



Finance Council FY19 Budget Priorities

July 17, 2017
State Board of Education
Budget Workshop
Tallahassee , Florida

A Little About the Finance Council

- The Council represents a diverse mix of school districts across the state in terms of size, student demographics, population density, and region.
- All representatives are active finance officers responsible for the financial operations of their respective school districts.
- 21 member Council of Finance Officers
 - 5 small districts (up to 6,000 students)
 - 6 medium districts (6,001 to 30,000 students)
 - 7 large districts (> than 30,000 students)
 - 3 Ex-Officio Members
- Meet at least 4 times per year, serving as an Advisory Committee to Commissioner of Education.

Top 3 FY19 Budget Priorities

- 1. Maintain Required Local Effort (RLE)** – The Legislature has reduced the RLE school tax rate for the past two years creating a structural imbalance in the state budget.
- 2. Restore Local Capital Outlay Millage (LCOM) Authority to 2.00 Mills** - Diminished capital funding caused by a 25% reduction to local school board capital improvement taxing authority during the recession has resulted in an alarming backlog of deferred maintenance across the state and compromised local efforts to meet capital demands including construction, technology, and school buses. This situation is exacerbated by the new requirement within HB 7069 to provide charter schools a pro-rata share of LCOM funding.
- 3. Increase Teacher Salaries** in a meaningful sustainable manner that provides a livable wage commensurate to the role and responsibilities of this critical profession.

Note: These recommendations stand to benefit both traditional and charter public schools.

Limiting RLE to “Roll Back Rate” is Not Sustainable Public Policy

- Despite FY2018 budget recommendations by the State Board of Education (SBOE), Governor, and Senate to maintain the RLE school tax rate, the Legislature ultimately followed the House’s lead to reduce the RLE to the “roll back rate” for the second consecutive year.
- Over \$1 Billion in General Revenue has been lost the past two years or over \$350 per student.
- EDR assumes RLE will remain constant in their state budget forecasts.
- Recurring critical and high priority state budget needs will now exceed recurring general revenue available due largely to these recent reductions to the RLE.
- Prek-12 Education is funded primarily by State Sales Tax (6%) and Local Property Taxes. The Sales Tax rate of 6% does not “roll back” when price of goods or services rises.
- Failure to allow RLE local revenue to grow in a natural manner based on growth in the tax roll will leave Florida unable to adequately fund preK-12 education and places the state in a precarious position to weather future economic downturns.

School Tax Rates Historically Low

- On average, the total school millage rate is down from 9.289 mills in FY1998 to just 6.564 mills for FY2018.
- **This reduction of 2.725 mills represents a 29.34% decrease in school millage rates.**
- At 6.564 mills, school districts are **well below Florida's Constitutional ten mill cap** applicable to all county, municipal, and school purposes.

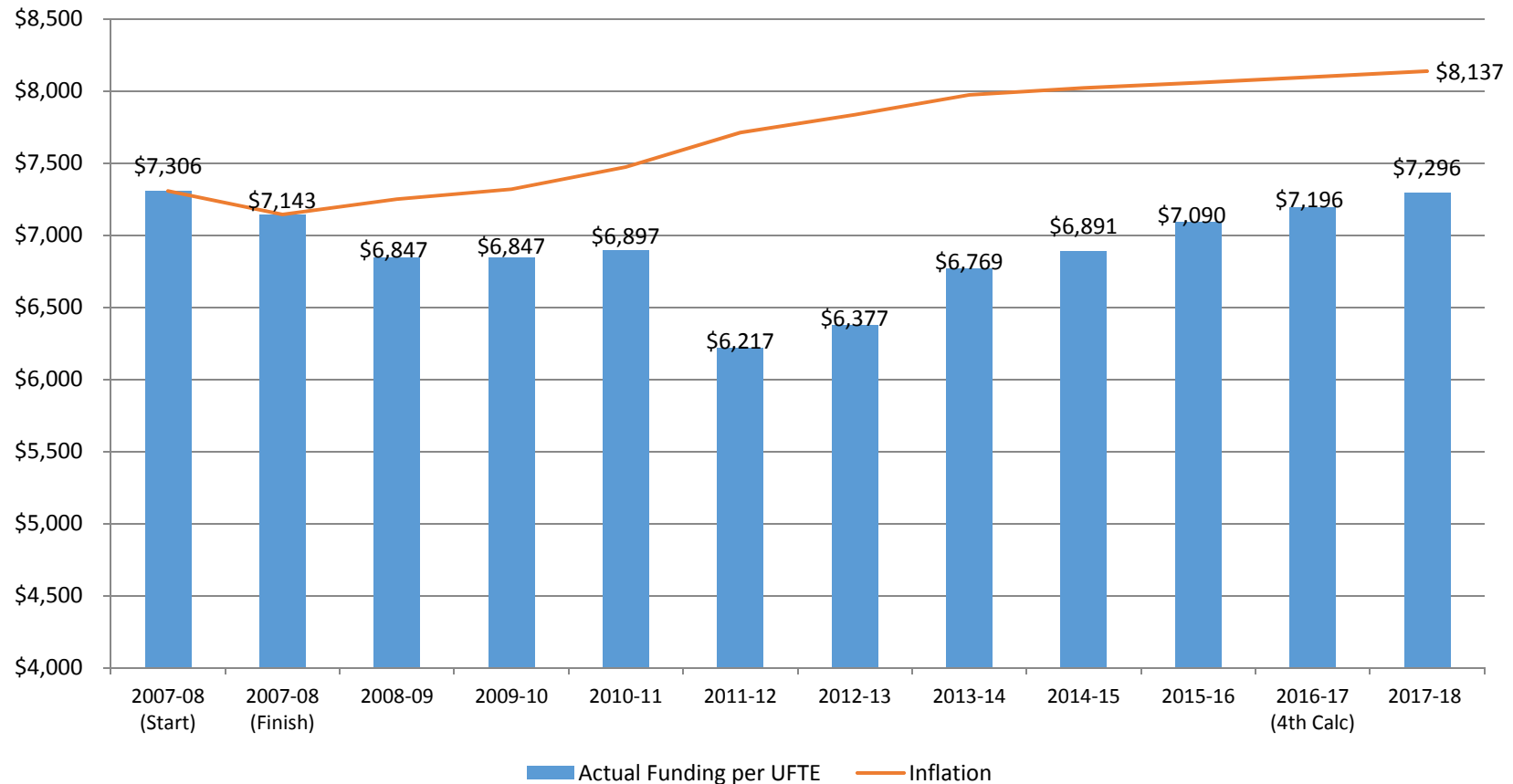
Millage Component	FY1998	FY2018	Variance
Required Local Effort (RLE)	6.529	4.316	-2.213
Discretionary	0.510	0.748	0.238
Add'l Discretionary	0.250	0.000	-0.250
Local Capital Outlay	2.000	1.500	-0.500
Total	9.289	6.564	-2.725

Homeowner Savings from RLE Roll Back are Minimal

- A homeowner with an assessed value of \$225,000 and eligible for the \$25,000 school taxes homestead exemption saved \$69 in FY2017 and another \$64 in FY2018 in school taxes as a result of reductions to the RLE.
- Savings translate to less than \$6 per month for the average homeowner.
- Conversely, maintaining the RLE for the past two years would have provided over \$1 billion or \$353 per student in preK-12 funding.

Millage Component	FY2016	FY2017	Decrease	FY2018	Decrease
Required Local Effort (RLE)	4.984	4.638	-0.346	4.316	-0.322
Discretionary	0.748	0.748	0.000	0.748	0.000
Add'l Discretionary	0.000	0.000	0.000	0.000	0.000
Local Capital Outlay	1.500	1.500	0.000	1.500	0.000
Total School Tax Rate	7.232	6.886	-0.346	6.564	-0.322
Sample Homeowner					
Assessed Value	\$ 225,000	\$ 225,000		\$ 225,000	
School Homestead Exemption	\$ 25,000	\$ 25,000		\$ 25,000	
Taxable Value	\$ 200,000	\$ 200,000		\$ 200,000	
			<i>Savings</i>		<i>Savings</i>
Total School Taxes	\$ 1,446	\$ 1,377	\$ (69)	\$ 1,313	\$ (64)

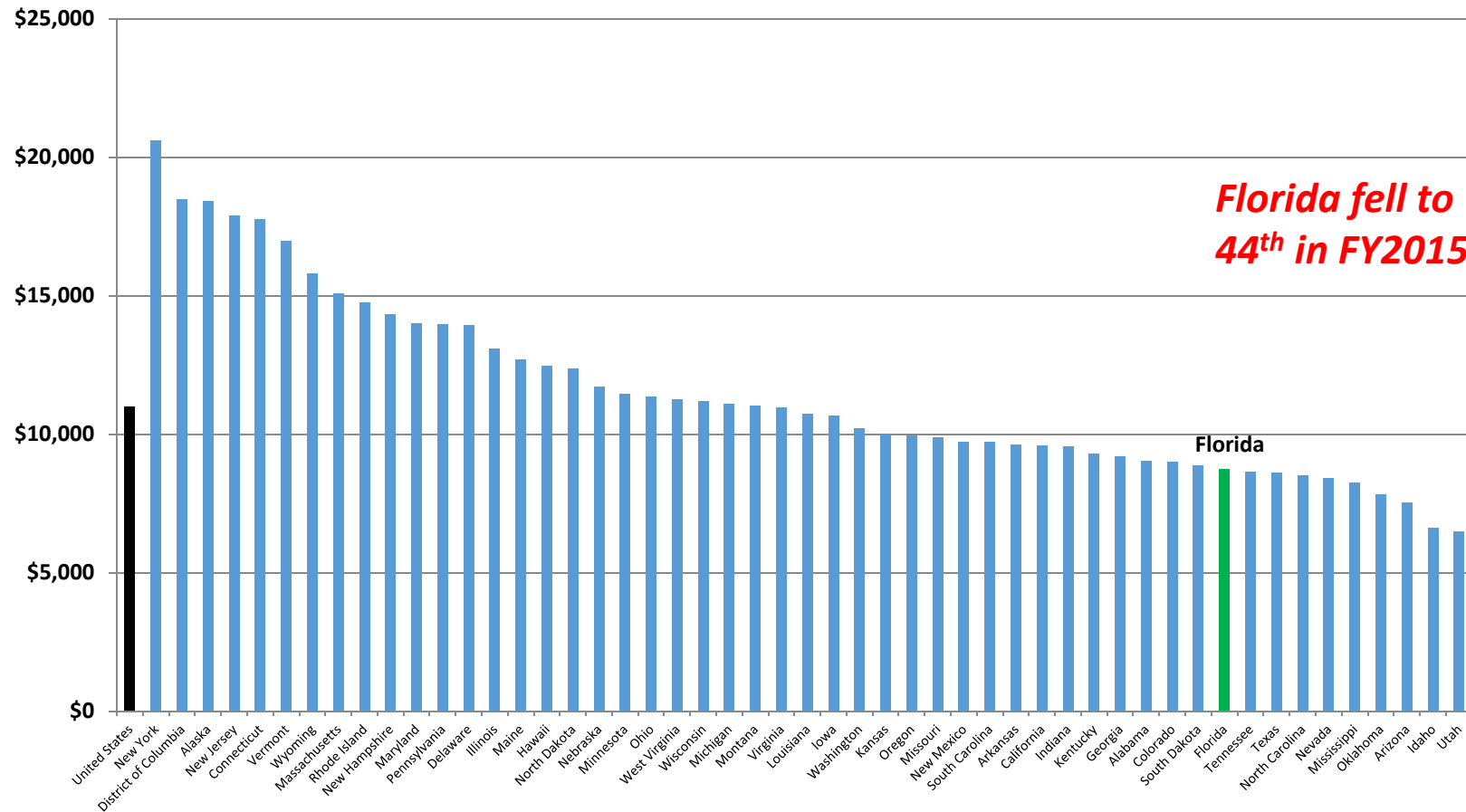
Inflation Has Significantly Eroded School Funding



Funding would need to be increased an additional \$841 or 11.5% to \$8,137 per student to offset inflation (CPI).

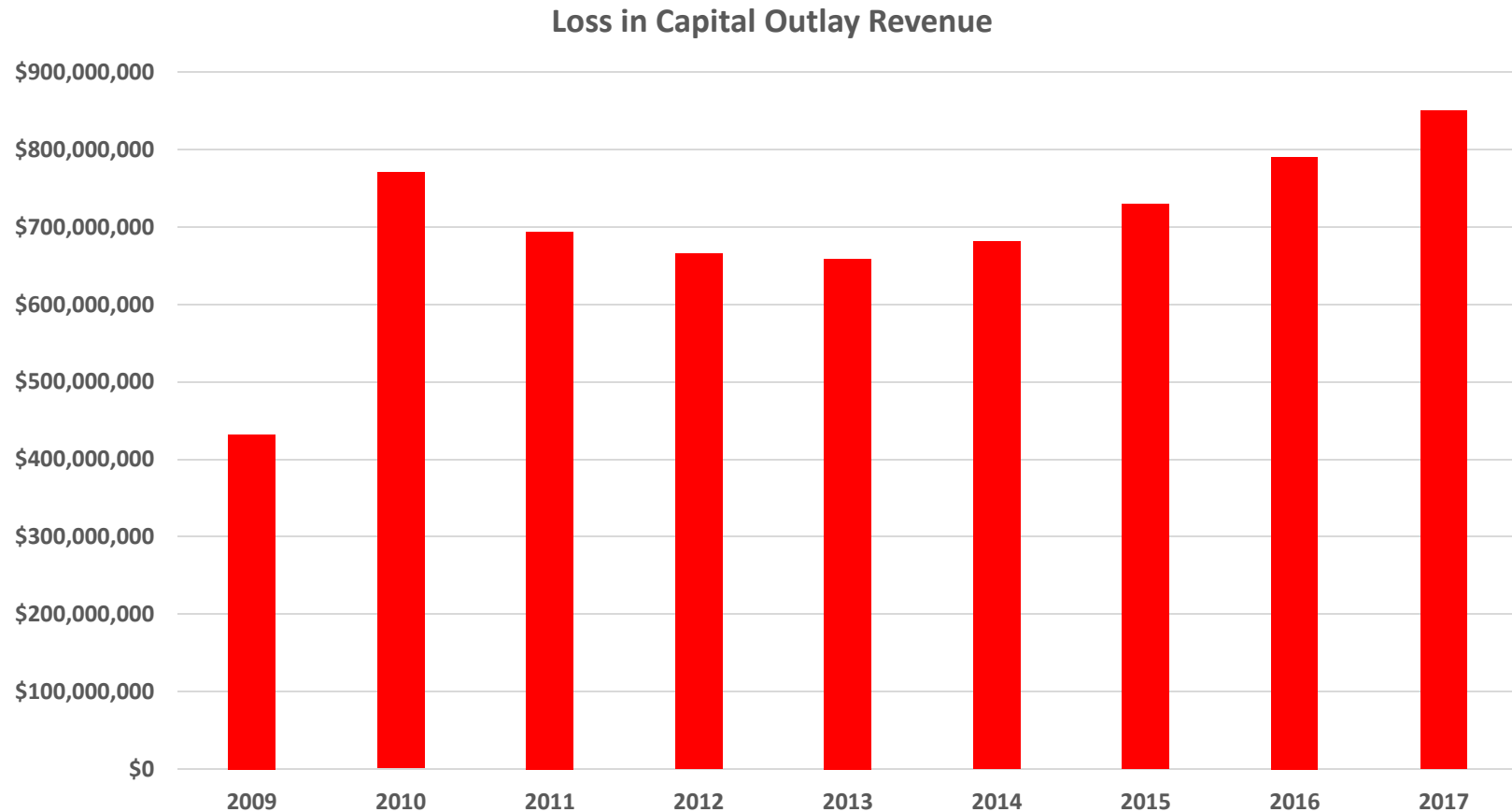
Florida's K-12 Education Spending Ranks 42nd in U.S.

Public School Expenditures per Student by State (FY2014)



- Florida's K-12 total spending of \$8,755 trails the national average of \$11,000 by 20% or \$2,254 per student.

Legislature's Reduction of Local Capital Outlay Millage has cost school districts \$6.3 billion over past ten years.



- This figure grows to \$10.7 billion if you consider the revenue lost due to the decline in state property values.

HB 7069 Prompts Moody's to Issue "Credit Negative"

U.S. PUBLIC FINANCE

MOODY'S
INVESTORS SERVICE

SECTOR COMMENT

21 June 2017

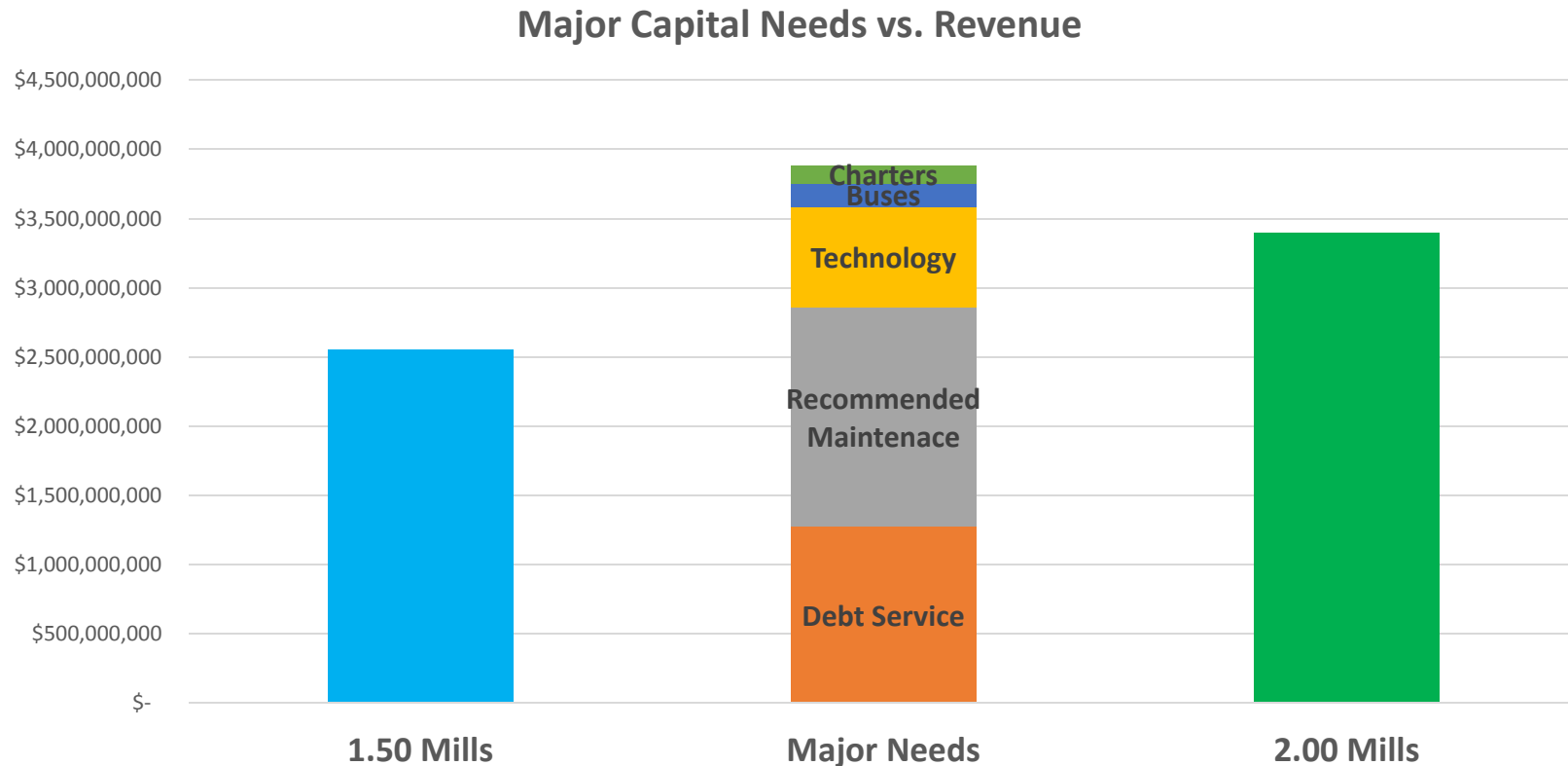
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Local government - Florida

Florida budget mandates school districts share capital revenues with charter schools, a credit negative

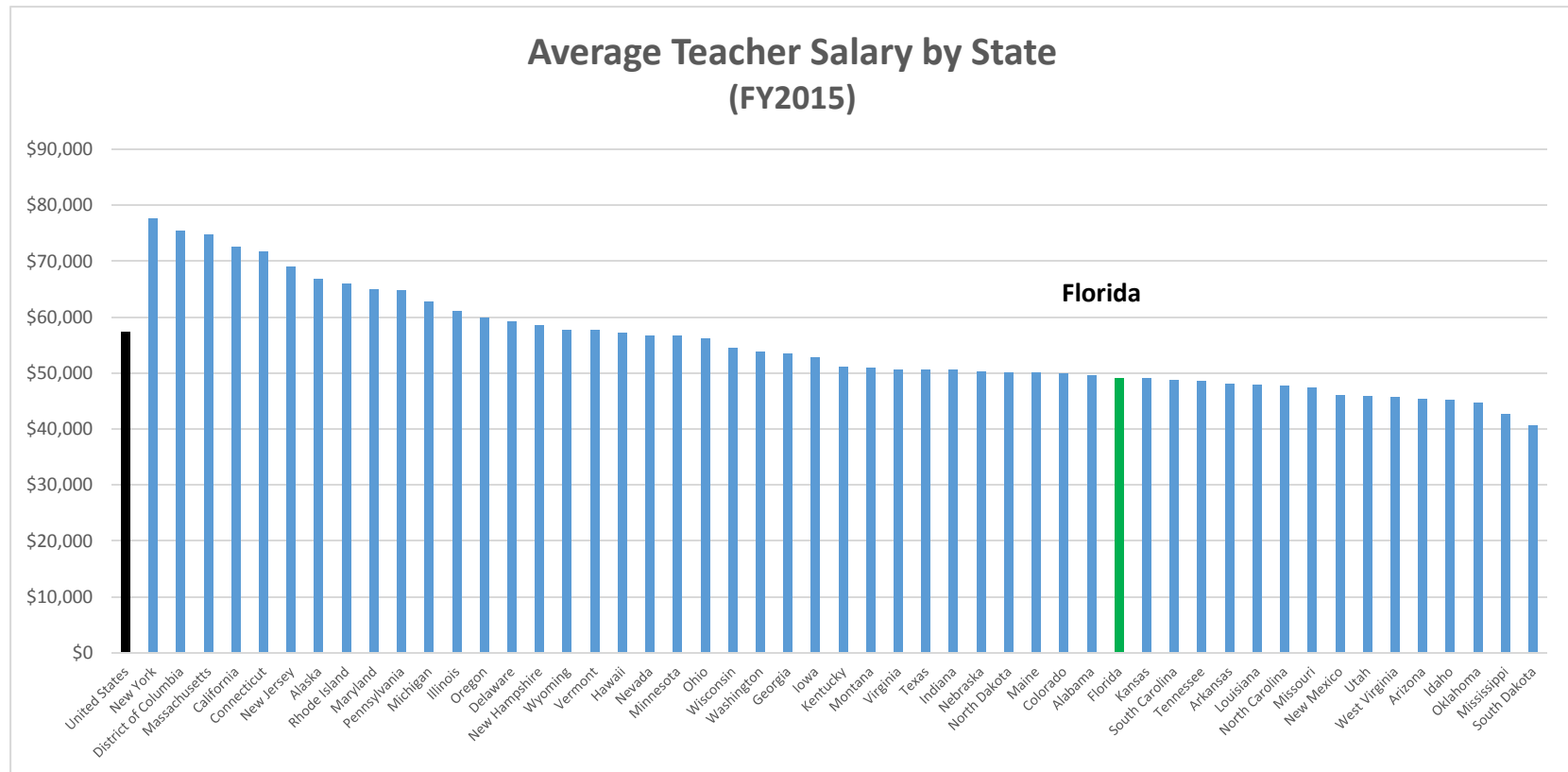
- Moody's concluded "continued charter enrollment growth and the associated loss in capital funding for traditional schools may lead to a self-reinforcing cycle of decreased traditional public school enrollment and decreased revenues available for capital planning under the new legislation."

Traditional and Charter School Capital Needs Greatly Exceed Local Capital Outlay Millage



- Authority must be restored to local school boards to levy up to 2.00 mills within their county to meet the capital needs of both traditional and charter public schools.
- Local school boards are held accountable by their respective communities and should have the authority to be responsive to capital demands.

Florida's Avg. Teacher Salary Ranks 36th in the U.S.



- Florida's \$48,992 average salary trails the national average of \$57,379 by nearly 15% or \$8,387 per teacher.
- It is important to note the average Florida teacher had over 11 years of experience in FY2015.

“Best & Brightest” Program is Not the Answer

- “Best and Brightest” performance bonuses are somewhat redundant in that current Florida statute (F.S. 1012.22) already differentiates between “effective” and “highly effective” employees and requires raises to be awarded based on performance.
- “Best and Brightest” Program is limited to “classroom teachers” as defined in F.S. 1012.01(2)(a), excluding a large number of instructional personnel such as media specialists, guidance counselors, and resource teachers, along with assistant principals and other school support employees.
- A better way to go is the approach Governor Rick Scott and the Legislature took during the 2013 regular session to create a \$480 million Teacher Salary Allocation categorical within the FEFP that provided teachers a \$2,500 recurring salary increase on average.
- Future initiatives to improve teacher or school administrator compensation should be included within the BSA or FEFP and provide for a recurring increase in compensation that is FRS eligible.

Finance Council Recommendations:

- 1. Maintain current Required Local Effort (RLE)** local school tax rate of 4.316 mills to help fund meaningful increase to Base Student Allocation (BSA) as Florida's tax base grows year to year.
- 2. Restore Local Capital Outlay Millage (LCOM) Authority to 2.00 Mills** to local school boards allowing them to meet the needs of both traditional and charter schools within their county.
- 3. Provide adequate funding to significantly increase teacher salaries** on a recurring basis and move Florida closer to the national average teacher salary

More Representation Needed in State Budget Process

- Both the 2017 legislative regular and special session resulted in a few people in leadership positions dictating the state budget and a conforming bill (HB 7069) with far reaching implications.
- A more representative approach is needed in 2018 to help ensure Floridians have a viable future, particularly the 2.8 plus million students entrusted to us for a “**high quality**” education.
- Funding is not the only required ingredient to sustain and improve education, but it is a critical necessity for which there is no substitute.

Constitution of the State of Florida – Article IX, Section 1

The education of children is a fundamental value of the people of the State of Florida. **It is, therefore, a paramount duty of the state to make adequate provision for the education of all children residing within its borders.** Adequate provision shall be made by law for a uniform, efficient, safe, secure, and **high quality system of free public schools** that allows students to obtain a high quality education and for the establishment, maintenance, and operation of institutions of higher learning and other public education programs that the needs of the people may require.



Thank you for your attention

Mike Burke, CFO
School District of Palm Beach County