

FSBA

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Education Budget Reductions

When the 2008 Legislative Session convenes on Tuesday, March 4, the first issue to be addressed will be additional budget reductions for the 2007-2008 fiscal year. The Legislature will hold one more series of pre-session committee meetings on Monday when appropriations committees will consider amendments and then pass their proposed budget reduction bills. During the first week of session, these bills will be considered and passed on the floor of each chamber and then will be handed off to a conference committee to resolve any differences. The final budget reduction bill is expected to be passed and sent to the Governor by the second week of session.

There are very few differences between the House and Senate reduction bills for 2007-2008 education appropriations. Both chambers propose identical reductions for the FEFP, categorical programs, and workforce education and there are only a couple relatively minor differences in the proposed cuts to non-FEFP programs. Because there are so few differences to be resolved, it is unlikely that we will see any significant changes from what is currently being proposed. As we have reported to you previously, we expect the 2007-2008 K-12 budget to be cut by a total of about \$265 million, with about \$234 million being cut from the FEFP and categoricals. To give you a clearer picture of where things now stand, please click [HERE](#) to view a spreadsheet that shows the main education appropriations in the original 2007-2008 education budget, the first round of reductions from Special Session C last October, and the additional reductions that are currently proposed.

As difficult as this upcoming round of cuts are to accommodate, we cannot stress strongly enough that the prospects for the 2008-2009 education budget are even more grim. As state revenue projections continue to slide, it now appears the legislators will need to craft the 2008-2009 budget with at least \$3 billion less than anticipated. While legislators have been unified in their desire to hold education harmless from debilitating budget cuts, it has become more likely that this may not be possible. FSBA has been working closely with legislative leaders to outline strategies for how and where the legislature could accomplish budget reductions in a manner that is least disruptive to K-12 public schools. Please click [HERE](#) to read our memo to the House and Senate Education Appropriations leaders listing our recommendations.

Taxation and Budget Reform Commission (TBRC)

The TBRC and its subcommittees held meetings this week to consider some of its proposals, including several of specific interest and concern to school boards. Below is an update on the status of the proposals considered this week. (*Note: "CP" stands for Constitutional Proposal, which the TBRC may place directly on the ballot, "SR" stands for Statutory Recommendation, which requires approval by the Legislature.*)

CP 2 – Required Local Effort Replacement by Commissioner McKay

This proposal was substantially amended this week by the TBRC Finance and Taxation Committee. As amended, the proposal requires the Legislature to eliminate the Required Local Effort (RLE)

property taxes as of January 1, 2011 that are currently required under the Florida Education Finance Program. The full revenue impact of the elimination of the RLE must be offset by the repeal of sales tax exemptions determined not to advance or serve a public purpose, a sales tax increase of up to one cent in the sales tax rate in existence on January 6, 2009, and spending reductions for other components of the state budget and revenue increases resulting from economic growth attributable to lower property taxes. This proposal specifically DOES NOT replace or eliminate the ad valorem tax millage dedicated to capital outlay purposes, voter-approved millage authorized in the constitution, or discretionary ad valorem millage for school districts authorized by law. The proposal also specifies that the term "sales tax" does NOT include certain existing sales taxes or the taxation of the sales of certain tangible personal property, sales of real property, sales of intangible personal property, or sales of services. The proposal would require that each law creating a sales tax exemption shall contain the single subject-matter of a single exemption and a legislative finding that the exemption advances or serves specified public purposes. The proposal also reduces, from 10% to 5%, the allowable annual increase in assessments of non-homestead property, but this provision would not apply to school district levies.

Status: Reported favorably by both committees of reference, now available for consideration by the full TBRC.

CP 7 – Sales Tax Exemptions/Review by Finance and Taxation Committee

This proposal would require the Legislature to establish, by May 1, 2009, a procedure to review each exemption from the tax on sales, use, and other transactions. The review must include consideration of whether the exemption meets certain principles of taxation. The review of exemptions shall not include a review of exemptions for sales of groceries, health services, prescription drugs, residential rent, electricity and heating fuel, items purchased for subsequent resale, intangible personal property, tangible personal property imported or produced for export, or purchases of agricultural products for further processing for resale. The proposal requires that, during the 2010 regular session, both houses of the legislature must vote on bills to repeal each exemption from the tax on sales, use, and other transactions codified as of November 4, 2008. Each bill must address the single subject-matter of a single exemption. Any additional state revenues gained as the result of this review of exemptions must be used to lower the tax rate on sales, use, and other transactions or to reduce the Required Local Effort component of property taxes. If approved by voters, the provisions of this proposal would expire January 1, 2011.

Status: Reported favorably by both committees of reference, on the March 7, 2008 agenda for consideration by the full TBRC.

SR 17 – Streamlined Sales Tax Project by Finance and Taxation Committee

This proposal would bring Florida law into compliance with the provisions of the Streamlined Sales and Use Tax Agreement and enables the state to petition for membership in the Agreement. The Streamlined Sales Tax Project has two components. First, states must adopt enabling legislation to allow a state to enter into an agreement with one or more states to simplify and modernize sales and use tax administration. Second, states must amend or modify their sales and use tax laws to achieve the simplifications and uniformity required by the participating states working together. CP 18 would accomplish the first step in the process and SR 17 would enact the second step by providing implementing legislation to conform state tax laws to other states' laws under the pact agreement. SR 17 addresses several administration issues, including the replacement of the Florida's bracket system with a rounding methodology to compute tax due on amounts less than one dollar. This change in methodology may cost Florida millions. In addition, Florida must bring certain definitions into alignment with other participating states. By conforming definitions, some transactions that are currently exempt in Florida may become taxable and some transactions that are currently taxable may become exempt. However, overriding these concerns, participation in this project will help Florida capture more than \$2 billion a year in sales tax on goods sold in Florida by out-of-state sellers.

Status: Reported favorably by both committees of reference and by the TBRC. *(CP 18 has also been reported favorably and is available for consideration by the full TBRC.)*

CP 21 – Property Tax Exemptions and Limitations by Commissioner Lacasa

This proposal was amended this week by the TBRC Finance and Taxation Committee. As amended, the proposal would revise provisions from Amendment 1 approved by voters in January 2008, including the exceptions that held school district levies harmless from revenue losses from the new homestead and non-homestead property tax exemptions. The proposal provides an exemption for non-homestead improved residential property in an amount equal to a percentage, beginning at 12.5% in 2009 and increasing to 25% thereafter, of the just value of such property. The proposal also provides that changes in assessments of non-homestead property must not exceed 5% of the assessment for the prior year. The proposal provides a similar exemption for homestead property in an amount equal a percentage (beginning at 12.5% in 2009 and increasing to 25% thereafter, of the just value of the homestead. This additional exemption replaces the additional \$25,000 homestead exemption from Amendment 1 and would apply only after the first \$50,000 of just value of the homestead property. This proposal also provides a ½¢ increase in the sales tax beginning in 2009 and ending in 2012. The proceeds of the additional sales tax would be used to replace lost property tax revenues to school districts.

Status: Reported favorably by one committee of reference, on the March 6, 2008 agenda for consideration by the second committee of reference.

CP 26 – Sixty-Five Percent Classroom Instruction by Commissioner Turbeville

This proposal requires that, beginning with the 2009-2010 school year, 65% of school funding received by school districts be spent on classroom instruction, rather than administration. Classroom instruction and administration must be defined by law. The legislature is also authorized to address differences in administrative expenditures by district for necessary services, such as transportation and food services.

Status: Reported favorably by both committees of reference, now available for consideration by the full TBRC.

SR 29 – Sales Tax Exemptions/Review by Finance and Taxation Committee

This proposal would create a joint legislative committee to provide periodic review of sales tax exemptions and evaluate them for conformance with the principles of taxation. In conducting its review, the committee must submit a report to legislative leadership recommending whether an exemption should be retained, modified, or repealed. At the next regular session, legislation must be filed to carry out the recommendations of the joint committee. Such legislation must be considered on an expedited schedule. The proposal specifies that the review of exemptions shall not include a review of exemptions for certain transactions, including the sale or use of services.

Status: Reported favorably by both committees of reference, now available for consideration by the full TBRC.

CP 30 – Class Size Limits by Governmental Services Committee

This proposal provides flexibility in compliance with class size requirements by making the class size limitations applicable to school averages for each grade grouping. The proposal would limit that flexibility by requiring that the maximum number of students assigned to each teacher could not exceed the established constitutional caps by more than five students.

Status: Reported favorably by one committee of reference, on the March 6, 2008 agenda for consideration by the second committee of reference.

CP 40 – Public Funding/Service Providers by Governmental Procedures

This proposal would supersede provisions of the State Constitution that limit the power of the government to fund or use private or sectarian entities to provide public services. The proposal would authorize individuals to choose among public and private or sectarian providers of state-funded public services for services such as health care and education.

Status: Reported favorably by one committee of reference, on the March 6, 2008 agenda for consideration by the second committee of reference.

CP 44 – Innovative Education Alternatives by Commissioner Martinez

This proposal specifies that public schools are the principal means for satisfying the state's duty to educate, but would authorize other innovative educational alternatives that allow students to obtain a high quality education.

Status: Failed in committee

SR 49 – Local Government Budgets by Commissioner Miller

This proposal requires each constitutional officer, board, or other taxing authority that obtains its revenue from ad valorem taxes to submit a line-item, zero-based budget to the county commission prior to the commission's budget hearings.

Status: Reported favorably by one committee of reference.

CP 50 – Elimination of Required Local Effort by Commissioner Levesque

This proposal provides that, beginning with the 2010-2011 fiscal year, the legislature may not require school districts to levy an ad valorem tax as a Required Local Effort for participation in the Florida Education Finance Program or a successor program. The legislature must replace the revenue impact of the elimination of RLE in an amount not less than the amount appropriated in the General Appropriations Act in the 2008-2009 fiscal year through a combination of the the repeal of sales tax exemptions, an increase of up to 1¢ in the sales and use tax, spending reductions within the state budget, revenue increases resulting from economic growth attributable to lower property taxes, and other revenues identified or created by the legislature. This proposal also reduces the allowable millage rate on property taxes levied for school purposes from 10 to 5 mills.

Status: Reported favorably by committee of reference, now available for consideration by the full TBRC

Another proposal of particular concern that was not considered this week is:

CP 45 – State and Local Government Spending Limits by Commissioner Hogan

This proposal would impose a spending limit on local school boards that is equal to the spending authorized by the district for the 2005-2006 fiscal year, adjusted annually for the percentage change in enrollment and inflation and for property tax revenue increases approved by voters. The proposal would also impose an ad valorem revenue limit on a school district equal to the ad valorem tax revenues collected in 2006, adjusted for inflation and changes in property values due to changes, additions, reductions, or improvements. The proposal provides that the electors within the school district may vote to suspend the spending limit for up to four years. The proposal imposes similar revenue and spending limits on other local governments.

The TBRC and two of its committees will be meeting again in Tallahassee March 6-7. CP 45 and several of the proposals discussed above are scheduled for consideration. We are working to develop and/or update issue briefs and talking points on several of these proposals and will post them on the FSBA website as soon as they are available. We will let you know when they have been posted and will keep you informed of the status of these proposals through our Daily Updates.

Class Size Reduction Legislation

As we have reported to you, members of some House Education Committees hope to develop legislation that will provide school districts some flexibility in complying with class size requirements and possibly avoid the need for a constitutional amendment. FEA initially proposed a strategy to offer school districts a temporary exemption from strict class size requirements when the district is faced with unexpected enrollment. FSBA and FADSS have been working with FEA and legislative staff to develop this idea further and, together, we have submitted draft legislation and engaged in meetings with House and DOE staff. The gist of this proposal would be that, when faced with unexpected enrollment at the district level, at the school level, or for a particular course offering on the secondary level, if the district school board determines that strict compliance with class size requirements is either not practical or would be educationally unsound and disruptive to students, the school board may declare the need for a "flexibility exception" that would allow for

larger class sizes. Under the “flexibility exception” class size caps could NOT be exceeded by more than 5 students. The exception would expire at the end of the school year, but it is the intent that this additional time would allow the school district to plan to accommodate the additional students in compliance with class size requirements. In addition, we have been working to include other improvements into the proposed legislation. In particular, we have worked to persuade legislators to eliminate the sanction for non-compliance that redirects operating dollars to capital purposes. In addition, separate legislation has been filed to address our concerns about charter schools that have not complied with class size requirements impacting compliant school districts. We also expect that there will be some flexibility for school districts that have not yet met class size caps to offer Pre-K programs. This legislation is scheduled to be workshopped in one of the House Education Committees next week. We will keep you apprised as this legislation moves forward.

Interim Bill Action

There were no interim committee meetings this week, so there is no bill action to report. However, several new education related bills have been filed and added to FSBA’s Tracking List. Please click [HERE](#) to view bills and related information currently on the FSBA Tracking List.

Important Legislative Dates

March 4, 2008	2008 Legislative Session Convenes
April 9 - 10, 2008	FSBA Day In the Legislature Conference
May 2, 2008	2008 Legislative Session Adjourns

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