

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 Committee

BILL: SB 2254

INTRODUCER: Senator Detert

SUBJECT: School District Funding

DATE: March 14, 2009 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	deMarsh-Mathues	Matthews	ED	Favorable
2.	_____	_____	EA	_____
3.	_____	_____	WPSC	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill allows a district school board to transfer funds for safe schools, supplemental academic instruction, supplemental reading instruction, the Teachers Lead Program, and the Florida School Recognition Program from its operating budget to the appropriate account for expenditures. The bill expands the flexibility that currently exists for districts to transfer categorical funds by providing that the funds may be used for operating purposes. The authority to transfer and use these funds is repealed June 30, 2010.

The bill allows the expenditure cap on capital millage funds to be permanently used for property and casualty insurance and driver's education and maintenance vehicles. Under the bill, the purchase or lease of major enterprise resource software is an allowable expenditure retroactive to July 1, 2007.

This bill creates an undesignated section of law and substantially amends s. 1011.71, F.S.

II. Present Situation:

Categorical Funds

Current law provides that categorical funds may be appropriated for specific programs, purposes, and activities.¹ If a district school board adopts a resolution indicating that the funds received for categorical appropriations are urgently needed to maintain academic classroom instruction, the board may approve an amendment to the school district's operating budget transferring the

¹ s. 1011.62(6), F.S.

categorical funds to the appropriate account for expenditure. The transfer may be made for categorical funds for student transportation, safe schools, and supplemental academic instruction. In 2008, the Legislature provided for the transfer of funds for research-based reading instruction and instructional materials if all instructional material purchases were completed for that fiscal year, but no sooner than March 1, 2009.² Effective July 1, 2009, this flexibility will apply only to funds for student transportation, safe schools, and supplemental academic instruction.³

Teachers Lead Program

The Florida Teachers Lead Program stipend provides funds to full-time, certified classroom teachers for the purchase of classroom materials and supplies used in the instruction of students in kindergarten through grade 12. Funding for the program is determined by the Legislature in the General Appropriations Act. The Commissioner of Education must calculate each school district's share of the funds based on the school district's share of the total K-12 unweighted full-time equivalent (FTE) student enrollment.⁴ Each district school board must calculate an identical amount for each eligible classroom teacher.

District school boards must disburse the funds no later than September 30 of each year directly to each teacher as a stipend to purchase classroom materials and supplies to be used in the instruction of students assigned to that teacher. In 2008-2009, \$36,793,433 was appropriated for the program and classroom teachers received approximately \$200 each.⁵

Florida School Recognition Program

The Florida School Recognition Program allows higher performing schools to receive additional funds based upon school grades.⁶ Under the program, financial awards are directed to public schools as an incentive for improved performance among faculty and staff. Eligibility to participate in the program is based upon the grade assigned to each school under the state's grading system. Schools that receive a grade of "A" or improve at least one letter grade or improve more than one letter grade and sustain the improvement in the following school year are eligible to receive a financial award under the program.

The staff and school advisory council at each recognized school jointly decide how to use the financial award. Schools must use their awards for one or any combination of the following:

- Nonrecurring faculty and staff bonuses;
- Nonrecurring expenditures for educational equipment and materials; or
- Temporary personnel to assist in maintaining or improving student performance.

² ch. 2008-142, L.O.F.

³ *Id.*

⁴ s. 1012.71(1), F.S.

⁵ DOE, March 15, 2009. Unexpended funds are returned to the district school board at the end of the regular school year for deposit into the school advisory account of the school where the teacher was employed at the time of receiving the funds or for deposit into the Florida Teachers Lead Program account of the school district in which the charter school is sponsored, as applicable.

⁶ s. 1008.36, F.S.

If school staff and the school advisory council cannot reach agreement by November 1, the awards must be equally distributed to all classroom teachers currently teaching in the school. The funds disbursed through the program are subject to appropriation by the Legislature through the General Appropriations Act. The Legislature provided for awards of \$85 per student for the 2008-2009 school year through this program, and a total of \$147,235,894 was expended for this purpose.⁷ The source of the Florida School Recognition Program funds is the Education Enhancement Trust Fund, which includes the net proceeds of the Florida Lottery and the tax proceeds on slot machines in Broward County.

Capital Improvement Millage Flexibility (1.75 Mills)

Section 1011.71, F.S., authorizes school districts to levy up to 1.75 mills against the taxable value for school purposes for capital improvement purposes for the school district. In the 2009 Special Session, the Legislature amended the law to allow all districts to spend discretionary capital funds for the payment of premiums for property and casualty insurance and the lease or purchase of driver's education and maintenance vehicles. The cap was increased for this purpose from \$65 to \$100 per student for two years (July 1, 2008 through June 30, 2010).⁸ Operating revenues that are made available through the payment of property and casualty insurance premiums from discretionary capital millage revenues may be expended only for nonrecurring operational expenditures of the school district.

The law allows districts to use capital improvement revenue to purchase, lease-purchase, or lease new and replacement equipment. Effective July 1, 2008, districts may use discretionary capital funds to pay for major enterprise resource software applications that are classified as capital assets according to Governmental Accounting Standards definitions, have a minimum useful life of five years, and used for district-wide administration or state-mandated reporting requirements.⁹

If an audit discloses a violation of the expenditures for property and casualty insurance, motor vehicles, and software applications, the Commissioner of Education must provide for an equal-dollar reduction in the Florida Education Finance Program (FEFP) funds the fiscal year following the audit citation for the district.¹⁰ However, if the Commissioner determines that a school district acted in good faith, he or she may waive the equal-dollar reduction for expenditures for property and casualty insurance made between May 1 and December 31, 2007, and for the audit findings for the 2006-2007 fiscal year related to the purchase of software.

III. Effect of Proposed Changes:

The bill allows a district school board to transfer funds for safe schools, supplemental academic instruction, supplemental reading instruction, the Teachers Lead Program, and the Florida School Recognition Program from its operating budget to the appropriate account for expenditures. The bill expands the flexibility that currently exists for districts to transfer funds from student transportation categorical funds, safe schools, supplemental academic instruction, and the

⁷ DOE, March 15, 2009.

⁸ ch. 2009-3, L.O.F.

⁹ *Id.*, codified in s. 1011.71(2)(d), F.S.

¹⁰ s. 1011.71(5), F.S.

reading allocation by providing that the funds may be used for operating purposes. Currently, the funds may only be transferred for specified academic classroom instruction.

To use this flexibility, a school board must adopt a resolution indicating that funds are urgently needed to maintain school board operating expenses and approve an amendment to the district's 2009-2010 operating budget to transfer the funds. The authority to transfer and use these funds is repealed June 30, 2010. The bill also requires legislative review of the transfer of funds in the fiscal year in which the transfers occur. The DOE notes that districts would have to amend their operating budgets and the board resolutions and report the transfer of funds to the DOE as they occur, rather than at the end of the fiscal year in the annual financial report. The DOE also noted that some clarification may be needed as to how the school boards are to report resolutions and transfers to the Legislature (i.e., if the DOE will collect this information from the districts or if the districts must report directly to the Legislature). The bill creates an undesignated section of law but does not amend s. 1011.62(6)(b), F.S. It may be advisable to amend the current law to clarify how the funds may be used in 2009-2010.

The bill allows the expenditure cap on capital millage funds to be permanently used for property and casualty insurance and driver's education and maintenance vehicles. Under the bill, the purchase or lease of major enterprise resource software is an allowable expenditure retroactive to July 1, 2007. It is unclear how this provision will affect any equal-dollar reductions for audit findings in prior fiscal years.

Other Potential Implications:

The bill may provide school districts with additional flexibility to more effectively manage programs and funds at a time of economic uncertainty.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill provides school districts to exercise additional flexibility by allowing them to transfer funds from two additional sources (i.e., funds for the Teachers Lead Program and the School Recognition Program) to the general fund.

Under current law, payments for property and casualty premiums and purchase or lease of driver's education and maintenance vehicles are allowable expenditures of capital improvement revenue until June 30, 2010. The bill provides districts with greater fiscal flexibility by permanently allowing them to pay for property and casualty premiums and for the purchase or lease of driver's education and maintenance vehicles from the districts' discretionary capital improvement millage revenue up to \$100 per FTE, instead of out of the general fund for operations.

The bill includes major enterprise resource software as an allowable expenditure retroactive to July 1, 2007.

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.)

None.

B. Amendments:

None.