

**FLORIDA SCHOOL LABOR RELATIONS SERVICE  
FISCAL YEAR (FY) 2016-2017 REVENUE ESTIMATING CONFERENCES REPORT**

The process of creating a final state budget has five parts. The first is the development of the long-range financial outlook, which creates a three-year forecast of potential needs for state general revenue. The second is the creation of a series of forecasts of the revenues predicted to be available in the appropriations process. The third is the creation of proposed General Appropriations Acts by the House and the Senate. The fourth is the reconciliation of those competing budgets in the conference committee process and the publication and passage of a final conference report. The final step is the review of the budget by the Governor, and the delivery of any vetoes to the Senate and the House.

The second phase of the process was completed with the publication of the General Revenue forecast on January 19. The estimating conferences that impact the school district are the Principal State School Trust Fund, the Education Enhancement Trust Fund, the Ad Valorem Revenue, the General Revenue, the K-12 Student Enrollment, and the PECO Revenue Estimating Conferences. The data from the estimating conferences will be used to provide the initial allocations from the presiding officers to the appropriations committee and subcommittee chairs. The Education Appropriations Subcommittees will begin their work for FY 2016-2017 during the week of January 25.

The only comprehensive FY 2016-2017 budget document presently available is the Governor's recommended budget, which was released late last year. The analysis of that budget included the observation that, despite the fact that the Governor's budget is merely a recommendation, and the Legislature is the body given appropriations' authority, the total revenue directed to the Florida Education Finance Program in the Governor's budget probably represents about what the final product will include, barring events that severely reduce revenues. The new forecasts will be compared to the forecasts used by the Governor's Office to prepare his recommended budget to provide additional context.

**UNCLAIMED PROPERTY/THE PRINCIPAL STATE SCHOOL TRUST FUND**

The most recent Principal State School Trust Fund (PSSTF) Revenue Estimating Forecast was completed January 8, 2016. The report projected \$163.1 million in recurring revenue and \$57.5 million in non-recurring revenue for a total of \$220.6 million. The October 16, 2015 Conference projected \$160.1 million in recurring funds and \$50.5 million in non-recurring funds for a total of \$210.6 million. The Governor proposed spending \$210.5 million from this source. In FY 2015-2016 the Legislature chose to keep \$14.5 million in recurring revenue and \$36.0 million in non-recurring revenue from this fund source in reserve. This is consistent with the Legislature's prudent fiscal decision making. The new PSSTF estimating conference does project enough revenue to cover the Governor's recommended expenditure, and it would leave a reserve of \$10.1 million, which is less than previous reserves.

**EDUCATIONAL ENHANCEMENT TRUST FUND**

The most recent revenue estimating conference for the Educational Enhancement Trust Fund (EETF), the Lottery, was completed on January 6, 2016. The Estimating Conference projected \$1.7395 billion in recurring revenue and \$101.9 million in non-recurring revenue for a total of \$1.8414 billion. The forecast from the October 16, 2015 Conference projected \$1.7181 billion in recurring revenue and \$75.1 million in non-recurring revenue for a total of \$1.7932 billion. The Governor recommended spending \$1,791,159,772 of the revenue projected to be available at that time, leaving a reserve of only \$2,040,228. In FY 2015-2016 the Legislature left \$49.1 million in recurring revenue and \$52.8 million in non-recurring revenue for a total of \$101.9 million in reserves. The new forecast projects about \$48.2 million in additional revenue from the Lottery. If the Governor's recommended expenditures were adopted there would be reserves in the EETF of about \$50.2 million. That is less than half of what the Legislature chose to keep in reserves for the current fiscal year, but the current forecast does project enough revenue to cover the Governor's recommended expenditure.

## **AD VALOREM REVENUE FOR LOCAL FEFP FUNDS**

The most recent Ad Valorem Revenue Estimating Conference was completed on December 23, 2015. The Conference projected a total of \$9.3254 billion of total local funds from the Required Local Effort (RLE) and the .748 mill local discretionary operating millage. The previous forecast, which was completed on July 29, 2015, projected \$9.2244 billion in total local funds. The new forecast has an increase of about \$101 million of total local funds. The Governor recommended spending \$9.2003 billion in total local funds in his budget proposal. That left about \$224.1 million in funds unspent, either to address shortfalls in tax collections, changes in the Certified School Taxable Value, or impacts from the 90% limit on local funds for district operations. In the FY 2015-2016 Second Calculation the Legislature committed \$8.773 billion in total local funds, from a total forecast of \$8.777 billion in total local funds. Because the millage rates for the RLE adjust to address changes in the certified school taxable value, the Legislature can appropriate more of the total projected revenue without regard to the maintenance of a contingency, because the millage rate will adjust to meet the mandatory appropriation for the RLE. It is clear that the most recent revenue forecast can support the Governor's recommended expenditure of total local funds for the FEFP, and the new forecast could actually support providing additional local funds.

Clearly the new forecast can support the Governor's recommendation. However there is concern among some legislators about continuing to levy the same RLE millage rate and collecting increased amounts of revenue from local property tax payers. It is unknown at this time whether the Legislature will choose to continue its recent policy of maintaining the established millage rate and collecting more revenue for public schools from local property taxes if property improvements enhance the tax rolls.

## **STATE GENERAL REVENUE**

The most recent General Revenue Estimating Conference completed work on January 19, 2016. State General Revenue is the main source of dollars for all sections of the state budget not supported by state or Federal trust funds. The state budget totals about \$80 billion dollars. That amount does not include about \$9 billion in local funds appropriated in the General Appropriations Act through the Florida Education Finance Program (FEFP). State and Federal trust funds total about \$50 billion of the Governor's proposed \$79 billion budget.

The January 19, 2016 General Revenue Financial Outlook Statement projects a total of \$29.576.6 billion in recurring state General Revenue and about \$1.6806 billion in non-recurring state general revenue. The October 16 General Revenue Financial Outlook Statement projected about \$29.8806 billion in recurring state General Revenue and about \$1.7722 billion in non-recurring state General Revenue.

The new forecast projects about \$304 million less recurring state General Revenue and about \$91.6 million less in non-recurring state General Revenue, for a total decrease of \$395.6 million. A loss of almost \$400 million in General Revenue will have a significant impact on the eventual state budget. The new forecast projects a growth in recurring state General Revenue of \$1.1404 billion and a decline in non-recurring state general revenue of \$889.7 million compared to the FY 2015-2016 General Revenue forecast. Total state general revenue is now projected to grow only about \$250.7 million from FY 2015-2016. The projected new total state General Revenue of \$31.2572 billion exceeds the current effective appropriations of \$29.3519 billion by about \$1.9053 billion.

The Legislature has historically refrained from appropriating about four percent of total state General Revenue, and retained that sum as a reserve against economic uncertainty. Statements from the leaders of the Legislature indicate every intention of continuing this fiscally prudent behavior. This would mean that the Legislature would retain about \$1.25 billion in reserves and would have about \$655.3 million to use to pay for growth, increased costs, and Legislative funding priorities.

The Governor is seeking tax cuts totaling about another \$1 billion and a spending priority of about \$250 million to pay for incentives that it is claimed would help encourage business relocations to Florida. Together those two priorities are almost twice the amount of available new state General Revenue, assuming the Legislature continues its historically prudent fiscal policy of maintaining General Revenue reserves of at least four percent. For the Governor's tax and spending priorities to be realized the

Legislature would have to cut General Revenue funds from other priorities, and fund no other new costs, or reduce the contingency they have historically chosen to retain.

The Governor actually recommended spending about \$7,400,309,041 in state General Revenue in the FEFP, and about \$2,850,973,306 in the Class Size Reduction categorical fund. This was actually a reduction of about \$87.9 in state General Revenue from the amount appropriated in the FY 2015-2016 FEFP First Calculation. The Governor recommended spending about \$167.9 million in additional funds from the Lottery and the PSSTF to replace the reduction in the amount of General Revenue used, and provide for the \$80 million increase in total state funds he recommended in his budget proposal.

### **K-12 FTE ENROLLMENT**

The K-12 FTE Enrollment Estimating Conference provided an updated forecast on January 5, 2016. The FTE enrollment forecast used by the Governor projected a total of 2,799,550.81 K-12 Unweighted Full Time Equivalent (UFTE) students. The January FTE Estimating Conference projected a total of 2,807,099.96 UFTE students. This is an increase of 7,549.15 UFTE students from the projection used by the Governor. To maintain the same average of the dollars per UFTE student recommended in the Governor's budget of \$7,220.59 per student, the total funding would have to be increased by about \$54.5 million. If the total revenue provided to the FEFP were not increased, the additional students would cause the average of the dollars per student to drop to \$7,201.17. Because the benchmark chosen to be the highest average of the dollars per student was the result of the revised Third Calculation of the FEFP in FY 2007-2008, which was \$7,126.95, the students could be added to the new budget, and the revenue could be held constant, and the result would still be, based on the chosen historic highest level of funding, the highest in history by \$74.22 per student.

### **PECO REVENUE**

The PECO Revenue forecast was updated on January 4, 2016. The maximum funding available for non-bonded projects is now \$368.9 million, a reduction from the \$430.9 million August 6, 2015 estimate used by the Governor of about \$62 million dollars.

The revenue available from bonded projects was reduced by \$86.9 million. However, the Governor has made it very clear that he is interested in reducing debt, and he will veto any proposal for more bonding. The amount available for bonding seems moot.

### **REVENUE ESTIMATING CONFERENCES SUMMARY**

Compared to the revenue forecasts used by the Governor, the revenue from PSSTF is up about \$10 million, the revenue from the EETF is up about \$48.2 million, and the operating funds from Ad Valorem revenue are up about \$101 million. The General Revenue forecast is down almost \$400 million from the forecast used by the Governor. However, the Governor's budget actually reduced the amount of General Revenue in the FEFP. The FTE enrollment projection is up about 7,549 students.

If the Legislature chooses to follow the same pattern of revenue utilization used by the Governor, and if the members are willing to carry slightly lower reserves than usual in the PSSTF and the EETF, the increase in total funding proposed by the Governor can be maintained despite the decrease in state General Revenue. Because local revenues are up, if the Legislature is willing to take advantage of that increase, the additional UFTE students could be paid for at the same average of the dollars per student as originally proposed by the Governor.

The new forecasts would support the same total funding and the same average of the dollars per student proposed by the Governor. However, because of the decrease of \$400 million in state General Revenue combined with the decision of the Legislative leaders to try and fund \$1 billion of tax cuts and the \$250 million of business incentives, the earlier conclusion that the increase in total funding proposed by the Governor still seems to be the highest funding mark likely to be reached. PECO revenue is down. Therefore, it is possible that the PECO funding recommended by the Governor will not be attained.

## APPROPRIATIONS SCHEDULE

The House of Representatives manages the budget for FY 2016-2017, and it has released an initial appropriations time line. The House Appropriations Committee will make electronically available the proposed General Appropriations bill and related implementing and conforming bills on Friday, January 29 at 8:00 A.M. and they will be considered at its meeting on February 3, 2016. On Friday, February 5, 2016 at 8:00 A.M. the General Appropriations bill, implementing bill, and conforming bills as amended will be filed, published, and made electronically available. The House is scheduled to take up their version of the budget Wednesday and Thursday, February 10 and 11 for second and third readings. The Senate calendar and comments by the Chair of the Senate Appropriations Committee, Senator Tom Lee, indicate that the Senate is operating on the same basic timeline.

## FRS RATE INCREASES

The Governor included in his recommended budget that from the revenue in the FEFP \$30 million would be used to pay for the projected increases in the FRS rates. The Senate has released SB 7042, their version of the FRS rate bill. The House will have a version, and the legislative process will resolve any differences that may occur between the two. The proposed rates for the employee groups in the district are below.

| Regular Rate Type            | FY 2015-2016 Rate | FY 2016-2017 Rate |
|------------------------------|-------------------|-------------------|
| Regular Class                | 2.91%             | 2.97%             |
| Special Risk                 | 11.355            | 11.35%            |
| County Elected Officials     | 8.48%             | 8.55%             |
| Senior Management            | 4.32%             | 4.38%             |
| DROP                         | 4.10%             | 4.17%             |
| Unfunded Actuarial Liability |                   |                   |
| Regular Class                | 2.65%             | 2.83%             |
| Special Risk                 | 8.99%             | 8.92%             |
| County Elected Officials     | 32.09%            | 32.20%            |
| Senior Management            | 15.41%            | 15.67%            |
| DROP                         | 7.12%             | 7.10%             |
| Education and Administration | .04%              | .06%              |

## SCHOOL DISTRICT CAPITAL OUTLAY EXPENDITURES

At the January 21, 2016 meeting of the House Appropriations Committee, a presentation was made about school district fixed capital outlay spending. The House Education Appropriations Subcommittee Chair, Eric Fresen, made the presentation. The report was intensely critical of school district spending. Slides highlighted multiple projects where spending exceeded the state mandated student station cost ceiling. Representative Fresen stated he intended to offer amendments to bills to decrease the allowable student station cost, require the inclusion of land costs in the cost calculations, and institute penalties, including the loss of PECO funding for districts violating the law. We have begun reviewing the claims made in the presentation and are working on ways to try and address this issue.