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HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
EDUCATION APPROPRIATIONS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: HB 201

RELATING TO: Educational Finance/Distribution

SPONSOR(S): Representative Warner

STATUTE(S) AFFECTED: Creates s. 236.08105, F.S.

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) EDUCATION K-12 YEAS 9 NAYS 0
(2) EDUCATION APPROPRIATIONS
(3)
(4)
(5)

I. SUMMARY:

The bill provides the option of an advance distribution of Florida Education Finance Program (FEFP) funds by the Department of Education to school districts whose net state FEFP funding is less than 60% of their gross state and local FEFP funding.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

In 1973, the Florida Legislature enacted the Florida Education Finance Program (FEFP) and established the following state policy on equalized funding:

> “To guarantee to each student in the Florida public educational system the availability of programs and services appropriate to his educational needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors.” (s. 236.012(1), F.S.)

To provide this equalization of educational opportunity, the FEFP formula recognizes:
- varying local property tax bases;
- varying program cost factors;
- district cost differentials; and
- differences in per student cost for equivalent educational programs due to sparsity and dispersion of student population.

FEFP funding is composed of state general revenue funds and local tax dollars. Local revenue for school support is derived almost entirely from property taxes. Each school board participating in the state allocation of funds for current operation of schools must levy the millage set for its required local effort taxes.

The local and state shares of the FEFP vary depending upon the amount raised by the required effort millage rate applied to the local tax roll. In districts with relatively high property tax values (such as Collier, Martin, and Monroe) local dollars will constitute a greater proportion of FEFP funds than state dollars. Conversely, in districts with relatively low property tax values (such as Columbia, Madison, and Union) state dollars will exceed local dollars in the FEFP.

FEFP state and local funds flow at different times throughout the year. State FEFP funding is distributed to school districts in 24 equal payments on the 10th and 26th of each month beginning in July, the start of the fiscal year. Local funds, however are not realized until property owners pay their tax bills. Tax notices are sent out in October with subsequent collection in November and following months. Therefore, districts relying more heavily on local taxes, may be required to borrow money to meet expenses.

Section 216.181(14), F.S., relating to approved budgets for operations and fixed capital outlay, states that funds provided in any specific appropriation in the General Appropriations Act (GAA) may be advanced if the GAA specifically so provides. The amount which may be advanced shall not exceed the expected cash needs of the recipient within the initial 3 months. Thereafter, disbursements may only be made on a reimbursement basis. Any agreement that provides for advancements may contain a clause that permits the recipient to temporarily invest the proceeds, provided that any interest income will either be returned to the agency or be applied against the agency’s obligation to pay the contract amount. The Comptroller may, after consultation with the legislative appropriations committees, waive the requirements of this section which apply to advances if it is determined to be consistent with the intent of the approved operating budget.

B. EFFECT OF PROPOSED CHANGES:

The bill provides the option of requesting and receiving an advance distribution of FEFP funds from the DOE to school districts whose net state FEFP funding is less than 60% of their gross state and local FEFP funding. The DOE will distribute to the eligible districts, upon district request, in the first quarter of the fiscal year an amount from the funds appropriated for the FEFP in the General Appropriations Act. The amount distributed can be up to a maximum of that school district’s net state FEFP funding or 15% of the school district’s gross state and local FEFP funding, whichever is less.

According to the DOE, as of 1996-1997, the following districts would be eligible under this bill for advanced funds: Charlotte, Citrus, Collier, Flagler, Franklin, Glades, Gulf, Hernando, Indian River, Lee, Manatee, Martin, Monroe, Orange, Palm Beach, Pinellas, St. Johns, St. Lucie, Sarasota, Volusia, and Walton.

Under the bill, the provisions of s. 216.181(14), F.S., would be obviated regarding the eligible school districts requesting advance distribution.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes, the bill would require an advance distribution of state FEFP funds by the Department of Education upon request of any school district whose net state funding is less than 60% of its gross state and local funding.

(3) any entitlement to a government service or benefit?

In certain circumstances -- see (2), above.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Not applicable.

(2) what is the cost of such responsibility at the new level/agency?

Not applicable.

(3) how is the new agency accountable to the people governed?

Not applicable.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Not applicable.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

Not applicable.

(2) Who makes the decisions?

Not applicable.

(3) Are private alternatives permitted?

Not applicable.

(4) Are families required to participate in a program?

Not applicable.

(5) Are families penalized for not participating in a program?

Not applicable.

b. Does the bill directly affect the legal rights and obligations between family members?

No.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

Not applicable.

(2) service providers?

Not applicable.

(3) government employees/agencies?

Not applicable.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Creates s. 236.08105, F.S., relating to the distribution of funds in the first quarter, providing an option of an advance distribution to school districts of Florida Education Finance Program (FEFP) funds by the Department of Education for districts whose net state FEFP funding is less than 60% of its gross state and local FEFP funding.

Section 2: Provides an effective date of July 1, 1997.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

   At current State Board of Administration interest rates, there would be a potential $800,000 reduction in interest earnings from the State Treasury if all eligible school districts request the cash advance during the first quarter of the fiscal year. Refer to Fiscal Comments.

3. Long Run Effects Other Than Normal Growth:

   None.

4. Total Revenues and Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

   None.

2. Recurring Effects:

   Assuming that all eligible districts currently borrow to satisfy short-term cash needs until local revenue is available, the eligible school districts' borrowing costs would be reduced by a total amount roughly equivalent to the lost revenue from the interest earnings at the state level. Refer to Fiscal Comments.

3. Long Run Effects Other Than Normal Growth:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   None.

2. Direct Private Sector Benefits:

   None.

3. Effects on Competition, Private Enterprise and Employment Markets:

   None.

D. FISCAL COMMENTS:

The potential fiscal impact on the state can be approximated assuming the bill had become law in 1996-1997. In the fiscal year 1996-97, according to the DOE, eligible districts could have requested total advanced funding of $416,672,174 in the first quarter. This amount represents the maximum of 15% of each school district's gross state and local FEFP funding or that district's net state FEFP funding, whichever is less. The first quarter distribution of state FEFP funds for the eligible districts in 1996-1997 (6 payments) was $305,861,514. Therefore, the actual advance would have been the difference between the two amounts, $110,810,660. According to the State Board of Administration, the investment of General Revenue monies is currently earning 5.546%. Therefore, according to the DOE, the state interest earnings loss to GR on the advanced funds would approximate $800,000 for 1996-1997.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON EDUCATION K-12:

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AS REVISED BY THE COMMITTEE ON EDUCATION APPROPRIATIONS:

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