

**ORANGE COUNTY PUBLIC SCHOOLS
2019 REGULAR LEGISLATIVE SESSION FISCAL UPDATE**

The fiscal planning for the 2019 regular session of the Florida Legislature began with the adoption of the Long Range Financial Outlook (LRFO) by the Legislative Budget Commission (LBC) on September 14, 2018. The LRFO included a forecast for funding the Florida Education Finance Program (FEFP). The key points of that forecast including the following:

1. The Legislature would “buy down” the Required Local Effort Millage (RLE) rate to conform the millage rate to the rolled back rate, capturing only the increase in the School Taxable Value caused by new construction. That “buy back” was forecast to cost about \$289.2 million.
2. The Legislature would pay the cost of funding an increase in the average dollars per UFTE student of 1.16%, which is about \$86 per student. The total cost was projected to be \$237.2 million, based on the average from the past three years.
3. The Legislature would pay the cost of FTE student enrollment growth, projected to be \$94.2 million.
4. The Legislature would continue to pay for the cost of the Best and Brightest program, which was a non-FEFP program, plus a workload increase which was forecast to be \$18.9 million.

The recommendation of Governor Ron DeSantis provides the only prospective budget with which we can currently work. The Governor’s budget recommendation for the FEFP was very consistent with the appropriations projections included in the LRFO. It includes the following components.

1. An increase in the Required Local Effort of \$142.3 million, based on the rolled back rate.
2. An increase in the revenue from the .748 mill levy of \$86 million.
3. An increase in state funds of \$466.8 million.
4. An increase in total potential funds of \$695.1 million.

The Governor’s recommendation was based on more current revenue projections than the LRFO. The projected increase in total potential local funds is about \$37.5 million higher than was projected then.

The Governor’s recommendation moved \$234 million in funding for the Best and Brightest program from a funded non-FEFP program into the FEFP. **This is not new revenue to the K-12 education budget allocation. It is a transfer from one program to another.**

When adjusted for this transfer, the Governor’s recommendation actually included about \$232.8 million in new total state funds. The LRFO forecast projected an increase in state funds for the FEFP and for a workload increase for the Best and Brightest Program that totaled \$208 million, after accounting for the impact of the RLE as reflected by recent Legislative appropriations policies. The Governor recommended about \$24.8 million more new state revenue for the FEFP than was projected by the LRFO.

When adjusted for the transfer of the Best and Brightest revenue into the FEFP the Governor recommended an increase in funds new to the FEFP of \$461.1 million. That increase included \$142.3 million from the RLE, \$86 million from the .748 mill local discretionary levy, and \$232.8 million of new state revenue, which is virtually the same as the LRFO projections, in the context of a \$21 billion allocation.

The Governor’s recommended FEFP projects an average increase in dollars per UFTE student of \$224.40. After adjusting for the transfer funds for Best and Brightest, the average increase in dollars per UFTE student is about \$155.53, about \$69.53 more than suggested by the LRFO. About \$13.20 if that difference was supported by the increased local effort and the balance by the slightly larger state revenue allocation, also reflecting a more recent General Revenue projection than existed for the LRFO.

The Legislature may choose to increase or decrease the funding for the FEFP compared to the Governor's recommendation. However, as the discussion above shows, the Governor's budget was within the parameters of the LRFO, the first step in the Legislature's appropriations process.

The Governor's budget recommendation follows a recent pattern of Legislative appropriations policies whereby the Legislature has determined as part of the budget process how almost all of the new dollars are to be spent. The Governor's policy priorities and those revealed by Legislative leaders are similar. Here is how the Governor pre-spends the \$695.1 million in new and transferred funds in the FEFP.

1.	Best and Brightest Allocation:	\$422,974,000
2.	Safe Schools Allocation:	\$50,000,000
3.	Mental Health Allocation:	\$10,000,000
4.	Additional Allocation for Vouchers:	\$8,000,000
5.	Pending FRS Rate Increase:	\$50,000,000
6.	Replace loss of Digital Classrooms Funding From flexible new funds:	\$60,000,000
7.	Flexible, Unappropriated Funds:	\$44,400,000 or about \$15.63 per student.

Several of the major education policy bills that are already moving make changes in Florida Statutes s. 1011.62, the section of law that controls the FEFP. The bills and the major FEFP impacts include:

SB 7030, the bill addressing safe schools issues changes the distribution formula for the Safe Schools allocation. For FY 2018-2019 the Safe Schools funds were distributed using two provisions of law. The legislation that passed last year increased the base funding for each school district and university lab school to \$250,000, from the prior district base funding of about \$62,660. The bill added \$97,500,000 in funding, all of which was distributed based in the UFTE enrollment in each district. The prior year allocation of \$64,456,019 was distributed using the formula in place since before the turn of the century, with two thirds of the funds distributed based on the Florida Crime Index and one third of the funds distributed based on the district UFTE enrollment. The Governor's recommended budget reverted to this old formula. SB 7030 proposes that the funds be distributed based on an initial allocation of \$250,000 per district and lab school, one third based on the Florida Crime Index and two thirds based on the UFTE enrollment in each district.

The bill also removes any existing requirements to spend the funds for school resource officers and substitutes the term safe schools officers. It makes those provisions retroactive to July 1, 2018. The bill allows districts to use funds from certain categorical programs for Safe Schools costs if all other requirements of the categoricals have been met. These include the Federally Connected Student Allocation and the Class Size Reduction Allocation, although districts do not report a surplus of these funds. It also allows the use of the Digital Classrooms Allocation, the SAI, and the ESE Allocation for Safe Schools should a district have a surplus in any of these funds. The Digital Classrooms Allocation was cut \$10 million in FY 2018-2019. In FY 2018-2019 the ESE Allocation was funded at \$66.6 million less and the SAI Allocation was funded at \$22.5 million less they were in 2007-2008 despite growth of about 205,000 recalibrated students. These facts seem to suggest an absence of surplus funds from any of these categoricals.

SB 7070 proposes the creation of the Best and Brightest Teacher and Principal Allocation as subsection (18) of s. 1011.62 Florida Statutes. The formula is very similar to the one proposed in the Governor's recommended conforming bill. **The funds will be allocated to each district based on the district's proportionate share of the statewide base FEFP. This is not the same as the district's proportion of unweighted FTE student enrollment.** The policy specifying the requirements and qualifications making teachers and principals eligible for these bonuses are included in this language. The district will receive the specified total allocation and distribute it according to the policy in the bill. The bill provides that the district "may" prorate the funds should the cost of the number of qualifying employees exceed the district's appropriation. The total amount of this prospective appropriation is not specified in SB 7070.

The total funds in this allocation will be counted in the total potential funds in the FEFP. Any new funds in this allocation will be counted as part of the increase in total potential FEFP funds. Any funds included in this allocation will be counted in the calculation of the average dollars per unweighted full time equivalent student reported in the FEFP. **None of these funds will be for discretionary use by school districts.**

Senate Bill (SB) 7070 also proposes the creation of the Turnaround School Supplemental Services Allocation as subsection (21) of s.1011.62 Florida Statutes. The allocation is created to “provide district-managed turnaround schools, identified in s. 1008.33 (4), schools that earn three consecutive grades below ‘C’, as identified in s. 1008.33 (4)(b)3 and schools that have improved to a ‘C’ and are no longer in turnaround status as identified in s. 1008.33(4)(c) with funds to offer services” specified in the bill. The bill requires that school districts submit a plan for implementation to the school board for approval no later than August 1 of each year. The minimum requirements for the plan are specified in the bill, including provisions such as recruiting, retaining and rewarding instructional personnel, improving parental involvement, and providing an extended school day or extended school year. The plan must be submitted to the Commissioner by September 1 of each year.

Subject to Legislative appropriation, the FEFP language provides for funding in the amount of \$500 per UFTE student in each school, or as provided in the General Appropriations Act. The Supplement shall be provided based on the most recent school grades and shall “serve as a proxy for the official calculation.” Once the school grades are available for the “school year immediately preceding the fiscal year coinciding with the appropriation, the supplement shall be recalculated for the official participating schools as part of the subsequent FEFP calculation.” The bill permits the Commissioner to prepare a preliminary calculation so that districts may proceed with “timely planning for the use of the funds.” This process is very similar to the one used when there was a supplement to the SAI for an extended day for the 300 elementary schools in the state with the lowest reading scores.

The bill stipulates that if calculated funds for the statewide allocation exceed the appropriated funds the funds for each district shall be prorated “based on each district’s share of the unweighted FTE student enrollment for the eligible schools.” Subject to Legislative appropriation the schools shall remain eligible for a maximum of four continuous years. A school improving to “C” or higher shall remain eligible to receive the allocation for a maximum of two continuous years.

The appropriation for the Turnaround Schools Supplemental Services Allocation may increase the total potential funds allocated to the FEFP, increasing the allocation of new state revenue above the amount recommended by the Governor or projected by the Long Range Financial Outlook. It may also be funded by reducing the prospective funds for other allocations within the FEFP to “carve out” this funding. For example, since the mission of this initiative is very similar to the responsibilities associated with the Supplemental Academic Instructional (SAI) Allocation, it would not be inconceivable that the total funds provided for that allocation would be reduced at least in part pay for this initiative. This may not happen, and the initiative may be paid solely from new state revenue. **None of these funds will be for discretionary use by school districts.**

The total funds in this allocation will be counted in the total potential funds in the FEFP. Any new funds in this allocation will be counted as part of the increase in total potential FEFP funds. Any funds included in this allocation will be counted in the calculation of the average dollars per unweighted FTE student reported in the FEFP for affected districts and statewide. Not every district will participate in this allocation, because not every district has schools in Turnaround.

SB 190 addresses changes in the Florida Bright Futures Scholarship Program. The bill also includes changes to s. 1011.12 FS. It includes the same provision to change the distribution formula for Safe Schools funds as described for SB 7030. It also strikes the recalculation provision for the Federally Connected Student supplement and the expiration provision for the Compression Allocation.