

PRE-CONFERENCE BUDGET REPORTS

The Senate and House have completed work on their respective versions of the General Appropriations Act (GAA), SB 2500 and HB 5001, and competing implementing bills SB 2502 and HB 5003. The chambers have also placed into the budget conference competing Florida Retirement System rate bills, HB 5007 and SB 7022. Postured for conference are competing conforming bills, HB 5101 and SB 2516, and bills relating to charter school capital outlay funding, SB 376 and HB 5103. The House has placed HB 5105, labeled "School Improvement" into the budget conference. HB 5105 revises the statutes prescribing interventions for schools with persistent school grades of D or F, and authorizes and funds the location of certain charter schools within five miles of these schools. There is not yet a Senate companion for this bill, but it will be addressed in the budget conference process.

A series of reports have been prepared to summarize the changes and differences among the conference bills. The major FEFP funding differences between the Senate and House are compared on two spreadsheets. One compares the funding differences on a statewide basis, and the second provides those comparisons for the district. Both spreadsheets present historical comparisons with the pre-recession funding high and the lowest FEFP funding level during the recession. These comparisons show that the components of the funding formula that support the basic operating costs for the district still have not returned to pre-recession levels, despite significant student enrollment growth over the past ten years.

The section of the report that compares SB 2500 and HB 5001 focuses on proviso language, and highlights changes from the prior year, and differences between the two bills. The sections that report on the implementing, conforming, charter school capital outlay, and FRS bills highlight the changes from current language, and differences between the chambers.

REVENUE COMPARISON SPREADSHEETS

The statewide and the district spreadsheets both show that the Senate proposed budget provides significantly more revenue than the House proposed budget. The Senate budget provides about \$538.8 million more total potential revenue than the House budget. The difference is accounted for by the fact that the Senate retains the current year Required Local Effort millage and captures the increase in the statewide school taxable value. That difference is also reflected in the spreadsheet analyzing the district.

We are a long way from a conference report. But as Senator Tom Lee pointed out on the Senate floor, the Senate FEFP growth is made up of \$535.1 million from the increase in the RLE, \$92.4 million in increased local discretionary funds, and \$162.5 million in non-recurring state General Revenue. When asked repeatedly about including the increased Required Local Effort revenue in the budget the Speaker has said: "Hell no." The revenue forecasts and the competing demands for available recurring General Revenue do not support the prospect that over \$500 million in new funds are available to replace those RLE dollars.

I would advise the district that the budget planning processes continue to be built on the House proposed budget. That budget is consistent with the revenue projections and analyses that have been provided to the district since September 12, 2016. There is a real possibility that the budget process will result a Final Conference Report with enough new revenue to eliminate the decrease in the Base Student Allocation currently in the House budget. That change would raise the increase in average dollars per student from about 0.27% to 1.0 percent. The impact would be to add about \$149 million statewide in new total potential funds. If the conference process results in the higher Senate revenue, coping with the added revenue would be an easy adjustment to make. To plan and execute based on the Senate budget and receive something close to the House budget would be a very difficult adjustment. **Remember that whatever the amount of any new revenue, the first new revenue must be spent on the increase in employer FRS rates. An estimate of that cost is included on the district revenue comparison spreadsheet.**

PROPOSED GENERAL APPROPRIATIONS ACTS SB 2500 AND HB 5001

The spreadsheets included with this report clearly identify revenue differences between the proposals. This analysis will only discuss items not included on the spreadsheets and changes or differences in proposed proviso language. The items discussed will be identified by the specific appropriation line item numbers used in each bill.

Line item 4 addresses Bright Futures Scholarships. HB 5001 makes no significant changes in Bright Futures policies or the amount allocated to the program. SB 2500 increases the allocation to \$397,282,030. The increase from the current year allocation of \$217.3 million is driven by an increase in the scholarship amounts for Top Scholars and adds awards for other students. If the Senate position prevails the policy differences will be important to high school guidance counselors.

Line item 7 reflects an increase in the amount of Lottery Funds used in the FEFP in both SB 2500 and HB 5001. This change is important because it again reflects the small amount of new recurring state General Revenue added to the FEFP.

Line item 18 provides PECO Maintenance funds for district and charter school capital outlay needs. The Senate proposes \$75 million for charter schools and \$75 million for "public schools." It also proposes \$3 million for the High Growth Capital Outlay Assistance Grant Program. The proposed changes in language are very specific. A quick analysis of the language seems to make only Osceola County Public Schools eligible for the grant. A more thorough analysis of the High Growth Districts' language is included in the report on the Senate conforming bill, SB 2516. HB 5001 proposes \$100 million for charter schools, and \$20 million for "public schools" from PECO maintenance funds for capital outlay needs.

Line item 22 provides for the Special Facilities Construction Account for small school districts. The Senate provides funds for Dixie, Hamilton, Taylor, Liberty, and Jackson Counties. The House provides funds for Hamilton, Taylor, Liberty, Jackson, Gilchrist, and Bradford Counties.

Line 30 continues funding for Adults with Disabilities for specified programs in each bill.

Line 87 provides funding for VPK programs. The Senate establishes the School Year BSA at \$2,529 and the Summer School BSA at \$2,159, with a total allocation of \$411,795,424. The House provides a School Year BSA of \$2,437 and a Summer School BSA of \$2,080 with a total allocation of \$396,812,611.

Line 91 provides funds and proviso language for the Florida Education Finance Program (FEFP). The financial differences between the two bills are highlighted in the spreadsheets. The major policy changes and differences include the following:

HB 5001 proviso language for the ESE Guaranteed Allocation deletes the requirement that gifted programs funded in the allocation be focused on mathematics and science and that an in-field teacher delivers the instruction. The Senate conforming bill, SB 2516 requires that the ESE Guaranteed Allocation be recalculated after all FTE surveys, not just after the October survey.

HB 5001 proviso language for Safe Schools reflects the changes proposed in the House Conforming bill. HB 5101 and the proviso delete the extensive list of services for which the safe schools' allocation is provided, and simply state that priority for the funds will be to establish an SRO program.

SB 2500 proviso language for the Supplemental Academic Instructional (SAI) Allocation makes changes associated with the requirement for an additional hour of reading instruction for the 300 elementary schools with the lowest reading scores. The most significant change is the addition of a requirement for a 60-hour summer school reading program. The changes are included in SB 2516. Funds are provided in the Senate FEFP to pay for the summer reading requirement.

HB 5001 proviso language for the SAI specifies that the funds be used as specified in s 1011.62(1)(f) Florida Statutes. HB 5101 makes significant changes in that section of law. The new language essentially repeals the requirement for the extra hour of reading instruction and replaces the language with a requirement that districts with a D or F school must use the SAI funds generated by those schools to implement the interventions required by law, including enhancing the salaries of teachers

and principals serving those schools. These changes will be strongly contested in the Budget Conference, as the extra hour initiative is a priority of the Senate Pre-K-12 Education Appropriations Chair, Senator David Simmons.

SB 2500 deletes the Virtual Education contribution. HB 5001 retains the item and establishes the funds at \$5,230 per FTE.

HB 5001 provides \$80 million for Digital Classroom and specifies that the funds be spent as specified in s 1011.62 (12). HB 5101 makes significant changes in the statutes referenced. It repeals the requirements that the district file a detailed digital classrooms plan, and proposes that the district spend the funds on the items available through the federal E-rate program. SB 2500 proposes \$60 million for Digital Classrooms, and retains the current requirements for a district plan.

There are several non-FEFP projects and line items included in both budgets. Only the most significant or impactful of the items will be included in this summary.

Line Item 100 A addresses the Best and Brightest "Scholarship" program. The Senate does not include any funding for this project in SB 2500. The House funds the line item at \$213,750,000, and references statutory references to CS/HB 7069. The Senate will be hearing a "Best and Brightest" bill in committees during the week of April 17. This item is a high priority of the Speaker and will be subjected to significant attention in the conference process. It is very likely that the "Best and Brightest" program will be included in the budget and legislation that passes from the Legislature this session.

Line item 105 addresses regional education consortium services. Currently HB 5001 provides no funding for regional education consortium services, and does not include a line item number 105. SB 2500 funds the consortiums at prior year levels.

Line item 107 addresses teacher professional development. SB 2500 includes \$500,000 for FADSS superintendents' training. HB 5001 does not include funding for FADSS training.

Line Item 109 A in HB 5001 provides \$14 million for the standard student attire program. The Senate does not include this line item number and does not fund the program. HB 5101 deletes statutory language that specified the color of the shirts and pants to be worn to qualify for the funds.

Line item 109 B in HB 5001 provides \$200 million for the Schools of Hope, and references HB 5105 where the details for the program are provided. This line item does not exist in SB 2500, and the Senate does not currently have a companion to HB 5105. This is one of the Speaker's highest priorities and it will be included in conference.

Line item 120 provides \$4.5 million for performance based incentives for district Workforce Education programs, the same funding as FY 2016-2017. SB 2500 does not include this item and does not fund Workforce performance based incentives.

Line 121 in both bills funds Adult Basic Education. The item is funded at \$41,552,472 in both bills, an amount unchanged from previous years.

Line 122 in both bills funds District Workforce Development programs. SB 2500 proposes \$366,930,660, HB 5001 proposes \$365,870,764, and current year funding is \$365,044,488. Remember that the funds identified in this line item include tuition, but does not include the significant Lottery funding that brings the totals to the amount indicated, and is referenced in the proviso language.

Line 123 provides Vocational Formula Funds. The Senate proposes \$72,144,852, which is the same funding as the prior year. The House proposes \$67,144,852. The Higher Education Appropriations Subcommittee Chair's budget proposal noted a \$5 million reduction to "Reduce Excess Federal Budget Authority."

As a matter of information line Item 442 provides \$17,035,258 for school health services and line item 458 provides \$8.5 million for Full Service schools in both bills. This is the same funding as the amount provided in the current year.

**HB 5003 AND SB 2502
IMPLEMENTING BILLS FOR THE GENERAL APPROPRIATIONS ACT**

Each year the Legislature prepares and passes an implementing bill that accompanies the General Appropriations Act (GAA). The implementing bill makes the changes in law that the Legislature deems are necessary to enable the provisions of the GAA to be effectively enacted. As the Senate and the House prepare to hold conference committee meetings to produce the FY 2017-2018 budget, each chamber has produced both a General Appropriations Act and an implementing bill. Differences between these bills will be resolved during the budget conference. Differences between the House and Senate implementing bills help identify differences between the House and Senate General Appropriations Acts. Both the GAA and the implementing bill will become law on July 1, 2017 and expire on June 30, 2018.

HB 5003 is the prospective House implementing bill. SB 2502 is the prospective Senate implementing bill. Because the GAA encompasses all aspects of state government, only a portion of the budget, and consequently only a portion of each implementing bill is relevant to the school district. The relevant sections of each bill each bill will be reviewed separately.

HB 5003

Section 1, lines 177-179 establish that it is the intent of the Legislature that the implementing and administering provisions of this act apply to the GAA for FY 2017-2018.

Section 2, lines 180-190 incorporate by reference the calculations of the Florida Education Finance Program, "the runs" into law through July 1, 2018.

Section 3, lines 191-107 continue the provision that small districts generating less than \$2 million a year from a one mill levy of ad valorem tax shall be required to contribute the proceeds of .75 mills for fiscal year 2017-2018 towards the cost of funded special facilities projects.

Section 4, lines 198-271 makes changes in the "Best and Brightest" teacher scholarship.

The most important changes proposed include adding high performance on the GRE, the LSAT, the GMAT, or the MCAT to the SAT and the ACT as qualifying examinations that establish eligibility for the scholarship. It should be noted that each of the examinations is linked by an "or" so it is presumed that if a candidate had a deficient score, on the GRE while applying for graduate school, but a qualifying score on the ACT while in high school, the applicant would qualify.

The bill also adds the evaluation process referenced in s. 1012.34 (8) as a second evaluation method by which a highly effective rating can be attained for an experienced teacher seeking the payment.

Line 235 changes the required qualifying standardized test score to the 77th from the 80th percentile rank.

The bill also requires that the school district supply by December 1 the name and master school identifier number for each school in the district to which an eligible teacher is assigned, and the name of the principal of that school, if the principal has been assigned to the school at least two consecutive years.

Section 5 lines 275-326 establishes the Florida Best and Brightest Principal Scholarship program. The section includes legislative findings that a high performing principal plays an important role in creating a high performing school. As with the Best and Brightest Teacher Scholarship program, the bill establishes there will be categorical funding for the program, the standards by which principals would qualify, and the processes by which the district would submit names and the Department would identify and disburse the funds. To qualify the number of "Best and Brightest" teachers recruited and retained at a school would be tallied and the ratio of Best and Brightest teachers to all teachers would be calculated. If the school ranks at the 80th percentile or higher among like schools the principal would win the award.

The amount of the award must be higher for a Title One principal than for principals of Non-Title One Schools. Districts are required to extend the autonomy awarded in s.1012.28 (8) (the PAPPI program) to Best and Brightest principals for at least two years.

Section 47 provides that a permanent change made by another law to the same statutes amended by this bill will take precedence over the provisions in this bill.

SB 2502

Section 1 lines 338-341 establish that it is the intent of the Legislature that the implementing and administering provisions of this act apply to the GAA for FY 2017-2018.

Section 2, lines 341-351 incorporate by reference the calculations of the Florida Education Finance Program, "the runs" into law through July 1, 2018.

Section 3, lines 352-360 specify that notwithstanding other provisions of law the expenditure of funds provided in the FEFP for instructional materials shall be released and expended as required by proviso language for Specific Appropriation of the 2017-2018 GAA. This is the same language as the prior year.

Section 5, line 413 changes the minimum district allocation from the Digital Classrooms fund within the FEFP from \$500,000 to \$400,000.

Section 5, lines 417-424 stipulate that notwithstanding other provisions of law, a district school superintendent who certifies that the requirements of the district's 2017-2018 digital classroom plan have been met, may spend the remaining balance of the current allocation including any carry-forward funds up to \$350,000 or 25% of the allocation, whichever is greater for purposes identified in s.1011.71 (2), which provide the lawful use of the 1.5 mill local discretionary capital improvement millage.

Section 5 lines 424-434 repeal the requirement that the district's digital classroom plan must give precedence to funding the number of devices that comply with the requirements of s. 1001.20 (4) (a) 1 to allow each school to administer to the Florida Standards Assessment to an entire grade at the same time, and if the digital classroom plan does not include purchase of such devices, the district must certify in the plan that the district has sufficient devices to allow such an administration.

Section 9. lines 512-516 provide that to implement Specific Appropriation 22 of the 2017-2018 General Appropriations Act, for the 2017-2018 fiscal year only and notwithstanding s. 1013.64(2)(a)6., Florida Statutes, the Dixie County Middle/High School special facility project may exceed the cost per student station.

HB 5101 AND SB 2516 CONFORMING BILLS FOR THE GENERAL APPROPRIATIONS ACT (GAA)

Conforming bills are proposed to permanently change existing statutes to make them consistent with the provisions of the GAA. This year both the House and the Senate have introduced conforming bills. The House conforming bill is HB 5101 and the Senate conforming bill is SB 2516. Because conforming bills open multiple sections of statutes they have been controversial in some sessions because of the number and variety of other subjects that sometimes become attached to the original bill.

The two conforming bills have only a few similar provisions. There are some issues that are handled very differently in each bill. Clearly there will be some challenges in the conference process to reconcile these two bills.

HB 5101

Section 1 lines 39-45 delete the requirement and authority of Just Read Florida to review and evaluate district K-12 reading plans.

Section 2 line 57 moves the deadline for early learning coalitions to correct VPK FTE enrollments from December 1 to September 1 of the subsequent fiscal year.

Section 3 lines 63-67 delete obsolete language related to the Florida School for Boys in Okeechobee, which no longer exists. There is a DJJ facility operated through the Washington Special District through a contract with the Department of Education. This section deletes the authority for that contract. Proviso in HB 5001 includes the following language addressing this issue:

The Department of Education shall work with the Washington County school district and the Okeechobee County school district to determine, pursuant to s. 1003.52(3), Florida Statutes, which district shall be the educational service provider for the full-time equivalent (FTE) students currently associated with Washington Special. Effective with the October 2017 FTE Survey, the FTE associated with Washington Special in the Florida Education Finance Program (FEFP) will be reported by either the Washington County school district or the Okeechobee County school district. The FTE changes required shall be incorporated into the 2017-2018 third FEFP Calculation as determined by the FEFP Allocation Conference.

Section 4 lines 85-105 make technical and conforming changes in language related to the Supplemental Academic instructional (SAI) allocation in the FEFP, including changing the name from a categorical to an allocation.

Lines 101-113 create language requiring districts with D or F schools to use those schools' share of the SAI to implement the intervention strategies and the salary and other personnel differentials required by law to improve the performance of these schools.

Lines 113-126 delete the current requirement to use a specified portion of the SAI to provide an additional hour of reading instruction each day in the 300 elementary schools with the lowest reading performance scores. The extra hour of instruction is a high priority of Pre-K-12 Education Appropriations Chair Senator David Simmons.

Lines 129-138 make technical and conforming changes in the language related to the SAI.

Lines 139-157 change the allocation of funds within the SAI to conform to the new requirements for the use of the funds. The language retains the basic concept of calculating the SAI and then calculating a supplemental amount within the SAI as is currently done. What changes is that the schools identified to participate in the supplemental SAI revenue are the districts earning grades of D or F rather than the 300 elementary schools with the lowest reading scores.

Lines 158-169 make technical and conforming changes in the language related to the SAI.

Lines 170-178 delete obsolete language related to the FSU lab school.

Lines 185-190 insert the proviso language related to determining eligibility for the Sparsity Supplement for school districts with at least 20,000 students and no more than 24,000 students into the FEFP statutes. The calculation allows four rather than three high school centers for districts from 20,000 to 24,000 students. This language currently only applies to Hernando County.

Lines 191-264 make technical and conforming changes to the Reading Allocation language. The most substantive change makes the determination of the 300 elementary schools with the lowest reading scores based on a three-year average of the state reading assessment data.

Lines 265-272 change the specifications for district reading plans. Districts with schools with grades of D or F must submit reading plans to the Department that specify that districts use the funds for these schools to pay for the intervention and support strategies required by s. 1008.33 of Florida Statutes for D or F schools. Changes in this section delete the **requirement** to use funds from the Reading Allocation to pay for the extra hour of reading instruction in the lowest performing 300 elementary schools, but allows the districts to make the extra hour of instruction a priority for the funds.

Lines 273-299 delete other provisions requiring districts to submit reading plans to the Department and authorizing the Department to withhold reading funds in the absence of an approved plan.

Lines 301-323 make changes in the Florida Digital Classrooms Allocation. The language states that the purpose of the Digital Classrooms Allocation is to ensure students have access to high quality electronic and digital instructional materials and resources and to empower classroom teachers to help their students succeed. The language states the method for allocating any funds provided in the GAA. These lines also specify that Digital Classrooms funds must be used for costs associated with acquiring and maintaining the items on the eligible services list authorized by the federal E-rate program and acquiring computer and device hardware and associated operating system software that complies with s. 1001.20(4)(a)1, which states: "Identify minimum technology requirements that include specifications for hardware, software, devices, networking, security, and bandwidth capacity and guidelines for the ratio of students per device."

Lines 323-464 delete the detailed requirements for the district's digital classrooms plan.

Lines 465-477 place the Safe Schools allocation into statutes after being only in proviso for many years. The language specifies how the funds will be calculated and allocated and states that the priority for the funds is to establish a school resource officer program.

Lines 451-453 stipulate that an under allocation of funds in a prior year caused by a district error may not be the basis for a positive allocation in the current year.

Section 5 lines 512-514 remove the prescriptive language for the standard student attire program that specifies the colors of shirts and pants that may be worn to qualify for the program.

SB 2516

Section 1 lines 52-53 add the Florida School for the Deaf and Blind to the school districts to be audited by the Auditor General.

Section 2 lines 120-123 provide that the ESE guarantee shall be recalculated during each FTE reporting period, not just in the October membership count.

Lines 138-141 delete redundant language used to identify the Supplemental Academic Instructional Categorical (SAI) fund.

Line 146 deletes an obsolete date related to the extra hour of reading requirement.

Line 148 clarifies that the reading assessment results used to identify the 300 elementary schools with the lowest reading scores shall be the results of the reading assessment for the prior year.

Line 153 adds a requirement for districts to provide a 60-hour summer school program for the students in the 300 elementary schools with the lowest reading scores.

Lines 154-162 make technical changes to clarify that reading specialists and teachers must have demonstrated their effectiveness to work in the 300 elementary schools with the lowest reading scores.

Lines 164-170 state that the lowest 300 designation must be based on the state reading assessment for the prior year. They further state that schools that were on the list in the immediate prior year shall remain in the extra hour of instruction program for two years.

Lines 181-204 codify the method for calculating the SAI and the supplemental appropriation for the lowest 300 elementary schools. The method codified is the method used in FY 2016-2017 which was included in the that year's proviso language. These lines codify the method but there are no material changes in the method used to calculate the SAI and the supplemental appropriation within the SAI that was used in the GAA for FY 2016-2017.

Lines 205-252 modify the calculation of the supplement for small isolated schools to include not just small isolated high schools, but also include small isolated elementary schools.

Lines 253-264 codify the change in the calculation of the Sparsity Supplement that has been in proviso language for the past two years. The language provides that district with student populations greater than 20,000 and less than 24,000 shall calculate eligibility for sparsity based on four rather than three high school centers.

Lines 265-273 make technical changes and removes an obsolete date in the Research Based Reading Allocation.

Lines 274-281 make changes in the Reading Allocation to conform to the changes made in the SAI Allocation and provide for a 60-hour summer program for the 300 elementary schools with the lowest reading score, provide that the determination of the lowest 300 schools shall be based on the prior year state reading assessment, and that schools that score well enough to no longer be among the lowest 300 will continue to offer the extra hour of instruction for an additional two years.

Lines 282-372 make technical changes and delete obsolete language in the Reading Allocation.

Lines 373-386 require the that school districts with one or more of the lowest 300 performing elementary schools to include in the district's mandatory reading plan the reading interventions needed to remediate the deficiencies experienced by the students in these schools.

Lines 387-413 revise the Federally Connected Student Supplement to provide that the supplement shall be recalculated during the year as the FTE surveys are taken and tabulated.

Lines 427-430 provide that an under-allocation in a prior year caused by a school district error may not result in a positive adjustment in a subsequent year.

Section 3 lines 459-474 revise the method of calculating the capital outlay full-time equivalent students in a district. The method will total the reported unweighted full-time equivalent student membership reported in the second and third surveys, with each survey limited to 0.5 full-time equivalent per student. The lines also delete now obsolete language related to calculating the capital outlay full-time equivalent student count.

Lines 475-515 make technical and conforming changes in Capital Outlay FTE language. These changes are not substantive.

Section 4 lines 516-580 revise the language related to funding the High Growth District Capital Outlay Assistance Grant. The language establishes the following requirements to qualify to participate in the Grant. The district must first have levied the maximum mills of non-voted discretionary capital outlay millage for the prior five years. The district must receive revenue from a current voted school capital outlay sales surtax or a portion of the local government infrastructure sales surtax. The revenue derived from the local discretionary ad valorem millage must be less than the statewide average maximum potential funds per capital outlay FTE student. The district must have equaled or exceeded the greater of one percent average growth or twice the statewide average of growth in capital outlay FTE students over prior five-year period.

The district must have more than 24,000 capital outlay FTE students. For each eligible district, the Department shall sum the calculated revenue from the maximum potential non-voted discretionary capital outlay millage and the revenue received from the voted sales surtax and divide that sum by the number of capital outlay full time equivalent students for the same period. The Department shall then determine, for each eligible district, the additional amount of revenue per COFTE required to produce the statewide average dollars per COFTE for eligible district. If the funds appropriated for this Grant are insufficient to allocate the funds to all eligible districts, the Department shall then prorate the funds and allocate them to the eligible districts.

Section 5 line 590 makes a conforming change in a statutory reference.

Section 6 lines 590, 607, and 608 make conforming changes in statutory references.

Section 7 lines 611-614 provide that the act shall take effect July 1, 2017.

SB 7022 AND HB 5007 FLORIDA RETIREMENT SYSTEM (FRS) PRE-CONFERENCE PROPOSED RATE BILLS

HB 5007 and SB 7022 include the changes proposed to the FRS by the respective chambers of the Florida Legislature. Common to both bills are proposed changes to the rates employers are required to pay for their employees. **The employee paid rate remains unchanged at 3.00%.**

The fiscal impact of the rate increases is projected to be about \$54.1 million to school districts. **The impact to the district will be an increase in costs to the operating budget of about \$3.5 million.**

A spreadsheet has been prepared to detail the rates included in each bill, and compared the rates between SB 7022 and HB 5007. There are very slight differences between the rates proposed in the two bills, and those differences are identified on the spread sheet.

HB 5007 includes substantial changes in the FRS statutes. Effective July 1, 2017, the bill authorizes renewed membership in the investment plan for retirees of the investment plan and certain optional retirement programs. This provision is intended to allow re-employment and re-entry into the program employees like those who lost jobs during the recession and removed their investment plan funds when they left employment.

The bill expands the survivor benefit for members of the Special Risk Class to provide that such benefits are retroactive to July 1, 2002. The bill also establishes a survivor benefit for all other membership classes of the investment plan who are killed in the line of duty and provides that the benefit is retroactive to July 1, 2002.

The bill closes the Senior Management Service Optional Annuity Program to new participants. This is essentially an obsolete plan since the establishment of the investment plan.

Effective January 1, 2018, the bill changes the default enrollment for new employees from the pension plan to the investment plan for members who do not affirmatively choose a plan. This is the change that drew the greatest attention in the House debate. However, the provision may be less impactful than perceived. First, for young, new employees, the pension plan no longer provides a cost of living adjustment after retirement. That will significantly reduce the attractiveness of the pension plan to new employees. In addition, if the employee is placed into the investment plan by default, the employee may change back to the pension plan, and will still have one more opportunity during the life of their employment to change plans again.

Effective July 1, 2018, the bill prohibits members initially enrolled in a position covered by the Elected Officers' Class from participating in the pension plan and requires participation in the investment plan.

SB 7022 contains no provisions to change statutory FRS language.

**SB 376 AND HB 5103
CHARTER SCHOOL CAPITAL OUTLAY FUNDING**

| Section and Line Numbers | Summary of Provisions of HB 5103 | Comments and Comparisons To SB 376 |
|---------------------------------|--|--|
| Section One Lines 28-114 | These lines make technical and conforming changes to current law. The lines update the name of the National School Lunch Program that address services required by charter school sponsors. It also updates a statutory reference related to capital outlay provisions of the law to conform to other changes. | These changes do not create important impacts for the district. They are technical in nature. These changes are not included in SB 376 |
| Section Two Lines 116-121 | These lines remove the language making the appropriation of local capital outlay funds discretionary by the district school board. | These changes are important to the district. The district is now required to allocate proceeds from the 1.5 mill discretionary capital outlay revenue to qualified district charter schools. SB 376 was amended to make sharing the revenue from the 1.5 mills optional, but the remaining language in the bill still requires the district to send the same amount of revenue to charter schools without regard to the source of the money. |
| Lines 122-184 | Make changes in the language that specify lawful uses of local discretionary capital revenue. The changes update language related to the authorized uses of the funds for technology, and make the language more up to date. For example, the language allows the purchase computer and devices hardware, not just computers, and provides for the purchase of operating system software. The language related to Enterprise Resource Management Systems is updated to allow acquisition by annual license fees, maintenance fees or lease agreements. | SB 376 does not currently address these issues. |
| Section Three Lines 189-195 | These lines specify that charter school capital outlay funding shall consist of revenue from the local discretionary capital outlay millage and state funds when state funds are appropriated in the General Appropriations Act. | SB 376 includes similar language in lines 97-102 |

| | | |
|----------------------|---|---|
| <p>Lines 196-203</p> | <p>These lines establish which charter schools are eligible for capital outlay funding. Lines 196-203 specify that to be eligible the funds the charter school must use facilities owned by a school district, a political subdivision of the state, municipality, of state college or university, or by a qualified 501(c)3 organization</p> | <p>SB 376 includes these provisions in lines 145-149.</p> <p>SB 376 stipulates that a virtual charter school is not eligible for capital outlay funding in lines 134-136</p> |
| <p>Lines 204-207</p> | <p>These lines state that the charter school can be "owned by and leased at fair market value in the school district where the charter school is located from a person or entity that is not an affiliated party of the charter school.</p> | <p>SB 376 begins its "personal enrichment" language on Line 136. On lines 136-144 stipulate that it is "the intent of the legislature that the public interest be protected by prohibiting personal financial enrichment by owners, operators, managers and other affiliated parties of charter schools" These lines include a requirement that the chair of the charter school board and its chief administrative officer annually certify under oath that the funds will be used solely and exclusively for constructing, renovating, or improving charter school facilities that meet the qualifications as stated in lines 145-179.</p> |
| <p>Lines 207-228</p> | <p>These lines specify the relationships that determine "an affiliated party" and constitute what is referred to as the "personal enrichment" language. These lines are virtually identical to lines 145-179 in SB 376.</p> <p>HB 5103 does not include the statement of legislative intent to protect the public interest and the requirements for charter school officials to annually swear the oath required in SB 376.</p> | <p>These lines are identical to lines 196-229 in HB 5103.</p> |
| <p>Line 229</p> | <p>Line 229 requires that the charter school to have been operation for at least two years.</p> | <p>The requirement for the charter school to have been in operation for at least two years is current law. The change in HB 5103 moves the location of the requirement.</p> |
| <p>Lines 230-240</p> | <p>Lines 230-231 require that the charter school to have earned no more than two consecutive school grades lower than a "B". However, lines 236-240 stipulate that the school grade performance requirement does not apply to a charter school with a student body in which 50% or more of the student</p> | <p>SB 376 does not make changes in or address this section of law.</p> |

| | | |
|----------------------|--|---|
| <p>Lines 242-244</p> | <p>body qualifies for free and reduced price lunch as defined by the bill.</p> | |
| <p>Lines 242-244</p> | <p>Lines 242-244 remove the requirement for a charter school to be governed by a governing board established in the state for three or more years.</p> | <p>SB 376 does not make changes in or address this section of law.</p> |
| <p>Lines 245-247</p> | <p>Lines 250-252: remove language providing funding to a school that is part of an expanded feeder chain operating in the school district and currently receiving capital outlay funding.</p> | <p>SB 376 does not make changes in or address this section of law.</p> |
| <p>Lines 248-249</p> | <p>Line 248-249 remove the requirement that the charter school be accredited by the Commission on Schools of SACS.</p> | <p>SB 376 does not make changes in or address this section of law.</p> |
| <p>Lines 250-252</p> | <p>Lines 250-252 remove the stipulation that the charter school serves students in a facility provided by a business partner for a charter school in the workplace.</p> | <p>SB 376 does not make changes in or address this section of law.</p> |
| <p>Lines 257-258</p> | <p>Lines 262-263 remove the requirement that the charter school has satisfactory student performance based on state accountability standards applicable to charter schools to be eligible for capital outlay funding.</p> | <p>SB 376 does not make changes in or address this section of law.</p> |
| <p>Line 269-322</p> | <p>Lines 260-322 make technical and conforming changes to existing language instructing the Department of Education how to distribute charter school capital outlay funding provided by the state in the General Appropriations Act.</p> | <p>SB 376 does not make changes in or address this section of law.</p> |
| <p>Lines 323-327</p> | <p>Lines 323-327 stipulate that if the school district levies the local discretionary capital outlay millage, the Department of Education must use the method and requirements prescribed in this section of law to distribute the funds to the charter school.</p> | <p>In SB 376, lines 180-182 provide direction to the Department of Education about how to distribute the revenues.</p> |
| <p>Lines 328-330</p> | <p>Lines 328-330 requires the Department to “Reduce the total discretionary revenue millage revenue by the “school district’s annual debt service obligation incurred as of March 1, 2017.” It is important to note that consultation with staff confirmed that the annual debt service obligation refers to all capital outlay debt service obligations, including those incurred for other revenue sources.</p> | <p>SB 376 does not reduce the local capital outlay revenue by the amount of the district debt service obligation.</p> <p>SB 376 has a different method for distributing the local capital funds to district charter schools. The method used in SB 376 is detailed below for allow comparison.</p> |
| <p>Lines 331-336</p> | <p>Lines 331-336 state that the “adjusted discretionary millage revenue” shall be divided by the district’s total capital outlay full-time equivalent members and the total number of unweighted full-time equivalent students of each eligible charter school to determine</p> | <p>In SB 376 lines 180-195 direct the Department of Education to group charter schools. One</p> |

| | | |
|---|---|--|
| <p>Lines 337-340</p> <p>Lines 341-344</p> | <p>the capital outlay allocation per full time equivalent student.</p> <p>Lines 337-340 require the department to multiply the capital outlay per full time equivalent student times the number of FTE students in each charter school to determine the school's allocation.</p> <p>Line 341-344 stipulate that if applicable the capital outlay allocation from local revenue would be reduced by the total amount of any state funds allocated should such funds be provided.</p> <p>HB 5103 includes none of the weighted funding provisions stipulated in SB 376.</p> | <p>group is comprised of schools serving student bodies in which 75% or more of the students qualify for free and reduced lunch as defined by the bill, and one group is comprised of schools serving student bodied in which 25% or more of the students with disabilities.</p> <p>In SB 376 lines 194-203 direct the Department to divide the revenue generated by the local capital outlay millage by the total of the district COFTE and the charter school UFTE. The Department is then directed to multiply the resulting amount of dollars per student times the total UFTE enrollment of the district's charter schools. That sum is the maximum amount of revenue eligible for distribution.</p> <p>SB 376 then stipulates that charter schools meeting neither of criteria receive 50% of the dollars per student multiplied by the number of students enrolled in the school.</p> <p>SB 376 stipulates that charter schools meeting one of the criteria receive 75% of the dollars per student multiplied by the number of students enrolled in the school.</p> <p>SB 376 stipulates that charter schools meeting both the criteria receive 100% of the dollars per student multiplied by the number of students enrolled in the school.</p> <p>None of these criteria were included in HB 5103.</p> <p>In SB 376 lines 214-248 address the process the Department must use to distribute any state funds provided in the General Appropriations Act. The method prescribed conforms to current law and is the same method as referenced in HB 5103.</p> |
|---|---|--|

| | | |
|------------------------------------|--|---|
| <p>Lines 345-347</p> | <p>Lines 345-347 state that the district must distribute the local funds to the charter school no later than February 1 each year beginning February 1, 2018.</p> <p>HB 5103 provides the district can district funds after local tax collections have occurred.</p> <p>HB 5301 does not include this language.</p> <p>HB 5301 does not include this language.</p> | <p>In SB 376 lines 249-252 direct the school district to distribute the local capital outlay revenue to charter schools monthly beginning in the first quarter of the fiscal year.</p> <p>In SB 376 lines 252-254 direct the district to provide the funds to the charter schools if local funds are not available at that time.</p> <p>In SB 376, lines 254-258 direct school districts to provide funds from another fund source if local discretionary capital funds are not sufficient to meet the requirement.</p> <p>In SB 376, lines 262-264 stipulate that the charter school capital outlay funds can only be used at the school generating the funds.</p> |
| <p>Lines 351-385</p> | <p>Lines 351-385 make changes in the allowable uses of capital outlay funds for charter schools. The allowable uses are updates, and conform to the uses of capital outlay funds authorized for district operated schools.</p> | <p>In SB 376, lines 265-292 make no changes in current law concerning allowable uses of the funds or funding for conversion charter schools</p> |
| <p>Section 4 Lines 416-483</p> | <p>Lines 416-483 make technical changes to update the method for calculating the district's capital outlay FTE enrollment.</p> | <p>SB 376 does not address this issue.</p> |
| <p>Section 5 Lines 484-487</p> | <p>Provides that except as otherwise stated, the act will take effect July 1, 2017.</p> | <p>In SB 376, Section 3, line 293 provides that the act shall take effect on July 1, 2017.</p> |

