

HOUSE AND SENATE INITIAL EDUCATION BUDGET PROPOSALS

INTRODUCTORY SUMMARY

The House and Senate Education Appropriations Subcommittee chairs have released their respective proposed budgets for the 2018-2019 Fiscal Year. For the last several years the initial proposals by the Subcommittee Chairs included few FEFP policy differences between the two documents. That is not the case this year.

When the two Florida Education Finance Program (FEFP) statewide summaries are compared, the total potential funds and the average dollars per Unweighted Full Time Equivalent (UFTE) are similar. The two chambers have vastly different funding allocations for the total Education budget, and the FEFP policies are also very different.

The House put about \$314.7 million of new state money and about \$192.2 million of new local money in the FEFP. They also kept the Best and Brightest program as a separate item outside the FEFP for about \$234 million, and Schools of Hope as a separate item for \$140 million new dollars outside the FEFP, both funded with state General Revenue.

As a result, the House FEFP proposal is relatively conventional, and produces an increase in total potential funds of about \$506.8 million, an increase in the Base Student Allocation of about \$75.20, and an increase in average dollars per UFTE student of \$100. The House added no new spending requirement to the FEFP, funded growth of 30,341 UFTE students for about \$177.7 million plus workload in categorical funds of about \$47.9 million, for a total cost of growth of about \$225.6 million. An expected FRS rate increase will consume about \$54.4 million. Therefore, growth and required new expenses will consume about \$280 million of the \$506.8 million in new total potential revenue in the House FEFP proposal.

In addition, the House took a more literal position on the rolled back rate in the Truth in Millage law than was adopted in previous years. That law specifies that revenue increases resulting from new construction and major improvements to existing property do not have to be advertised as tax increases. Therefore, the House allowed an increase in school taxable value to reflect the impact of new construction, and established the rolled back millage rate on that basis. That allowed an additional \$108 million in RLE revenue to be used to help support the FEFP at a time when there is of a shortage of new state General Revenue.

The Senate's proposed budget is vastly different from the House recommendation, even though the "bottom lines" look very much alike. The Senate shifted the K-12 Best and Brightest and Schools of Hope programs into the FEFP.

Inside the FEFP the Senate created a \$40 million allocation for Mental Health, \$88 million for Schools of Hope, \$184 million for Best and Brightest, and added \$17.7 million to the Teacher Classroom Supply allocation, consuming a total of \$329.7 million of the total potential new funds of \$535 million.

In addition, the Senate must fund growth of 30,341 new UFTE students. Some of that workload is reflected in increases in a few categorical funds totaling about \$52.9 million, plus base funding of about \$179.1 million. Together growth accounts for about \$232 million.

New categoricals and enrollment and workload growth account for \$561.7 million in the Senate budget. The FRS rate increase will consume another \$54.4 million. New state required expenses and student growth will consume about \$616.1 million of the \$535 million in total new funds in the Senate FEFP.

There is a shortage of new state General Revenue. The Senate used only \$17.2 million in new state funding to support their FEFP proposal, and captured the full value of the growth in school taxable value at the current year millage rate. The Senate used \$518,044,832 in new local revenue to fund most of the \$535,240,269 in new total potential FEFP dollars.

HOUSE CHAIR'S PROPOSED PRE-K-12 BUDGET

There is an increase in total potential FEFP funds of about \$506,834,091, an increase in the Base Student Allocation of \$75.20, and an increase in the average dollars per UFTE student of \$100.00.

There are changes in the amounts allocated to the categoricals, but the amounts are driven by existing policy.

The House conforming bill, HB 5101 proposes the repeal of the requirement for the extra hour of reading instruction for the 300 elementary schools with the lowest reading scores, and deletes the stipulation that there would be a separate sum within the Supplemental Academic Instructional (SAI) to pay for that hour.

The total funds in the SAI increase about \$7,512,369, and the supplemental amount for the extra hour, which was about \$53,798,720, is retained in the SAI and redistributed on a per student basis consistent with the SAI formula.

Actuarial studies require an increase in the FRS employer rates, and those rate increases will consume \$54.4 million of the new total potential funds. Enrollment growth in the base and workload increases in the categorical funds consume an additional \$225.6 million of the \$506,834,091 in new total potential funds, leaving about \$226,834,091 of new revenue to address district cost increases.

The House allocated \$11,228,791,406 in state General Revenue, \$606,950,887 in state Lottery funds, \$119,000,000 from the Principal State School Trust Fund, and \$9,164,500,202 in local funds for \$21,119,106,937 in total potential funds.

Other highlights of the House proposal include the following:

Voluntary Pre-K (VPK) programs are level funded except for paying for a workload increase for 630 FTE students.

The Best and Brightest program is maintained outside the FEFP and is recommended to receive \$253,950,000.

Regional Educational Consortium Services are supported with \$1,445,390.

The Gardiner Scholarship Program is maintained outside the FEFP with \$103,336,000.

The Schools of Hope program receives a new allocation of \$140,000,000 outside the FEFP.

The Standard Student Attire Incentive Program is re-funded for \$7,000,000.

SENATE CHAIR'S PROPOSED PRE-K-12 BUDGET

There is an increase in total potential FEFP funds of about \$535,240,269, a decrease in the Base Student Allocation of \$45.20, and an increase in the average dollars per UFTE student of \$109.96.

The proposal adds several categoricals, which accounts for the decrease in the Base Student Allocation. Funds were shifted from funding the base to paying for the categoricals. The increases in the categoricals, plus student enrollment growth, plus the cost of the FRS rate increase consumes more revenue than the increase in total potential funds. The most significant new categoricals or increases to existing categoricals are identified below.

There is a new Teacher Salary Increase Allocation that costs \$184,000,000. The new categorical implements portions of the Best and Brightest program. Unlike previous years, when the Best and

Brightest program was funded in addition to the FEFP, this categorical is funded inside the FEFP, and consumes 34.4% of the increase in total potential funds.

There is a new Mental Health Assistance Allocation. The Allocation requires districts to implement programs to address student mental health issues. \$40,000,000 is allocated.

There is a new Hope Supplemental Services Allocation. Only districts with qualifying persistently low performing schools would receive any of the funds. The Allocation is intended to implement the Schools of Hope Program. Unlike the past year, when Schools of Hope were funded in addition to the FEFP, this version of Schools of Hope consumes FEFP funds.

The Teacher Supply Allocation is increased by \$17,713,250. This will benefit teachers, but will not supply new revenue to address district operating costs.

There is a new Funding Compression Allocation. The allocation increases the revenue of the districts with the lowest per student funding, and moves the average dollars per student in those districts up to \$100 per student closer to the statewide average.

Actuarial studies require an increase in the FRS employer rates, and those rate increases will consume \$54.4 million of the new total potential funds.

In addition, the Senate must fund growth of 30,341 new UFTE students. Some of that workload is reflected in increases in a few categorical funds totaling about \$52.9 million, plus base funding of about \$179.1 million. Together growth accounts for about \$232 million of the increase in total potential funds of about \$535,240,269.

In summary, new categoricals and enrollment and workload growth account for \$561.7 million in the Senate FEFP budget. The FRS rate increase will consume another \$54.4 million. New state required expenses and student growth will consume about \$616.1 million of the \$535,240,269 in new total potential funds in the Senate FEFP.

The Senate allocated \$10,854,678,579 in state General Revenue, \$683,348,314 in state Lottery funds, \$119,100,000 from the Principal State School Trust Fund, and \$9,490,386,222 in local funds for \$21,147,513,115 in total potential funds.

Other highlights of the House proposal include the following:

Voluntary Pre-K (VPK) programs receive Base Student Allocation increases totaling \$10,301,579, and workload increases of \$1,632,151

Regional Educational Consortium Services are supported with \$1,750,000.

The Gardiner Scholarship Program is maintained outside the FEFP with \$103,336,000.

SB 1704 FLORIDA RETIREMENT SYSTEM RATE CHANGES

Actuary studies indicate the need to increase the rates employers pay for employees who are members of the Florida Retirement System. The rate changes proposed in the bill are summarized below as presented in the Staff Analysis

The state actuary determines a rate associated with the normal cost of the pension plan (funding the prospective benefits) and a rate necessary to amortize the unfunded actuarial liabilities (UAL) over a thirty-year period. The following are the current employer contribution rates³⁰ for each class and the blended rates recommended by the state actuary beginning in July 2018: The rate changes for the employee classes most common to school districts displayed below.

Employee Class	2017 Normal Rate	2018 Recommended Normal Rate	2017 UAL Rate	2018 Recommended UAL Rate
Regular	2.90%	3.04%	3.03%	3.50%
Special Risk	11.86%	12.18%	9.69%	10.60%
County Elected Officers	8.54%	8.50%	35.24%	38.48%
Senior Management	4.29%	4.45%	16.70%	17.89%
DROP	4.17%	4.41%	7.96%	7.96%

There are no recommended changes in the other elements of FRS rates, such as the Health Insurance Rates, and the Educational and Administrative rate.