrooms for class size requirements.

Status: Passed the House PreK-12 Policy Committee as a CS

SB 1618 – County Commissioners/Property Lease by Bennett

As filed, this bill did not contain any education related provisions. However, the bill was amended to require that the salaries of all locally elected constitutional officers, including school board members and elected superintendents, remain at the 2008-2009 level for fiscal years 2009-2010 and 2010-2011. This provision would also apply to county commissioners, sheriff, supervisor of elections, tax collector, property appraiser, comptroller, and clerk of the court.

Status: Passed the Senate Community Affairs Committee as amended

SB 1828 – Class Size Requirements by Wise

The joint resolution proposes an amendment to Section 1 of Article IX of the Florida Constitution to amend the way that class size compliance is calculated. Beginning of the 2010-2011 school year and for each school year thereafter, the average number of students at the school level who are assigned to each teacher who is teaching in public school classrooms for prekindergarten through grade 3 does not exceed 18 students and the maximum number of students assigned to each teacher in an individual classroom does not exceed 21 students. For grades 4 through 8, the average number of students assigned to each teacher does not exceed 22 students and the maximum number of students assigned to each teacher in an individual classroom does not exceed 27 students. For grades 9 through 12, the average number of students assigned to each teacher does not exceed 25 students. The proposal also excludes virtual classrooms for class size requirements.

Status: Passed the Senate Education PreK-12

SB 1906 – Government Revenues/Voter Approval by Haridopolos

This joint resolution proposes an amendment to Section 1 and the creation of a new section in Article VII of the State Constitution to be placed on the November 2010 ballot. The proposed amendment would repeal the existing state revenue limit based on Florida personal income growth and establish new revenue state and local revenue limits. The proposal provides that state and local government revenues for any fiscal year would be limited to the revenues collected in the 2010-2011 fiscal year plus an annual adjustment for growth. "Growth" is defined as an amount

equal to government revenues collected in the 2010-2011 fiscal year multiplied for each fiscal year by the combined rate of inflation and rate of population change. School districts may use enrollment changes in lieu of population changes.

Expenditures of revenues collected in excess of the limit must be approved by a majority of the electors residing within the applicable government's boundaries. Any excess state revenues must be transferred to the budget stabilization fund until the fund reaches the constitutionally specified maximum amount. Any excess revenues collected by a local government must be transferred to the budget stabilization fund, if a local government has such a fund, until the fund reaches a maximum amount of 3 percent of the last completed fiscal year's revenue collection.

The proposal requires state and local governments to receive advance approval by a two-thirds vote of the electors to impose a new tax, fee, assessment, or charge for services or to incur multiple-year direct or indirect debt.

Status: Passed the Senate Community Affairs as amended (technical amendments)

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