**2020 REGULAR SESSION FISCAL INFORMATION**
**WEEK OF JANUARY 13, 2020**

During the opening week of the 2020 Regular Session of the Florida Legislature a few pieces of information related to what will become the 2020 General Appropriations Act (GAA) were released. Some of the initial revenue information required to build the GAA was released by the Office of Economic and Demographic Research (EDR). The estimating conferences that were held are reported below. EDR did not release the results of all of the conferences. In addition, the House Pre-K-12 Appropriations Subcommittee also released the results of its "reprioritization" exercise. The available information is discussed below.

January estimating conferences have been held, the results of which are important to K-12 public school districts. The most relevant conferences included the following: General Revenue (GR); the Education Enhancement Trust Fund (the Lottery); the Principal State School Trust Fund; Public Education Capital Outlay (PECO) Trust Fund; Ad Valorem Revenue; and K-12 FTE Enrollment Estimating Conferences. At this time the results of the Ad Valorem and FTE estimating Conferences have not been released.

Please remember that all GAA's are based on revenue projections. The revenue used in the state budget and in school district budgets is not "money in the bank." The state budget and school district budgets which are built from the state budget all rest upon anticipated, not received, revenues.

The most important source of revenue for the GAA is state GR. The most recent forecast, for January 15, 2020 projects that $35.1886 billion in recurring and $1.3171 billion in non-recurring GR will be available. That is a total of $36.5057 billion in GR available for FY 2020-2021. The FY 2019-2029 budget appropriated $32.8904 billion in recurring, $1.354 in non-recurring and $34.2444 billion in total GR.

That would mean that there would be about $2.2617 billion available for increased costs in FY 2020-2021. The Legislature and the EDR always forecast that there will be at least $1 billion in GR that will be not appropriated and will be held in reserve. Therefore, there would be no more than $1.2617 billion available for new expenses. The September 2019 Long Range Financial Outlook projected that to fund the 2020-2021 base budget and the increased costs for critical and other high priority needs, $34.7644 billion plus a reserve of $1 billion would be needed. The LRFO then forecast that about $289.3 million would be available for use by the Legislature beyond the $1 billion contingency and the funding of the base recurring budget and the critical and other high priority needs. The forecast at that time was for a total of about $36.0537 billion. The most recent GR forecast increases that amount by about $452 million.

To provide additional perspective, the Governor's proposed budget recommended spending $34.9749 billion, and holding a reserve of about $1.4 billion in General Revenue, for a total GR budget of about $36.3749 billion. The new GR forecast would fund the Governor's budget recommendations with an addition to the GR surplus of about $130.8 million.

The Lottery is another important source of revenue for K-12 education. The January 15, 2020 Lottery revenue outlook forecasts that there will be $2.3075 billion in lottery funds available. The Governor's budget recommendation appropriated $2.2454 billion from the Lottery to fund his request. The new projection would fund that recommendation and maintain a reserve of about $62.1 million. This is a larger reserve than would have been available based on the forecast that the Governor used for his recommendation. It is however still less than a three percent reserve, a level the Legislature may find problematic.

The forecast for the State School Trust Fund on January 8, 2020 is for $273.3 million. In FY 2019-2020 there was an effective appropriation of $174.5 million. The Governor's recommended budget assumed an appropriation of $268.1 million from this source. The current forecast is $100,000 higher than the one the Governor used, and he left a reserve of only $5.1 million. This is a lower margin than the Legislature usually provides, so this fund source may be slightly overspent in the Governor's recommendation compared to the usual Legislative policy.

The Ad Valorem Revenue Estimating Conference results have not been published at the time of this writing. Based on the August 2019 forecast, which reflected the July 1, 2019 Certified School Taxable Value, the Governor projected a total of $8,014,711,712 in revenue for the Required Local Effort. That is an increase of $157,786,392. The increase is totally based on the application of the Rolled Back Millage Rate consistent with the requirements of the Truth in Millage (TRIM) laws. This captures only the increase in School Taxable Value driven by new construction as defined by law. There is zero probably that the Legislature will change its policy concerning the Rolled Back Rate for RLE millage. In fact, the Governor claimed the Rolled Back Rate impact, which is about $275 million, as part of his Tax Reduction package.

The Governor also projected that the discretionary .748 mill levy will yield $1,645,207,391, an increase of $87,177,673. There is no assumption of a reduced millage rate for this levy.

The ad valorem revenue assumptions and projections used in the Governor's budget recommendation were consistent with the assumptions in the Long Range Financial Outlook. Given all of the variables associated with School Taxable Values, and the other data reported concerning the state of the Florida economy it is likely that the assumptions used by the Governor were reliable, and while the newest forecast may show a change, the change is likely to be a slight but not significant increase in the available revenue when the current policies are applied.

When the results of the most current available revenue forecasts are measured against the only proposed General Appropriations Act currently available, which is Governor DeSantis's recommended budget, the most current forecasts provide enough new revenue to support the Governor's initiatives, fund his proposed General Revenue reserve of $1.4 billion and still have about $131 million available for other priorities.

Two points are very important. First and foremost, the Legislature, not the Governor, is responsible for crafting the General Appropriations Act, and their priorities may or may not align with the Governor's. Second, there are a seemingly endless number of competing priorities seeking the dollars that are available. Some of those competitors are school districts seeking funding for projects that will, if approved use the same revenue that would otherwise have been in the Education silo for use in the FEFP.

In addition to revenue forecasts, the Speaker of the House through the House Appropriations Chair, Travis Cummings, conducted a process of reprioritizing the use of funds in the base budget. A similar process has been used in the House for a number of sessions. This is not dissimilar from the process many districts use to align spending with the most current district strategic plan objectives. The House Pre-K-12 Education Appropriations Chair, Chris Latvala announced his recommendations at the meeting held on January 16, 2020. The key recommendations are summarized below. They may or may not appear in the House budget.

1. From the Florida Education Finance Program (FEFP) $520 million in total cuts to the following categoricals:
   Eliminate the Declining Enrollment - $8.1 million
   Eliminate the Virtual Ed Contribution - $2.2 million
   Eliminate the Digital Classrooms Allocation - $20 million
   Eliminate the Best and Brightest Allocation - $284.5 million
   Eliminate the Funding Compression Allocation - $54.2
   Reduce the Supplemental Academic Instruction Allocation - $150 million

The funding was recommended to be reprioritized to:

Increase the Base Student Allocation/ FEFP - $462. 6 million (The Chair said to be used for classroom teacher salary increases. However, there was no indication how these funds would be used. Would there also be a salary increase categorical like the Governor proposed? Would these funds be consumed by a new performance bonus plan to be paid for by the funds provided in the FEFP specific appropriation? Would this be in addition to both of the Governor's initiatives?)

Increase the Mental Health Allocation – $25 million. The Governor's recommendation funded this increase with new revenue, not funds cut from the FEFP.

Increase the Turnaround School Supplemental Services Allocation (TSSSA) - $32.4 m) This increase was not included in the Governor's recommended budget, but that does not mean an increase is not needed. Remember that extra funding for charter Schools of Hope was based on $2,000 extra funding per student, but the Turnaround model was based on $500 extra funding per student.

Non-FEFP changes included:

$21.3 million in recurring base appropriations projects will instead be funded with nonrecurring funds.

Recurring funds would be reprioritized to:
Gardiner Scholarship waitlist - $13.2 million
Increase VPK base student allocation - $8.2 million

Cut Schools of Hope nonrecurring funding by $23.1 million to fund base projects previously funded by recurring monies in the Non-FEFP and Early Learning Services budgets

Early Learning Services
$1.8 million in recurring projects will be reprioritized to increase the VPK base student allocation and the projects will be funded with nonrecurring dollars. The total increase to the VPK BSA will then be $10 million.

When reviewing the work of the House subcommittee a few points are suggested.

Both the Governor in his recommendation, and the Senate in SB 486 have sought repeal of the Best and Brightest program. The program seems to be on the verge of repeal, and that frees up nearly $300 million.

The Governor also recommended the elimination of the Declining Enrollment Supplement. That suggests the item has a probability of repeal.

The Funding Compression Allocation is preserved in the Senate, in SB 62 and in the Governor's Budget recommendation. Therefore, the House may face a challenge to the initiative to repeal it.

The reductions recommended in the SAI and the Digital Classrooms Allocation do not relieve the district school board of any of the responsibilities to provide technology paid for by the Digital Allocation or to provide extra support to students in need of extra help that is provided by the funds in the SAI.

At this time, we have not been given the Third Calculation of the FY 2019-2020 FEFP. Therefore, we don't know if there has been an increase in FTE enrollment driven either by growth or the additional students now eligible for FEFP funding from the Family Empowerment Vouchers. Districts reported a large percent of the students taking the vouchers were in Kindergarten and it is unknown if those students were in the projections on which the current year budget was built. Similarly, we haven't seen the FTE enrollment forecasts and we don't know how the growth in that Voucher program will impact the need to fund new student enrollment growth.

Another pair of bills with fiscal implications are moving quickly through the process. HB 101 and CS SB 246 are identical, and each has moved through committee stops. The bills change the amount of retainage school districts can withhold from progress payments to construction contractors and construction managers. Currently the district can withhold retainage of 10% of progress payments for the first 50% of payments and then the amount is reduced to 5%. The bill reduces total allowable retainage to 5% during all stages of progress payments for construction projects.