

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Education Pre-K - 12 Appropriations Committee

BILL: CS/SB 6-C

INTRODUCER: Committee on Education Pre-K - 12 Appropriations and Senator Wise

SUBJECT: Education Appropriations

DATE: October 3, 2007      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Armstrong</u>	<u>Hamon</u>	<u>EA</u>	<u>Favorable/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

This bill amends several statutory provisions necessary to conform the statutes and the Special Appropriations Act making appropriations and reductions to appropriations for the 2007-2008 fiscal year. The bill:

- Authorizes a reduction in the Class Size Reduction operating categorical transfer up to the same percentage that the Class Size Reduction appropriation is reduced.
- Provides flexibility to use specified categorical allocations for classroom instruction, and requires documentation and reporting when flexibility is used. This statutory modification expires on July 1, 2008.
- Provides that if the appropriation for the FEFP is reduced, the Legislature is to designate the percent of the decline in the unweighted FTE students to be funded for the Declining Enrollment Supplement.
- Requires that funds for the Merit Award Program be released and distributed to eligible school districts on or before July 31, and distributed to eligible recipients by September 1, pursuant to the provisions of s. 1012.225 (2) (a), Florida Statutes.

- Provides that if funds available for the Excellent Teaching Program are insufficient for all payments, the payments for mentoring and related services shall be prorated among the eligible recipients.
- Provides expanded flexibility for school districts to use revenue from the 2 mill capital outlay ad valorem tax to pay for certain motor vehicles and property and casualty insurance, an operating expenditure. This statutory modification expires on July 1, 2008.
- Incorporates by reference the legislative calculations for the Florida Education Finance Program as adjusted for the appropriations and reductions to appropriations for the 2007-2008 fiscal year.
- Provides legislative intent that expenditures for classroom instruction shall not be reduced as a result of the 2007-2008 Special Appropriations Act.

This bill amends ss. 1003.03, 1011.62, 1011.71, 1012.225 and 1012.72, Florida Statutes.

## II. Present Situation:

Section 1003.03, F.S., provides that for any year if a school district has not achieved the required reduction in average class size, the Department of Education shall calculate an amount from the district's Class Size Reduction operating categorical which is proportionate to the amount of class size reduction not accomplished. Upon verification of the calculation by the Florida Education Finance Program Allocation Conference, the Executive Office of the Governor shall transfer undistributed funds equivalent to the calculated amount from the district's Class Size Reduction operating categorical to an approved fixed capital outlay appropriation for the district's use.

Section 1011.62(6), F.S., provides that, if the district school board adopts a resolution that finds and declares that funds received for Student Transportation, Safe Schools, or Supplemental Academic Instruction are urgently needed to maintain school board specified academic classroom instruction, the board may approve an amendment to the district's operating budget transferring the identified amount of the categorical funds to the appropriate account for expenditure. The school district must report to the Department of Education the amount of each such transfer and the specific academic classroom instruction for which the transferred funds were expended.

Section 1011.62(8), F.S., provides that in those districts where there is a decline between prior year and current year unweighted FTE students, 50 percent of the decline shall be multiplied by the unweighted FTE students by the prior year base student allocation and then by the district cost differential. This amount shall be added to the current year allocation for the district (the Declining Enrollment Supplement of the Florida Education Finance Program).

Section 1012.225(2), F.S., provides that Merit Award Program payments to each eligible employee shall be made by September 1 of the following school year. A school year covers the period July 1 to June 30, the same fiscal year period as the General Appropriations Act. The 2007-2008 General Appropriations Act appropriated funds for Merit Award payments which can not be distributed to eligible employees until the following fiscal year. The general policy of the

Legislature is that recurring appropriations should be provided for necessary expenditures in the same fiscal year in which the finds are appropriated.

Section 1011.71(3), F.S., provides that a district that has met the reduction requirements regarding class size for the current year pursuant to s. 1003.03, F.S., has received an unqualified opinion on its financial statements for the preceding 3 years, has no material weaknesses or instances of material noncompliance noted in an audit for the preceding 3 years, and certifies to the Commissioner of Education that all of the district's instructional space needs for the next 5 years can be met from capital outlay sources that the district reasonably expects to receive during the next 5 years from local revenues and from currently appropriated state facilities funding or from alternative scheduling or construction, leasing, rezoning, or technological methodologies that exhibit sound management, may expend revenue generated by the millage levy authorized by subsection (2) to fund, in addition to expenditures authorized in paragraphs (2)(a)-(j), the following:

- (a) The purchase, lease-purchase, or lease of driver's education vehicles; motor vehicles used for the maintenance or operation of plants and equipment; security vehicles; or vehicles used in storing or distributing materials and equipment.
- (b) Payment of the cost of premiums for property and casualty insurance necessary to insure school district educational and ancillary plants. Operating revenues that are made available through the payment of property and casualty insurance premiums from revenues generated under this subsection may be expended only for nonrecurring operational expenditures of the school district

Section 1012.72, F.S., provides for the following payments to participants in the excellent teaching program:

- 90% of the application fee,
- \$150 for portfolio-preparation,
- a 10% annual bonus, equal to the prior year's statewide average salary for classroom teachers, for each employee holding National Board of Professional Teacher Standards certification who demonstrates satisfactory performance, and
- an additional 10% annual bonus, for each employee who meets the requirements for a 10% bonus for certification, and also agrees in writing to provide the equivalent of 12 workdays of mentoring and related services to public school teachers who do not hold NBPTS certification. The mentoring and related services shall be provided during student contact time during the 196 days of required service for the school year.

In Ch. 2007-073, Laws of Florida, a document entitled "Public School Funding – The Florida Education Finance Program" is incorporated by reference. This document is filed with the Secretary of the Senate for the purpose of displaying the calculations used by the Legislature consistent with the requirements of Florida Statutes, in making appropriations and reductions in appropriations for the Florida Education Finance Program.

### **III. Effect of Proposed Changes:**

Section 1 amends s. 1003.03(4), F.S., to authorize a reduction in the Class Size Reduction operating categorical transfers for class size reduction noncompliance up to the same percentage

that the Class Size Categorical appropriation is reduced. This provision aligns the Class Size Reduction budget reduction amount with the Class Size Reduction transfer amount.

Section 2 amends s. 1011.62(6), F.S., to expand the list of categorical funded allocations that school districts have flexibility to access when urgently needed to maintain academic classroom instruction. The Reading Allocation, the ESE Guaranteed Allocation, and the Instructional Materials Allocation are added to the existing three categoricals: Student Transportation, Safe Schools, and Supplemental Academic Instruction. Districts may use Instructional Materials funds for classroom instruction if the district has completed all instructional materials purchases for the fiscal year, but no sooner than March 1, 2008. Accountability is also expanded by requiring the Department of Education to provide a report to the Legislature that identifies the specific funds transferred and the specific academic classroom activity for which they were expended. If a district transfers funds from its Reading Allocation it must also submit an amendment to its approved reading plan describing the changes made. Additional flexibility in light of tighter budgets enables districts to use additional sources of funds to maintain classroom instruction.

In addition, s. 1011.62(8), F.S., is amended to provide that when there is a reduction in the appropriation for the Florida Education Finance Program, the Legislature shall designate the percent of the decline in unweighted FTE students to be funded for the Declining Enrollment Supplement. The effect is to provide a comparable reduction in funding for both current year FTE students and in the funding for the decline from the prior year.

Section 3 repeals the new categorical flexibility provided in Section 2 on July 1, 2008.

Section 4 amends s. 1011.71 (3), F.S., to remove the audit compliance standard for school districts to earn flexibility to use 2 mill fixed capital outlay ad valorem tax revenue to pay for specified operating expenditures. The bill strikes the following with regard to school district eligibility for flexibility: "...has received an unqualified opinion on its financial statements for the preceding 3 years, has no material weaknesses or instances of material noncompliance noted in an audit for the preceding 3 years,..." School districts that meet the requirements of s. 1011.71 (3), F.S., have the flexibility to use revenue from their 2 mill capital outlay ad valorem tax to purchase, lease-purchase, or lease driver's education vehicles; motor vehicles used for the maintenance or operation of plants and equipment; security vehicles; or vehicles used in storing or distributing materials and equipment and for the payment of the cost of premiums for property and casualty insurance necessary to insure school district educational and ancillary plants, an operating expenditure. Operating revenues that are made available through the payment of property and casualty insurance premiums from revenues generated under this subsection may be expended only for nonrecurring operational expenditures of the school district.

Section 5 repeals the 2 mill revenue flexibility provided in Section 4 on July 1, 2008.

Section 6 amends s. 1012.225(1), F.S., to provide that the appropriation and expenditure of funds for the Merit Award Program shall be made in the same fiscal year. Funds shall be released and distributed to eligible school districts on or before July 31 for distribution to eligible recipients by September 1, pursuant the provisions of Section 1012.225(2)(a), F.S.

Section 7 amends s. 1012.72, F.S., to provide that if funds available for the Excellent Teaching Program are insufficient for all payments, the bonus payments for mentoring and related services shall be prorated among the eligible recipients. This provision helps maintain accuracy in the appropriations and budgeting process; it will protect against potential shortfalls, “over” appropriations, and will better align appropriations and expenditures.

Section 8 incorporates by reference the document entitled “Public School Funding – The Florida Education Finance Program.” This document is filed with the Secretary of the Senate for the purpose of displaying the calculations used by the Legislature consistent with the requirements of Florida Statutes, in making appropriations and reductions in appropriations for the Florida Education Finance Program.

Section 9 provides legislative intent that any reductions in expenditures by school districts in response to any of the appropriations reductions for the Florida Education Finance Program for the 2007-2008 fiscal year shall be in functions other than classroom instruction.

Section 10 provides that the act is effective upon becoming a law.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

None.

#### **V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

### C. Government Sector Impact:

The Class Size Reduction operating categorical appropriation in the 2007-2008 General Appropriations Act is reduced by 0.70% in SB 26C. Any school district that is required to transfer Class Size Reduction operating categorical funds to a capital outlay fund because of class size reduction noncompliance may have the amount of the transfer reduced by up to 0.70%. These amounts will not be known for 2007-2008 until the January/February time period in 2008.

The categorical flexibility provision which adds the Reading Allocation, the ESE Guaranteed allocation, and the Instructional Materials Allocation as potential sources of funds for classroom instruction if shortfalls occur, does not change appropriations. It does, however, give school boards more local funding options for classroom instruction as a result of tighter budgets. This flexibility is repealed on July 1, 2008.

Relaxing the audit compliance standard for districts to be able to use 2 mill capital outlay ad valorem tax revenue to purchase certain motor vehicles and for the payment of premiums for property and casualty insurance gives school boards additional local funding options when faced with tighter budgets. It is not known at this time how many districts will benefit from this provision. This flexibility is repealed on July 1, 2008.

Funds provided in the 2007-2008 General Appropriations Act for the base student allocation in the Florida Education Finance Program are reduced in the Senate proposed Special Appropriations Act for the 2007-2008 fiscal year by -\$29.01 or .70%. To achieve a comparable reduction in the funding for the decline in unweighted FTE students for the Declining Enrollment Supplement, the percentage funded would be 49.65%. This percentage would reduce the Declining Enrollment Supplement by \$331,321 in SB 26C.

The 2007-2008 General Appropriations Act appropriated \$147,500,000 for Merit Award Program payments to be disbursed in the 2008-2009 fiscal year. Because these funds cannot be paid to teachers during the 2007-2008 fiscal year, this appropriation is reduced by \$147,500,000 for the current fiscal year. Funds needed for disbursement by September 1, 2008 for teacher performance in school year 2007-2008 can be appropriated in the 2008-2009 General Appropriations Act that becomes effective July 1, 2008. This requires no change in the implementation of the Merit Award Program.

Payments for providing mentoring and related services from the appropriation for the Excellent Teaching Program are not made until the end of the school year, and at the time of the appropriation it is not known how many employees will agree in writing to provide mentoring and related services. If available funds are insufficient to pay in full all payments, the payment for providing mentoring and related services is to be prorated among all eligible recipients. This provision should minimize "over" appropriation. SB 26C removes excess appropriation for the Excellent Teaching program in the amount of \$13,150,000 which is based on a recent history of significant reversions of excess funds.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

The Committee Substitute amends several statutory provisions necessary to conform the statutes and the Special Appropriations Act making appropriations and reductions to appropriations for the 2007-2008 fiscal year. The bill:

- Authorizes a reduction in the Class Size Reduction operating categorical transfer up to the same percentage that the Class Size Reduction appropriation is reduced.
- Provides flexibility to use specified categorical allocations for classroom instruction, and requires documentation and reporting when flexibility is used. This statutory modification expires on July 1, 2008.
- Provides that if the appropriation for the FEFP is reduced, the Legislature is to designate the percent of the decline in the unweighted FTE students to be funded for the Declining Enrollment Supplement.
- Requires that funds for the Merit Award Program be released and distributed to eligible school districts on or before July 31, and distributed to eligible recipients by September 1, pursuant to the provisions of s. 1012.225 (2) (a), Florida Statutes.
- Provides that if funds available for the Excellent Teaching Program are insufficient for all payments, the payments for mentoring and related services shall be prorated among the eligible recipients.
- Provides expanded flexibility for school districts to use revenue from the 2 mill capital outlay ad valorem tax to pay for certain motor vehicles and property and casualty insurance, an operating expenditure. This statutory modification expires on July 1, 2008.
- Incorporates by reference the legislative calculations for the Florida Education Finance Program as adjusted for the appropriations and reductions to appropriations for the 2007-2008 fiscal year.
- Provides legislative intent that expenditures for classroom instruction shall not be reduced as a result of the 2007-2008 Special Appropriations Act.

This bill amends ss. 1003.03, 1011.62, 1011.71, 1012.225 and 1012.72, Florida Statutes.

**B. Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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