

# MINUTES

**District and School Budget Priorities Parent Subcommittee  
Family and Community Involvement Advisory Committee  
Miami-Dade County Public Schools  
1450 N.E. 2 Avenue, Room 916  
Miami, FL 33132  
Monday, March 10, 2014**

**Members Present:** Mr. Orlando Arronte, Mr. Eddy Barea, Mr. Enrique Escallon, Ms. Isabelle Exume, Ms. Melby Gonzalez, Ms. Belkis Gutierrez, Ms. Sandy Baker Hoover, Mr. Don Kearns, Ms. Stephanie Keime, Ms. Jennifer Moon, Ms. Rose Painson, Ms. Alice Mensch Raval, Ms. Lorraine Real, Mr. Elias Seife, Mr. Charles Viscito, Mr. John Watson, Ms. Jennifer Wollmann.

**Members Excused Absent:** Ms. Beatriz Alonso, Mr. Joseph Gebara, Ms. Michelle Johnson, Ms. Susan Marie Kairalla, Ms. Minthra Moodley, Ms. Cheryl Murillo, Ms. Jacqueline Perez, Ms. Karen Rivo, Mr. Thomas Spaulding.

**Alternate Excused Absent:** Ms. Maria Norton.

**Members Absent:** Ms. Nagib Aboud, Ms. Frances Effio, Ms. Rosie Felipe, Ms. Christi Gonzalez, Mr. Jay Jefferson, Mr. Nelson Rodriguez, Ms. Naomi Pinera Simon.

**Others Present:** Ms. Judith Marte, Ms. Iraida Mendez-Cartaya (via conference call), Ms. Rosa Novo, Ms. Patricia Lee, Ms. Viviana Jordan, Student Bethany Keime, Student Mr. Jouan Joseph, Ms. Angela Jones.

**I. Welcome:** Mr. Eddy Barea, chair, called the meeting to order at 5:37 p.m. He gave a heartfelt welcome to the committee, staff and guests.

**II. Minutes:** The chair Mr. Barea asked for a review and the approval of the February 10, 2014 minutes, they were voted on, seconded and accepted to be filed.

**III. Legislation's Review:** Ms. Mendez-Cartaya conferenced in from Tallahassee to give the legislative review update. After greeting the committee, she stated that the legislative session began last Tuesday. In the opening session the priorities for this upcoming legislative session were stated. The priorities outlined are as follows:

- **Retirement** – As it relates to retirement the state wants to get out of the business of pensions and to eliminate the state liability, therefore shifting the responsibility to the workforce.
- **Tax Cuts** – There is an agreement in both the House and the Senate with the Governor to provide \$500 million in tax cuts.
- **Expansion of Vouchers** – On the continuance of the vouchers program; this legislation wants to expand corporate scholarships up to a billion dollars. The current plan in the legislation is to include more middle class families to qualify. The bill will also eliminate the requirement for a student to be enrolled in a public school in the prior year for eligibility.
- **Personal Learning Account** – They have also introduced legislation that is going to be heard tomorrow by both the House and Senate on the Personal Learning Account. This pertains to ESE students that have an IEP level of 4 or 5 that are homeschooled. Based on the student's IEP, an account is created and the funding would be put in according to the student's needed services. The parents then would be able to draw out of that account for those services; any remaining funding would go back to the state. School districts believe that this proposal is unconstitutional. We are waiting to see which direction the legislation will take this.
- **Higher Education** – The legislation is making sure that higher education is made more affordable for Floridians by eliminating the automatic tuition fee.
- **Class Size** – One of our priorities is to eliminate the penalty associated with non-compliance to class size. We also are trying to get FEFP in dual enrollment. We see two forms being created

in the legislation that requires negotiation between the two entities in regards to post-secondary institutions providing weighted funding to the collegiate high schools.

When we saw the Governor's address to the joint session, his basic concerns were creating jobs and the economy. He poled Floridians and this is their priority. Ms. Marte provided in your last month's meeting the Governor's budget for K-12. We do not foresee them placing any more monies in the K-12 budget. If the legislation does place more funding, it would probably go toward higher education or technology. There have been discussions on making sure that school districts are computer based for testing.

Ms. Mendez-Cartaya stated right now we are advocating too improve certain facets within the budget that would improve our financial situation for relief with the Value Adjustment Board (VAB). We are addressing the language in the Appropriations Bill that requires signature by the tax owner prior to an appeal being submitted on their behalf. These are the latest legislation updates and our priorities that we are addressing to the legislation. The floor can be opened for questions, Mr. Chair.

Question from Ms. Baker Hoover: The state has made it a point of getting out of the retirement funding business. Can you give us a statement on the actual status on the current system?

Answer from Ms. Mendez-Cartaya: The current system adds every year \$500 million to the state budget, in order for the retirement system to be sound. What the State of Florida wants to do is get out of the business so that the liability for the pension plans would no longer rest on the states shoulders, but on the responsibility of the employees. They would move into an Investment Plan Model, where the employees would contribute toward their retirement and the state would put funds into an account under that person's name. If the market goes up so would the employee benefits, but if the market goes south then the employee benefit goes down too.

Questions from Ms. Mensch Raval: You mentioned that the state will not implement the FCAT next year. Has there been any movement on what type of test the students will be taking and are they allowing for any kind of transition period, like maybe two years?

Answer from Ms. Mendez-Cartaya: There are two sets of proposals in each of the chambers right now. The proposals are 1) to basically align with the Commissioner of Education recommendation that the State Board of Education provides a one year transition in which there is no consequences to the grading of the school; or 2) provide a transition period that school grading would not go into effect, basically until 2017. As for the implementation of what test; it is still being deliberated.

Question from Mr. Barea: In regards to the budget for Dual Enrollment, how would it affect the budget?

Answer from Ms. Mendez-Cartaya: It was already built into the budget since last year, because of the shift of responsibility to the school districts. It was factor that affected the school districts FEFP. What the school districts want is to undo what was proposed last year. In the legislation there are two proposals 1) allowing for the opportunity for post-secondary and school districts to negotiate their own terms and conditions for payment; or 2) provide some weighted funding to collegiate high schools, like Schools for Advanced Studies (SAS), this kind of model, is to provide some additional weighted monies. These bills are moving through the process. We are waiting to see what proposals will pass by April 4.

Mr. Barea and Ms. Marte thanked Ms. Mendez-Cartaya for conferencing in via phone from Tallahassee to present the latest legislation occurrences in Tallahassee. They wished her the best as she continues her crusade for the school system.

**IV. Where We Are:** Ms. Marte told the committee one issue that is being discussed in Tallahassee is the Full-time Equivalent (FTE) and how it will impact the school districts. Another issue is the House' budget came out today and we do not see any changes to what the Governor has proposed. She then started the presentation. The first slide illustrated as mentioned in the last meeting the outline of the "Governor's Budget Analysis that will Impact Miami-Dade County Public Schools (M-DCPS)". The outline is as follows:

**Governor's Budget Analysis how Miami-Dade County Public Schools (M-DCPS) Impact (\$ in Millions)**

• <b>State Funding</b> – 2013-14 FEFP 3 <sup>rd</sup> Calculation	\$ 1,165.9
2014-15 Governor's Budget	<u>1,142.0</u>
Change	\$ <u>(23.9)</u>
• <b>Local Funding</b> – 2013-14 FEFP 3 <sup>rd</sup> Calculation	\$ 1,220.8
2014-15 Governor's Budget	<u>1,291.5</u>
Change	\$ <u>70.7</u>
• <b>Total with the State and Local Funding</b>	
– 2013-14 FEFP 3 <sup>rd</sup> Calculation	\$ 2,386.7
2014-15 Governor's Budget	<u>2,433.5</u>
Change	\$ <u>46.8</u>
• <b>The Change Total Subtracting the 3 Categories:</b>	
- Subtract from the Change Total	\$ 46.8
-	-
- McKay Scholarships	\$ 37.1
- Categorical Increases	4.0
- 96% Tax Collection Shortfall	<u>25.0</u>
<b>Grand Total True Increase/(Decrease)</b>	<b>\$ <u>(19.3)</u></b>

The Governor's budget results in a substantial shortfall for M-DCPS before taking into account the expenditures increases (e.g., health insurance). The State funding to M-DCPS is decreasing. Any increase is due to a higher tax roll estimate. Ms. Marte stated as we go forward, the continuing issue with the tax collection shortfall is being experienced by both the county and the school system. We are preparing for this, not to affect our fund balance.

The next slide entitled "Property Tax Collection Shortfalls for July 1<sup>st</sup> TV Certification vs. Final TV Certification" details the internal number, 96% tax collection shortfall. This is a critical issue, because if we do not collect the full 96% of taxes, where the state requires that the district budget at 96%, we are starting on a short note. What we are proposing for next year is to put in the collection the shortfall up front, so that we do not have to make cuts mid-year, however based on some of the moving pieces, we may not be able to do so. As to date we have \$25 million in cuts to be made. The outlined for "Property Tax Collection Shortfalls for July 1<sup>st</sup> TV Certification vs. Final TV Certification" discussion is as follows:

- Starting 07-08 State No Longer Funds the Taxable Value (TV) Tax Shortfall
- State RLE Allocation (FEFP 2nd Calc) Burdens Local Taxpayers & Benefits Other County's Taxpayers When Local Appraisals Overstate TV for July 1<sup>st</sup> School Certification
- Agents' flexibility thru VAB process continues to result in significant reductions in valuations that will continue to create higher tax shortfalls for the district.
- Property Appraiser Catch-up By FY 14-15 Will Result in 3 Year of Refunds in 2 Years
- Dade and Duval on Two Year Lag, with Broward on a three year lag.
- The local taxpayers' losses \$171 million cumulative loss.

Ms. Marte explained the last slide entitled "Proposed Solutions, Seeking Legislative Relief for Inequity in Florida Education Finance Program (FEFP) Funding". The outlined as follows:

Seeking Legislative Relief for Inequity in FEFP Funding:

- Required 96% Budget
- Delay Required Local Effort Funding
- Eliminate Agents From Filing Appeal without Tax Payer Authorization.
- One Time FY 14/15 FEFP Appropriation to Cushion Potential 2 Years of Refunds.
- Accelerating 2013 Roll PPFAM Levy based on 75% of 2012 PPFAM (Accelerated Revenues Increases Reserve.)
- Review of VAB Data to Determine Existence of Any Improprieties Related to Agents and Magistrate VAB Performance.

Ms. Marte explained there is a crucial matter as it relates to appeals that are being made without any notice to a homeowner. On your tax bill there is a prior year funding adjustment line. That line is for the amount of levy that makes up for some of the monies that were not collected in the prior year. It is the difference in the roll from the beginning to the end, part of it is appeals, mostly generated by

commercial landowners. We pay that difference. Because we are 2 years in the arrears and we are only getting one prior adjustment at a time, we are falling behind and our students are getting less funding. We are proposing a bill that will allow us to catch up both years and to get the 75% for the second year. The roll is going up quickly, so we are working with the tax appraiser to make sure that the roll is correctly valued. Next year will be our toughest year. Ms. Marte then told the chair that the floor can now be opened for questions.

Question from Mr. Seife: Regarding the estimating tax roll, the higher the estimate the more monies we receive from the state?

Answer from Ms. Marte: What you want is for the estimate to be as close to an accurate count in the final roll reporting. As a result in having an accurate count the estimation for the 96% revenue will result in 96% appropriation.

Question from Mr. Escallon: You mentioned that an adjustment needs to be done, is there a rule or statute in the law that will allow for a 2 year ruling change?

Answer from Ms. Marte: What we are saying is, because the VAB is 2 years behind; we are asking for the next 2 years for prior year adjustments. Therefore we can get everything cleaned up in the current year, get our money and as a result the VAB will be caught up for Miami-Dade taxpayers. They will not see that adjustment tax line on their tax bill anymore. This bill has been filed in the state legislature.

Questions from Mr. Viscito: For this bill how optimistic are we that it will pass and where are we with the planning, right now?

Answer from Ms. Marte: We are very optimistic that it will pass because it taxes our local tax payers, it does not affect Tallahassee. As for the planning, it is still a work in progress.

Mr. Barea thanked Ms. Marte for the presentation. He told the committee we will take these matters into consideration as we move forward.

**V. Healthcare Insurance:** Ms. Novo greeted the committee and thanked them for having her to present on this topic. She started with a brief history she explained in 2002 M-DCPS, the city and Metro-Dade saw that healthcare was increasing at a rapid price. Some of those factors that were contributing to this were the aging population, fraud and employees in the military. Healthcare is the second most costly benefit to the school district with salary being first. We needed some type of control, so in 2002 we moved to one insurance platform, the health insurance company selected was United Healthcare and it became effective in January 2003 thru 2009. Further research showed and was supported that we needed to move to a self-insured platform. So, on September 2009 the district made the decision through a board approved Item to move from a fully-insured to self-insured insurance to enable savings. Ms. Novo continued explaining the outline of the presentation as follows: **M-DCPS SELF INSURED HEALTHCARE PROGRAM**

- This administration has made great strides in providing a quality healthcare program which is affordable
  - Changed financial platform from fully insured to self funded as of January 1, 2010.
  - Moved healthcare costs from "one size fits all" to salary banded approach, providing higher Board subsidies to lower paid employees.
  - Eliminated a potential \$72 million increase in District healthcare costs as of January 1, 2010.

#### **SELF INSURED VERSUS SELF ADMINISTERED HEALTH PLANS**

##### **SELF INSURED/FUNDED**

- District fund pays incurred claims based on provider contracts entered into by Administrative Services Only (ASO) carriers
- ASO carrier provides medical management and nurse case managers to review claims for medical necessity
- ASO carrier employs claims staff utilizing sophisticated claims payment systems to pay incurred claims according to terms of provider contracts
- ASO carrier assumes fiduciary liability for claims

##### **SELF INSURED/ADMINISTERED**

- District fund pays incurred claims based on provider contracts entered into by District and medical providers
- District would hire medical staff to provide all needed medical management and for medical necessity
- District would hire claims staff and would purchase a claims payment system to pay incurred claims according to terms of provider contracts
- District would assume fiduciary liability for

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| payments and carries medical malpractice insurance coverage                                                                                                                      | claims payments and would need to purchase medical malpractice insurance coverage |
| ➤ Eliminates insurance company overhead, profit and state premium taxes                                                                                                          | ➤ Same                                                                            |
| ➤ Premium equivalent rates rate based on actual claims expenses projected into the future taking into consideration medical trend, administration costs and Federal requirements | ➤ Same                                                                            |

#### DISTRICT HEALTHCARE REALITIES

- South Florida is an expensive area for healthcare costs – 120% of National Costs (2012 Milliman Report), healthcare fraud and other benchmarks.
- MDCPS has no spread of risk as the largest healthcare consumer in South Florida in conjunction with an aging workforce.
- Section 112.0801, Florida Statutes requires the District to commingle experience with non-Medicare retirees and not charge them any more than actives resulting in an embedded subsidy.
- The current defined benefit platform for healthcare is an expensive model and not one which provides for transparency or employee engagement.
- Affordable Care Act (ACA) has added potential costs to the District including mandatory benefit enhancements and fees:
  - Changes in Maximum Out of Pocket formula.
  - PCORI and Transitional Reinsurance Fees.
  - Liability of covering current part time employees who exceed the ACA 30 hour threshold at which time they become eligible for District-provided healthcare.
  - Excise (Cadillac) tax in 2018 consisting of a 40% excise tax on any single cost in excess of \$10,200 or family cost of \$27,500 resulting in fiscal liabilities of \$674,133 in 2018 growing to \$42,002,962 in 2023.

#### FUTURE HEALTHCARE OPTIONS

- Introduce a defined contribution approach to healthcare as opposed to the current defined benefit.
- Seek competitive proposals from companies which can provide an array of healthcare options to District employees similar to the platforms of the State and Federal exchanges where three levels of healthcare could be offered (Gold, Silver, Bronze) and priced accordingly.
- Include as one of the offerings a Consumer Driven approach, with a Health Savings Account (HSA) with potential District contributions.
- Change the current Board contribution for healthcare for employee-only versus employees with dependents, to a consistent defined contribution whereby all employees would be eligible to receive a flat monthly contribution (to be negotiated annually).
  - Those employees who insure only themselves may have money to fund the HSA or other benefits such as dental, vision, legal, etc., or take the remainder in taxable income.
  - Employees who choose coverage for themselves and dependents will have the opportunity to utilize their contribution for employee only coverage with any remaining available contributions to be used towards the cost of dependent healthcare.
- Look at opportunities for employee awareness and engagement of healthcare cost choices such as Healthcare Blue Book whereby employees could identify costs for care and make an informed decision when accessing the healthcare provider arena. Employees would be rewarded financially for selecting lower cost providers.
- Structure the Request for Proposal (RFP) for 2015 to include various components of Administrative Services Only (ASO) for healthcare; Pharmacy Benefit Manager (PBM); Wellness Programs and Initiatives; and Stop Loss Insurance coverage. Respondents to the RFP could provide proposals to individual aspects of the RFP or all of the aspects, depending upon what they want to provide.
- Structure a comprehensive wellness incentive program which will include rewards for employees who take appropriate steps towards wellness goals including smoking cessation, weight reduction, healthy eating, fitness, diet, stress reduction, etc.
- Continue to work with community partners towards making the District's goal of opening one or more medical facilities dedicated to MDCPS employees, retirees, and their dependents, a goal.

After the discussion the floor was opened for questions.

Question from Ms. Wollmann – It was illustrated on one of the slides the breakdown for the employee, spouse and dependents that the district pays. I've noticed that the percentage increased significantly for dependent coverage. Why is that percentage so much higher than the other coverage?

Answer from Ms. Novo – Because for dependent coverage is based on a subsidy that is a percentage based on the employee salary. So, if the salary is higher, than the premium payment is higher.

Question from Mr. Arronte – You mentioned the Healthcare Blue Book, is that just for school district employees?

Answer from Ms. Novo – Yes, just for M-DCPS employees and it is in the first stage of the pilot program.

Questions from Mr. Viscito – On the current UTD contract how are we locked in for Healthcare in terms of changing the model and how are we set with the major unions, with regard to this topic and making reforms?

Answer from Ms. Novo – They are completely involved, we had a meeting today, maybe about 2 or 3 hours ago, they understand insurance and salary come from the same bucket. We just released a survey asking our employees some questions to get feedback what our employees are looking for. They are very receptive for thinking out of the box to seeing all of the opportunities out there.

Questions from Ms. Wollmann – Do we have a cost difference between what a basic plan would cost vs. the Cadillac plan that everyone is going to be penalized for in 2018? Do you know the difference annually for the employee?

Answer from Ms. Novo – All our plans are Cadillac plans right now. We are in the process of developing those new plans.

Mr. Barea and Ms. Marte thanked Ms. Novo for an excellent presentation. Mr. Barea added that healthcare coverage has been in the fore front of much deliberation. The steady rise in cost to companies as mentioned and all the facets will be a primary factor for this budget committee as we go forward.

**VI. Next Steps:** Ms. Marte stated that there will be a Cabinet Budget Development meeting this Friday. The Cabinet is going to discuss what our cost increases will be and where we will start for balancing next year's budget. At that point we will begin to discuss with the Board where we are and what we think are the best scenarios. The Principals' meeting was rescheduled from last week, because of our President's visit to Miami; they will convene March 20, 2014 to start their work.

**VII. Additional Meetings:** Ms. Marte expressed to the committee since the legislature session is in full swing, we will have decisions to make. Therefore, Mr. Chair, the committee will respectfully need to add additional meetings to the calendar. I suggest that we meet every two weeks and also **extend the meeting time to 8:00 p.m.** Mr. Barea polled the committee and after much consideration, a vote was made and the consensus of the committee for the **revised meeting dates**, are as follows:

**April 7, 2014**  
**April 21, 2014**  
**May 5, 2014**  
**May 19, 2014**  
**June 9, 2014**

Mr. Barea and Ms. Marte thanked staff, the committee and guests for coming. Ms. Marte mentioned to the committee that you all will be updated when the list from the Cabinet and the Principals has been drafted. Mr. Viscito added that whenever we receive the lists to please review them and think of recommendations. The Chair then asked for a motion to adjourn the meeting, a motion was made and accepted by committee.

The meeting adjourned at 7:27 p.m.