

Merrett R. Stierheim, Superintendent of Schools

**SUBJECT: RESULTS OF THE SECOND SPECIAL LEGISLATIVE SESSION AND
RESOLUTION NO. 1, 2001-02 GENERAL FUND**

The first special legislative session was adjourned by both chambers on October 30, 2001. On that date, the House on third reading adopted the Senate's version of a revised appropriations bill cutting state expenses by \$800 million and using \$500 million from the Budget Stabilization Fund to make up the difference in projected lower state revenue.

The revised appropriations bill as enacted was far less severe in its effect on public education and other social services than initially anticipated. Public education statewide was reduced by \$118 million. Due to these statewide revenue reductions and other factors affecting revenues, Miami-Dade County Public Schools at that time faced approximately \$43.5 million in budget cuts, of which \$18.5 million was attributable to the special session, the remainder due to other factors.

Due to dissatisfaction of legislative leaders with the outcome of the first special session, a second session was called by the Governor for November 27 – December 6, 2001. Negotiations between the two houses culminated on December 2, 2001 with an agreement announced by the Speaker of the House and the President of the Senate in a late Sunday afternoon press conference.

The agreement would reduce public school funding statewide by \$334 million, solely in the Florida Education Finance Program (FEFP), including the Exceptional Student Education Guarantee and Supplemental Academic Instruction, with no reduction provided in major state categorical programs. The Extended Year program (four schools in Miami-Dade), the New World School of the Arts, and Workforce Development (\$29 million) were also reduced. Considerable flexibility is available to districts to redirect unused state funds for the following categorical programs: Public School Technology, Inservice Training, Teacher Recruitment/Retention.

The controversial proposal to permit school districts to redirect up to .5 mills of additional Capital Outlay millage to the General Fund for this year only was not adopted. Plus the state budget stabilization fund was not tapped, but \$252.9 million of non-recurring reserves was used to balance the public school budget, which will expire at the end of this year.

**REPLACEMENT
A-7**

As a result of this agreement, the district faces a reduction of \$55 million in state revenues including Workforce Development, plus an additional \$25 million of other reductions due to lower Miami-Dade enrollment than anticipated, higher statewide enrollment than budgeted by the Legislature, and a variety of other factors for a total mid-year reduction of over \$80 million.

This reduction will force major readjustments by the district. On an annualized basis it actually represents reductions of about \$160 million or about 5%. Further complicating this situation is the fact that reductions involving personnel must, in general, affect newly-hired personnel with such reductions impacting many persons and households.

Details of revenue reductions by specific category and recommended appropriation reductions to bring the budget back into balance are described on the attached schedules. The Board's Contingency Fund is reduced to the \$23 million level, approximately one percent of General Fund appropriations.

The appropriation reductions were developed based on two major principles:

1. To the extent possible, school level programs, including direct support functions such as Transportation and Maintenance, should be regarded as priorities, and be reduced only as a last resource.
2. Reductions, as much as possible, should be of a recurring nature to minimize potential problems in the 2002-03 budget.

In the event of a second holdback during the remainder of this fiscal year, it is very possible that further expenditure reductions cannot adhere to these principles. In the event of additional state revenue holdbacks, the state must dip into its Budget Stabilization Fund of \$940 million and not pass such cutbacks directly on to operating programs.

Furthermore, it should be noted that total General Fund revenue for the 2002-03 fiscal year is likely to be stagnant, thus requiring the district to absorb mandatory cost increases due to enrollment growth, inflation, opening new schools, property insurance premiums, and medical insurance.

Listed below are changes to the budget recommended for approval:

<u>REVENUE CHANGES</u>	<u>Increase (Decrease)</u>
1. Decrease Florida Education Finance Program due to the following:	\$ (66,182,471)
a. Reduce revenue due to the district's FTE growth being 3,061 students lower than anticipated and a statewide proration due to actual FTE student growth being in excess of the projection by 16,000 students. In addition, there was a decrease in the Base Student Allocation (from \$3,413.18 to \$3,298.48) as a result of legislative action in Special Session C (-\$66,452,786).	
b. Increase revenue for a funding adjustment to ensure that all districts were reduced by 2.46% in Special Session C. (+\$1,337,072).	
c. A decrease in FEFP offset by an increase in required local effort (-\$1,066,757).	
2. Increase revenue due to a Prior Year Adjustment from a reduction in the 2000 tax roll which increased the state reimbursement.	6,328,185
3. Increase Lottery based upon the following:	9,458,783
Following the distribution of Florida School Recognition funds to districts, there was a proration to lottery. In addition, the state increased funding to lottery during Special Session C.	
4. Decrease ESE Guarantee based on results of Special Session C.	(4,391,331)
5. Decrease Workforce Development (-\$8,070,043) partially offset by a restoration (+\$808,790). See Item 6 under Appropriation Changes for appropriation reduction.	(7,261,253)
6. Reduce Adults with Disabilities program as a result of legislative action. See Item 6 under Appropriation Changes for appropriation reduction.	(148,403)

REVENUE CHANGES

**Increase
(Decrease)**

7.	Decrease Safe Schools due to lower FTE than projected.	\$	(55,046)
8.	Based upon lower FTE than projected, decrease state categoricals as follows:		(1,927,505)
	Instructional Materials	\$ (1,703,064) *	
	Education Technology	(142,427)	
	Teacher Training	<u>(82,014)</u>	
	Total	\$ (1,927,505)	
	* See item 4 under Appropriation Changes for appropriation reduction.		
9.	Decrease Supplemental Academic Instruction based on results of Special Session C.		(4,730,639)
10.	Decrease Florida School Recognition program. These funds are based upon the number of students in schools that increased one letter grade or maintained an A letter grade. See Item 3 under Appropriation Changes for appropriation reduction.		(8,626,178)
11.	Decrease local revenues as follows:		(3,688,344)
	Required Local Effort	\$ 1,066,757	
	Local Discretionary Millage	126,899	
	Interest	<u>(4,882,000)</u>	
	Total	\$ (3,688,344)	
12.	Increase the capital outlay transfer , providing \$8 million dollars of additional budget relief to the General Fund, to cover projected eligible equipment expenditures. The Capital Outlay budget will be amended in a mid-year resolution to reflect this revision.		8,000,000
Total Revenue Decreases			<u>\$ (73,224,202)</u>

APPROPRIATION CHANGES

**Increase
(Decrease)**

NON-SCHOOL SITES

1. Eliminate 173 staff positions in **non-school sites** and District Priority Programs by reassigning personnel to grants or school sites, by eliminating open positions and reducing non-salary budgets by \$6.3 million. This results in a **recurring reduction** of \$16.3 million for the 2002-03 school year due to annualizing salaries. \$ (11,323,664)

The annual budgeted value of positions being eliminated is approximately \$10 million. However, since incumbents in deleted educational specialists positions will be placed in open teaching positions, the 2001-02 savings to the district will be only 50% of the cost of a new teacher.

Furthermore, an additional 50% of the remaining educational specialist positions will be eliminated, and individuals will be placed in open school site teaching positions by July 1, 2002. Depending on the transition rate, additional savings will be realized.

This reduced rate has been used in reporting the non-school site budget reduction. This budget reduction also excludes the maintenance/construction reductions since there is no impact on the operating budget.

SYSTEMWIDE

2. Reduce budgets for **unused funds** in the following **categoricals** as authorized during the legislature's Special Session C: (6,400,000)
- Public School Technology
 - Teacher Recruitment/Retention
3. Reduce **Florida School Recognition Program** by the same amount as a reduction in revenue. This program appropriates \$100 per FTE to schools that improve one-letter grade or maintain an A status. (8,626,178)
4. Reduce **instructional materials** by the same amount as the revenue reduction. (1,703,064)

SYSTEMWIDE (Continued)

**Increase
(Decrease)**

5. Decrease **school-level appropriations** due to a reduction in positions generated by Board-approved formulas in the **School Allocation Plan**. The reductions are due to actual FTE students being 3,061 lower than projected (367,439 vs. 370,500). This appropriation decrease is an estimate and any change will be included in the Mid-Year Resolution based on end-December information. \$ (8,544,852)

SCHOOLS

6. Reduce **Workforce Development** (Adult Education programs) by the same amount as the Legislative revenue reduction. Supplies and part-time (hourly) teachers would be reduced. This may result in classes being combined and the consolidation of small adult centers. (7,409,656)
7. Reduce **school-based custodial positions** by dropping .1 custodian for food service allowance, redistribute the allocation, and eliminate 50 open positions resulting in no layoffs (effective second semester). (775,433)

OTHER

8. Reduce the number of paid workdays for all employees by three days of unpaid leave. This would require the Superintendent to declare a state of financial urgency. (21,392,937)

CONTINGENCY

9. Reduce contingency by \$7,048,418 to balance. Total Contingency after this resolution will be \$22,973,928. (7,048,418)

APPROPRIATION DECREASES

\$ 73,224,202

RECOMMENDED: That The School Board of Miami-Dade County, Florida,

1. adopt Resolution No. 1, 2001-02 General Fund Budget Review by reducing revenues and appropriations by \$73,224,204.
2. resolve that there is an urgent need to transfer unused funds from Public School Technology and Teacher Recruitment/Retention to maintain existing class-size in academic classroom instruction.

**MIAMI-DADE COUNTY PUBLIC SCHOOLS
2001-2002 GENERAL FUND BUDGET
SUMMARY OF REVENUES & APPROPRIATIONS
RESOLUTION NO. 1**

	ADOPTED BUDGET 9/12/01	RESOLUTION NO. 1	AMENDED BUDGET 12/14/01
REVENUES & BEGINNING BALANCES			
REVENUES			
Federal	\$ 10,237,388	\$ -	\$ 10,237,388
State	1,442,226,467	(77,535,858)	1,364,690,609
Local	703,931,234	1,193,656	705,124,890
Interest	17,568,000	(4,882,000)	12,686,000
TOTAL REVENUES	\$ 2,173,963,089	\$ (81,224,202)	\$ 2,092,738,887
TRANSFERS FROM CAPITAL OUTLAY	\$ 127,115,760	\$ 8,000,000	\$ 135,115,760
BEGINNING FUND BALANCE	167,195,161	-	167,195,161
SUBTOTAL REVENUES & BEGINNING BALANCES	\$ 2,468,274,010	\$ (73,224,202)	\$ 2,395,049,808
NON-REVENUE SOURCES - Other	\$ 27,694	\$ -	\$ 27,694
TOTAL REVENUES & BEGINNING BALANCES	\$ 2,468,301,704	\$ (73,224,202)	\$ 2,395,077,502
APPROPRIATIONS & RESERVES			
APPROPRIATIONS			
Salaries	\$ 1,541,892,867	\$ (43,145,788)	\$ 1,498,747,079
Employee Benefits	412,593,195	(8,604,912)	403,988,283
Liability Insurance	11,770,887	-	11,770,887
Energy Services	45,512,134	-	45,512,134
Other Non-salary	426,510,275	(14,425,084)	412,085,191
TOTAL APPROPRIATIONS	\$ 2,438,279,358	\$ (66,175,784)	\$ 2,372,103,574
RESERVES			
Contingency/Unreserved Fund Balance	\$ 30,022,346	\$ (7,048,418)	\$ 22,973,928
TOTAL RESERVES	\$ 30,022,346	\$ (7,048,418)	\$ 22,973,928
TOTAL APPROPRIATIONS & RESERVES	\$ 2,468,301,704	\$ (73,224,202)	\$ 2,395,077,502

**SUMMARY OF REVENUES AND OTHER SOURCES
RESOLUTION No. 1
2001-02**

	Adopted Budget 9/12/01	Resolution No. 1	Amended Budget 12/14/01
FEDERAL SOURCES			
Impact Aid	\$ 50,000	\$ -	\$ 50,000
R.O.T.C.	1,000,000		1,000,000
Medicaid Reimbursement	9,187,388		9,187,388
Total Federal	\$ 10,237,388	\$ -	\$ 10,237,388
STATE SOURCES			
Florida Education Finance Program	\$ 883,796,903	(66,182,471)	\$ 817,614,432
Prior Year Adjustment		6,328,185	6,328,185
Scholarship for Disabled Students	(2,799,634)		(2,799,634)
Discretionary Lottery Funds	27,527,989	9,458,783	36,986,772
ESE Guaranteed	130,694,373	(4,391,331)	126,303,042
Workforce Development	104,372,813	(7,261,253)	97,111,560
Adults with Disabilities	2,378,232	(148,403)	2,229,829
Safe Schools(B)	13,859,193	(55,046)	13,804,147
Pre-Kindergarten(A)	18,337,538		18,337,538
Categorical Programs:			
Migrant Education (A)	307,382		307,382
Instructional Materials (A)	32,845,529	(1,703,064)	31,142,465
Transportation (B)	30,971,848		30,971,848
Instructional Technology (A)	9,491,083	(142,427)	9,348,656
Teachers Lead Program (A)	2,339,706		2,339,706
Class Size Reduction/Suppl. Instr.	140,792,819	(4,730,639)	136,062,180
Teacher Recruitment (A)	23,113,460		23,113,460
Teacher Training (A)	5,474,241	(82,014)	5,392,227
School Recognition	18,351,992	(8,626,178)	9,725,814
Miscellaneous State	371,000		371,000
Total State	\$ 1,442,226,467	\$ (77,535,858)	\$ 1,364,690,609

(A) Revenue for which appropriations equal revenue.

(B) Revenue for which appropriations exceed revenue.

SUMMARY OF REVENUES AND OTHER SOURCES
RESOLUTION No. 1
2001-02

	<u>Adopted Budget 9/12/01</u>	<u>Resolution No. 1</u>	<u>Amended Budget 12/14/01</u>
LOCAL SOURCES			
FEFP Required Local Effort	\$ 588,977,494	\$ 1,066,757	\$ 590,044,251
Local Discretionary Millage	70,063,487	126,899	70,190,386
Sub - Total	\$ 659,040,981	\$ 1,193,656	\$ 660,234,637
Miscellaneous Local:			
Vocational Fees	\$ 3,838,297	\$ -	\$ 3,838,297
Rent	200,000		200,000
Interest	17,568,000	(4,882,000)	12,686,000
Tax Redemptions	8,740,609		8,740,609
Fed. Indirect Cost Reimbursement	3,600,000		3,600,000
Misc. School Receipts (A)	2,000,000		2,000,000
Community Schools-Contributions (A)	48,540		48,540
Community Schools - Internal (A)	12,000,000		12,000,000
Community Schools-Fringe Charges(B)	4,000,000		4,000,000
Food Service Indirect Costs	3,517,485		3,517,485
Universal Services (E - Rate)	3,351,875		3,351,875
Other Miscellaneous Local	3,593,447		3,593,447
Total Local	\$ 721,499,234	\$ (3,688,344)	\$ 717,810,890
TOTAL REVENUES	\$ 2,173,963,089	\$ (81,224,202)	\$ 2,092,738,887
TRANSFERS			
From Capital Outlay	\$ 127,115,760	\$ 8,000,000	\$ 135,115,760
NON-REVENUE SOURCES			
	\$ 27,694	\$ -	\$ 27,694
FUND BALANCE FROM PRIOR YEAR			
	\$ 167,195,161	\$ -	\$ 167,195,161
TOTAL REVENUES & OTHER SOURCES	\$ 2,468,301,704	\$ (73,224,202)	\$ 2,395,077,502

- (A) Revenue for which appropriations equal revenue.
(B) Revenue for which appropriations exceed revenue.