

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 Committee on Appropriations

BILL: CS/SB 1128

INTRODUCER: Education Postsecondary Committee and Senator Martin

SUBJECT: University Carry Forward Balances

DATE: February 14, 2024

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|---------|----------------|-----------|-------------|
| 1. | Jahnke | Bouck | HE | Fav/CS |
| 2. | Gray | Elwell | AED | Favorable |
| 3. | Gray | Sadberry | AP | Pre-meeting |

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1128 authorizes a state university to retain and report a reserve balance exceeding seven percent. The bill also authorizes a university's carry forward spending plan to include a reserve fund for authorized expenses.

This bill does not have an impact on state revenues. See fiscal, section V.

This bill takes effect July 1, 2024.

II. Present Situation:

Generally, at the end of each fiscal year, state operational funds for state agencies and departments revert to the fund from which they were appropriated for reappropriation by the Legislature.¹ However, unexpended amounts in any fund in a university current year operating budget are carried forward and included as the balance forward for that fund in the approved operating budget for the following year.²

¹ Section 216.301, F.S.

² Section 1011.45, F.S.

End-of-Year Carry Forward Balances

Each state university is required to maintain a minimum carry forward balance of at least seven percent of its state operating budget. If a university fails to maintain a seven percent balance in state operating funds, the university is required to submit a plan to the Board of Governors (BOG) to attain the seven percent balance in state operating funds within the next fiscal year.³

If a university retains a state operating fund carry forward balance in excess of seven percent, it must submit a spending plan for the excess carry forward balance to the university's board of trustees by September 30. The BOG must review, approve, and amend, if necessary, each university's carry forward spending plan by November 15. A university's carry forward spending plan must include the estimated cost per planned expenditure and a timeline for completion of the expenditure. The authorized expenditures in the spending plan include:

- Commitment of funds to a public education capital outlay project for which an appropriation has previously been provided that requires additional funds for completion.
- Completion of a renovation, repair, or maintenance project or replacement of a minor facility.
- Completion of a remodeling or infrastructure project, including a project for a developmental research school, if such project is survey recommended.
- Completion of repair or replacement project necessary due to damage caused by a natural disaster.
- Operating expenditures that support the university mission.
- Any purpose specified by the board or in the General Appropriations Act.
- A commitment of funds to a contingency reserve for expenses incurred as a result of a state of emergency declared by the Governor.⁴

Annually, by September 30, the chief financial officer of each university is required to certify the unexpended amount of funds appropriated to the university from the General Revenue Fund, the Educational Enhancement Trust Fund, and the Education/General Student and Other Fees Trust Fund as of June 30 of the previous fiscal year.⁵

A university is authorized to spend the minimum carry forward balance of seven percent if a demonstrated emergency exists and the plan is approved by the university's board of trustees and the BOG.⁶

Florida Auditor General Operational Audit

In an operational audit of the Board of Governors for the State University System the Florida Auditor General (AG) included a finding related to state university carryforward spending plans. The AG found that carryforward spending plans at two universities included reserves for various non-recurring expenses during the year. Despite reports of a legitimate need for these reserves

³ Section 1011.45(1), F.S.

⁴ Section 1011.45, F.S.

⁵ Section 1011.45(4), F.S.

⁶ Section 1011.45(5), F.S.

for contingencies, the AG found that Florida law only allows reserves for expenses under a declared state of emergency; other reserves were not allowed.⁷

III. Effect of Proposed Changes:

This bill modifies s. 1011.45, F.S., by authorizing a state university to retain and report to the Board of Governors an annual reserve balance exceeding seven percent. The bill also authorizes a university's carry forward spending plan to include a reserve fund for authorized expenses.

This bill takes effect July 1, 2024.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

⁷ State of Florida Auditor General, *Operational Audit, State University System Board of Governors* (Report No. 2023-049, Nov. 2022), available at https://flauditor.gov/pages/pdf_files/2023-049.pdf (last visited Jan. 17, 2024).

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 1011.45 of the Florida Statutes.

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

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

CS by Education Postsecondary on January 16, 2024:

The committee substitute adds the authorization for a state university to retain and report to the Board of Governors an annual reserve balance exceeding seven percent. The committee substitute maintains the authorization of a state university spending plan to include retention for the carry forward balance as a reserve fund, but specifies that the reserve carry forward balance funds are to be used for authorized expenses in subsequent years.

B. Amendments:

None.