

Financial Affairs  
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**SUBJECT: REPORT ON THE GOVERNOR'S BUDGET RECOMMENDATIONS FOR FY  
1999-2000**

Miami-Dade County Public Schools (M-DCPS) staff has completed an analysis of the Governor's Budget Recommendations pertaining to K-12 Public Education and the following points must be emphasized:

- The Governor's Florida Education Finance Program (FEFP) – Summary Run reflects an increase in Total Potential revenue of \$92.76 million for M-DCPS. However, analysis comparing the Governor's proposals to the 1998-99 FEFP Third Calculation reveals that this increase consists of the following:

	<b>\$ Millions</b>
Decrease in Required Local Effort Tax revenue due to the proposed reduction of .753 mills for M-DCPS (.717 mills statewide)	\$ (39.72)
Decrease in Net State FEFP revenue	( 9.72)
Decrease in Discretionary Lottery revenue	( 6.69)
Increase in Prior Year Adjustments (FEFP)	3.62
Increase in Discretionary Local Taxes	1.51
Increase in State Categorical appropriations	<u>52.02</u>
<b>NET REVENUE INCREASE</b>	<b>\$ 1.02</b>
Estimated Savings due to Proposed Reduction in the Florida Retirement System contribution Rate	<u>\$ 91.74</u>
<b>TOTAL INCREASE IN GOVERNOR'S BUDGET</b>	<b><u>\$ 92.76</u></b>

- Included in the \$92.76 million is \$14 million of non-recurring revenue for Declining Enrollment, due to the elimination of some summer term full-time equivalent (FTE) students.
- Some summer FTE as well as the current K-8 Basic Summer categorical allocation are eliminated in favor of a new categorical program, *Summer/Supplemental Academic Instruction*. We are concerned that language contained in House Bill 751 (on page 68, lines 22-24) may restrict use of these funds to direct supplemental instruction only. It is essential that districts also be able to use these funds for other school-level costs, which support the summer program as well as a prorated share of district support costs, which presently can be paid from FEFP revenues. Otherwise, the conversion of FEFP programs to the proposed categorical will create a hardship for M-DCPS.
- The Governor's 1999-2000 budget claims an increase in Total Potential Revenue for K-12 statewide of \$643.31 million, of which \$520.93 million is actually estimated savings from the FRS contribution rate reduction, leaving only \$122.38 of actual increased revenues. However, Miami-Dade will receive \$1.02 million (.8%) of this new revenue.

- Another concern is that the FRS savings included in the Governor's budget may be overstated. It is our understanding that the estimate is based on the total FRS salaries paid by each district as reported by the Florida Department of Revenue, which almost certainly includes salaries paid from Special Revenue Funds (e.g., food service, federal grants) and categorical programs. Any FRS savings on salaries in such funds or categorical programs are not savings, as they must still be spent in those categorical funds or programs. Our analysis suggests that the savings for M-DCPS are overstated by approximately \$10.90 million.
- Finally, M-DCPS faces certain unavoidable new expenditure requirements, which reduces available discretionary funds to \$6.37 million as reflected below:

	<b>\$ Millions</b>
Total Potential Increase	\$ 92.76
Less Overestimate of FRS Savings	(10.90)
Less Appropriation Increases for:	
Enrollment Growth (Teachers)	( 20.79)
New Bus Routes	( 1.64)
Medical Premium Increases	( 10.43)
New School Support Costs (including utilities)	( 5.13)
Summer/Supplemental Academic Instruction & Other Categoricals <sup>a</sup>	<u>( 37.50)</u>
Net Remaining Discretionary Funds	<u>\$ 6.37</u>

<sup>a</sup> Assumes that school level indirect costs attributed to summer school may be charged to the new summer/supplemental academic categorical.

**Recommendations Provided to the Miami-Dade County Legislative Delegation:**

1. The statewide reduction of .717 mills (.753 mills for M-DCPS) in Required Local Effort (RLE) millage results in very little new revenue being available for K-12 public education. Preferably, require districts to levy RLE millage at a rate no higher than the rollback rate calculated pursuant to Florida Statute. Use of a rollback approach for RLE would reduce the tax millage to offset increased property assessments, while increasing taxes only for new construction. If property tax relief is a mandate, phase **small** reductions below the rollback rate over several years, using any additional available RLE tax revenue to increase the Base Student Allocation (BSA) in the FEFP. Use of an estimated\* rollback rate for M-DCPS would generate approximately \$42.3 million of additional funding. If extrapolated statewide, additional funding statewide would approximate \$323.0 million (assumed the % of tax roll increases due to new construction statewide are similar to Miami-Dade). The \$323.0 million of additional funds could increase the Governor's proposed BSA by \$110.90, which would be an increase of \$55.55 (or 1.7%) over the 1998-99 BSA.

\* Assumes that the % of tax roll increase due to new construction is equal to 1998.

2. As an alternative to the proposed Summer/Supplemental Academic Instruction categorical program, fund all summer programs based on FTE, the Base Student Allocation and the District Cost Differential, including the current K-8 Basic Summer categorical. Each district's summer WFTE would be capped at a specified percentage of its WFTE for the regular 180-day term. This percentage would be established by the legislature each year and would be raised each year until all districts had same percentage cap. Districts for which the actual prior summer's WFTE exceeds the percentage cap established by the legislature would be held harmless as to their summer WFTE, but would not realize an increase in their summer caps until all districts caps were equal on a percentage basis.

M-DCPS' total 1997 summer WFTE (including K-8 Basic summer) was approximately 8.14% of its 1997-98 regular term WFTE. To increase the statewide summer cap to 8.14% of the statewide regular term WFTE would require funding approximately 80,275 additional WFTE at an approximate cost of \$258 million, which could be funded over a 3-4 year period.

Funding summer school in this manner is more equitable in that it retains the equalizing features of the FEFP. Flexibility could be provided by allowing districts, at their option, to transfer part or all of their summer allocation into a categorical program to pay for supplemental instructional programs which are not conducive to reporting FTE, such as after school or Saturday tutorial classes.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida receive and file this report on the Governor's Budget Recommendations for FY 1999-2000.