

STORAGE NAME: h0077B.frc.doc
DATE: October 24, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
EDUCATION APPROPRIATIONS
ANALYSIS**

BILL #: HB 77B (PCB FRC 01-13B)
RELATING TO: Public School Funding
SPONSOR(S): Fiscal Responsibility Council & Rep. Lynn
TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) FISCAL RESPONSIBILITY COUNCIL YEAS 25 NAYS 1
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill provides district school boards flexibility to spend categorical funds appropriated in the 2001-02 General Appropriations Act for essential classroom instruction.

This bill also provides, for the 2001-02 fiscal year only, authority for district school boards to use, in the district general operating budget, revenue generated by up to 0.5 mills of discretionary capital improvement millage, not to exceed \$183 per FTE student. If the proceeds from 0.5 mills of discretionary capital improvement millage will produce less than \$183 per student, state funds will be provided in an amount that when combined with the proceeds from 0.5 mills will equal \$183 per FTE student.

The bill establishes procedures for accountability and reporting.

The bill repeals paragraph 7 of proviso language for Specific Appropriation 118, Chapter 2001-253, Laws of Florida, which provides for calculation of a minimum guaranteed level of funding in the 2001-2002 General Appropriations Act.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The September 11, 2001 terrorist attacks on America and other economic factors have caused a reduction in Florida revenue collections for the 2001-02 fiscal year. The projected reduction in recurring General Revenue is approximately \$1.3 billion in the current year and \$1.5 billion, or 7.8 percent in fiscal year 2002/2003. The state constitution prohibits deficit spending; therefore, the Legislature must reduce the state budget for 2001-02. Approximately 53% of the total state General Revenue Fund is appropriated for Education. The effect of a 7.5% reduction in the General Revenue appropriations for the Florida Education Finance Program is approximately \$550 million, and the combined effect on total state and local formula funds for public school operations is 4.3 percent. Since the required reduction has to be made at mid-year of the budget, implementing spending reductions is more difficult because a half-year of the expenditures have already occurred.

C. EFFECT OF PROPOSED CHANGES:

To mitigate the mid-year reduction of approximately \$550 million in state General Revenue Funds for the Florida Education Finance Program this bill provides flexibility for school boards to use certain previously restricted funds in combination with other available funds for classroom instruction and provides flexible use of up to \$446 million or \$183 per FTE student of combined nonrecurring capital improvement millage revenue and state funds.

Funding for categorical programs and other funding allocations which school boards are given flexibility to transfer to specified academic classroom instruction include: Student Transportation, Teacher Training, Safe Schools Activities, Public School Technology, Teacher Recruitment Signing Bonuses, and Supplemental Academic Instruction. Accountability and reporting procedures are specified.

If the proceeds from 0.5 mills of capital improvement millage produces less than \$183 per student, state appropriated funds will be provided so that the combined millage and state funds equal \$183 per FTE student. Districts that have not levied discretionary capital improvement millage may use other available local funds in lieu of proceeds from discretionary capital improvement millage.

D. SECTION-BY-SECTION ANALYSIS:

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

State funds of \$104 million are required to match local funds in order to ensure the availability of \$183 per FTE student. These funds are appropriated in Specific Appropriations 1 and 47 of the Special Session Appropriations Act.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill allows school boards flexibility to use certain earmarked categorical program funds for classroom instruction. Also, it provides the flexibility to use for operating purposes during the 2001-02 fiscal year approximately \$446 million in combined nonrecurring funds from the proceeds of up to 0.5 mills of discretionary capital improvement millage, not to exceed \$183 per FTE and equalized matching state funds. The state equalized matching funds are approximately \$104 million.

2. Expenditures:

The categorical program funds, which may be flexibly used by school districts, are to be spent for school board specified academic classroom instruction. Up to \$446 million of combined proceeds for 0.5 mills of capital improvement millage and state equalized matching funds may be spent for district operations.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The flexibility provided district school boards, for remainder of the 2001-02 fiscal year only, to expend for classroom instruction previously restricted funds should mitigate any need to layoff teachers.

D. FISCAL COMMENTS:

The primary purpose of this bill is to protect classroom instruction during this time of revenue reductions.

At the time the 2001-2002 General Appropriations Act was enacted the Legislature specified that a minimum guaranteed level of funding shall be calculated to provide each school district a 1.0 percent increase per unweighted full-time equivalent student over the amount per unweighted FTE K-12 student funded in the 2000-2001 FEFP. In the Special Session Appropriations Act the appropriation for the 2001-2002 FEFP is reduced approximately \$550 million, and the Legislature had specified that an identical percentage reduction shall be calculated for each school district based on total potential funds in the second calculation of the FEFP. The proviso relating to a minimum guaranteed increase of 1.0 in the 2001-2002 General Appropriations Act conflicts with the provision in the Special Session Appropriation Act requiring an identical percentage reduction in funds for each district and must be repealed.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

FISCAL RESPONSIBILITY COUNCIL:

Prepared by:

Staff Director:

William Cecil Golden

David Coburn