

## MEMORANDUM

May 9, 2011

**TO:** The Honorable Chair and Members of The School Board of Miami-Dade County, Florida

**FROM:** Alberto M. Carvalho, Superintendent of Schools *AWC*

**SUBJECT: FINAL LEGISLATIVE UPDATE – 2011 LEGISLATIVE SESSION**

The 2011 Legislative Session concluded in the early hours of Saturday, May 7, 2011, going into overtime due to a meltdown over several conforming bills overshadowing much of the work that the Republican-controlled Legislature had accomplished in the previous 60 days. The Legislature closed a \$4 billion shortfall in the state budget while not increasing taxes and providing tax cuts, tackled deregulation, immigration, and reformed pension, health care, courts, education and elections. More than 2,000 bills were filed during the 2011 session and the vast majority of them died when the session ended Friday. At last count, only about 300 bills had been passed by Friday night.

Governor Scott's campaign promise of reducing the corporate income tax was approved by the Legislature but only at a fraction of what he called for. The legislation would result in a \$30 million cut to the state's corporate income tax, which is minor compared to Scott's originally requested \$459 million of business tax cuts. The cuts are mostly aimed at smaller businesses by raising the corporate tax exemption. Currently, those with net income of \$5,000 or less are exempt, but the bill would exempt \$25,000 worth of net income from the tax.

The Republican-controlled Florida Legislature made sweeping changes to voting that will cut back on the number of early voting days, as well as restricting when and how someone can change their name and address before voting. Legislation would cut the number of early voting days from 14 to eight. The measure would also no longer allow voters to change their name or address at a polling location. If a voter has not changed their name or address prior to arriving at the poll, they could only cast a provisional ballot. The bill also puts restrictions on third-party groups that register voters. The proposal would impose a fine if the groups do not turn in the voter registrations within 48 hours. It would also create a presidential primary commission that would be responsible for setting the date of next year's 2012 presidential preference primary sometime between early January and early March.

### **Budget Update**

The State's General Appropriations Act, SB 2000, is approximately \$70 billion filling a nearly \$4 billion fiscal shortfall without raising taxes or fees. The final budget called for heavy cuts to education, health care and transportation, while providing a small amount of money for tax cuts to businesses. Health care funding was reduced to \$29.9 billion,

along with a cut of nearly \$700 million in Medicaid funding for hospitals and nursing homes. Education funding, K-12, was reduced by \$1.3 billion and tuition for all state universities was increased by eight percent.

Specifically, relating to Education PreK-12, funding for the Florida Education Finance Program (FEFP) was reduced by approximately \$1.3 billion or 7.53 percent. The reduction on a per unweighted full-time equivalent is approximately \$542.03 or 7.96 percent. The reduction is due mainly to the sunseting of the federal stimulus monies of approximately \$872 million and the depressed property value statewide revenue estimated to decrease by \$287 million. The Base Student Allocation (BSA) is reduced by \$144.54 per student to \$3,479.22, taking that figure back to its level during the 2001-2002 school year, a decade ago. The reductions to school districts are mitigated by changes made to the Florida Retirement System (FRS) with the savings estimated at \$859 million.

Specifically, as it relates to Miami-Dade, the estimated gross funding reduction is approximately \$185.7 million or 7.89 percent before any retirement expenditure savings. The District's per student reduction is \$556.04 or 8.16 percent. Our share of the retirement savings is approximately \$112 million which mitigates the District's reduction.

### **Pension Reform**

The deal provides the state approximately \$1.1 billion in savings, which as you may recall, was the level of savings recommended by the Governor. The impact of the savings of the pension reform is approximately \$859 million in the K-12 budget statewide, mitigating school districts reduction. Public employees enrolled in the state pension plan will have to contribute 3 percent of their salary on July 1, 2011, to cover part of pension costs. The employers share is reduced to 3.77 percent for the 2011-2012 school year, down from 9.65 percent. For 2012-2013, that percentage is scheduled to increase by 1.67 percent to 5.44 percent resulting in increased personnel costs for public employers.

Additionally for new hires after July 1, 2011, the final deal includes: the calculation of the final benefits is based on the highest eight years of compensation; normal retirement age will increase from 55 to 60 years for Special Risk and from 62 to 65 years for all other classes of employees; the years of required service is increased from 25 to 30 years for Special Risk and from 30 to 33 years for all other classes of employees; and employees are vested after eight years of service instead of the current six years of service. Additionally, no cost of living adjustment will be granted for service earned between July 1, 2011, and June 30, 2016, at which time the Legislature will review this policy. Deferred Retirement Option Plan (DROP) was preserved. However, the interest rate paid to new participants into the program after July 1, 2011, will be 1.3 percent.

## **Governance**

Legislation that would have unilaterally modified the governance structure of school districts with more than 2 million residents failed to pass the Legislature. Although HB 307 passed the Florida House of Representatives, the Senate companion was withdrawn from further consideration by the Senate sponsor, Senator Miguel Diaz de la Portilla.

## **Education Policy**

The Florida Legislature made sweeping changes to education. As you may recall SB 736, entitled Student Success Act, was passed and signed by the Governor early on in the session. The legislation requires that 50 percent of a teacher's evaluation be based on student achievement on state assessments, end-of-course exams, norm-referenced exams, or other recognized assessments; compensation be based on student performance; and the elimination of continuing professional contracts or tenure for teachers.

Campaign trail promises by Governor Scott were made reality with the expansion of choice options -- especially virtual and charter school options -- for parents of children attending Florida's K-12 schools. The Florida Legislature passed SB 1546, dealing with charter schools and HB 7197, expanding virtual education options. SB 1546 paves the way for charter schools designated "high-performing" to create their own school districts, increase their student population by 15 percent annually and providing them 15-year contracts. The schools would be allowed to grow by 15 percent as long as they maintained "A" or "B" averages, and reduces the administrative fee school districts can retain to 2 percent for the first 250 students. HB 1331, expanding the definition of failing schools, was passed to a school receiving an "F" in any two years, and HB 1329, expanding the eligibility requirements for McKay Scholarships, was passed.

HB 7197 mandates that every student take at least one online course prior to graduation and that statewide assessments be administered online by the 2014-2015 school year. The bill also has a massive expansion of the use of online education. The bill creates virtual charter schools and blended-learning charter schools, and authorizes the Florida Virtual School to provide full-time virtual education to students in grades K-12 and part-time to students in grades 4-12.

## **Value Adjustment Board**

Legislation requiring taxpayers to pay a minimum amount of their respective tax liability passed the Florida Legislature. The House bill, HB 281, passed the Florida House of Representatives last week on a 113 to 1 vote and the Senate companion, SB 880, passed the Florida Senate on Tuesday, May 3, 2011, by a vote of 37 to 1. As you may

recall, the bill is one of the Board's legislative priorities for this session and has a one-time non-recurring value of approximately \$30 million to the District. The next hurdle for the bill involves the Governor. Discussions have already taken place with the Governor's staff and attempts to document statewide support from other stakeholders in order to protect the bill from a potential veto.

### **Class Size Reduction Flexibility**

Although legislation eliminating the statutory penalties related to non-compliance with class size reduction did not pass, the Legislature did provide school districts with flexibility in the courses that are required to meet the class size limitations. In grades Pre-K through 3, language arts/reading, mathematics, social studies and science must comply with class size limits. In grades 4-8, subjects measured by state assessments and courses required for middle school promotion must meet the thresholds. For grades 9-12, subjects measured by state assessments and courses required for high school graduation must comply. ESOL and ESE classes require class size limitations.

### **Co-enrollment**

A compromise was reached on this issue during conference on the Higher Education Budget. As you may recall, both the Florida Senate and the Florida House of Representatives prohibited school districts from receiving funding through adult education for a student that was simultaneously enrolled in the K-12 program. Through Conference and the efforts of Senator Braynon and Representatives Fresen, Trujillo, and Gonzalez the policy stands. However, for the 2011-2012 fiscal year school districts may use co-enrollment for students needing credit recovery but limited to two classes per year.

### **School Food and Nutrition**

SB 1312 transfers authority over the school nutrition programs currently under the supervision of the Department of Education to the Department of Agriculture and Consumer Services. More than \$800 million worth of reimbursement that school districts use for food programs will now be in Commissioner Putnam's control. The move will require a waiver from the federal government. Texas and New Jersey have both requested and been granted similar waivers.

### **Constitution Amendments**

The Florida Legislature voted to place nine different constitutional amendments on the ballot next year. The proposed amendments range from reforming the courts, health care, abortion, revenue limitations for the state, additional exemptions for veterans and first time homebuyers and assessed value caps for non-homesteaded property. All of them will need to win 60 percent approval from voters in order to take effect. Some of the measures headed to the ballot include:

**SJR 958:** A proposed constitutional amendment that would limit the growth of state revenues to a new formula based on changes in population and inflation.

**HJR 381:** A proposed constitutional amendment that would offer first time homebuyers a property tax break and would put a cap on how much the value of non-homesteaded and commercial properties can change each year. If approved by voters, the measure would limit the tax assessment cap to five percent on non-homestead property and commercial property; the cap is currently set at 10 percent. The proposal would also give state lawmakers the ability to limit increases on homestead property if the market value on the home in the previous year decreased. First-time homebuyers would also be eligible for a homestead exemption worth up to \$200,000 that would be phased out over a five-year period.

**HJR 1179:** A proposed constitutional amendment that would prohibit public funding of abortions.

**SJR 592:** An amendment that expands a property tax discount for veterans who became disabled as the result of a combat injury.

**SJR 2:** A constitutional amendment that would ban health insurance mandates as part of an effort to blunt the impact of federal health care reform.

**HJR 1471:** A proposed constitutional amendment that will repeal a 19th century ban on state money going to religious organizations is headed to the ballot. Supporters of private school vouchers have been pushing the proposed amendment for years wanting the amendment because of an appeals court ruling that struck down a voucher program set up by then Governor Jeb Bush. That court ruled the program unconstitutional because state money was going to private schools run by churches. The Florida Supreme Court ultimately used a different reason for scuttling the voucher program, but there are fears that other voucher programs, including the McKay Scholarship program, remain vulnerable to legal challenges.

The 2012 Legislative session is only seven months away and is scheduled to begin on January 10, 2012, due to redistricting, with committees to be schedule to meet in early fall.

If you have any questions or need additional information, please contact Ms. Iraida R. Mendez-Cartaya, Assistant Superintendent for the Office of Intergovernmental Affairs, Grants Administration, and Community Engagement, at 305-995-1497.

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