

STORAGE NAME: h1447.edk

DATE: March 26, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
EDUCATION K-12
ANALYSIS**

BILL #: HB 1447

RELATING TO: Education Funding

SPONSOR(S): Representative Sorensen

COMPANION BILL(S): None.

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) EDUCATION K-12
 - (2) COMMUNITY AFFAIRS
 - (3) EDUCATION APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

This bill revises the formula for determining district cost differentials for the purpose of calculating school district allocations under the Florida Education Finance Program (FEFP). Specifically, it provides for a modified formula for those districts where the housing component of the district's price level index for the current year exceeds the statewide average. The bill deletes the wealth adjustment provision in the calculation of the sparsity supplement.

There is no fiscal impact to the State. The proposed changes in the funding formula will not affect the amount of funds the State provides; however, the changes will *redistribute* the funds from a majority of districts to a minority of districts.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Florida Education Finance Program

Section 236.081, F.S., specifies that if the annual allocation from the FEFP to each district for operation of schools is not determined in the annual appropriations act or the substantive bill implementing the annual General Appropriations Act (GAA), it must be determined as prescribed by statutes.

DISTRICT COST DIFFERENTIAL

The commissioner must annually compute for each district the current year's district cost differential (DCD). The DCD is the component of the FEFP which adjusts funds based on geographic cost differences among districts. The DCD must be calculated by adding each district's price level index as published in the Florida Price Level Index, prepared by the Executive Office of the Governor, for the most recent 3 years and dividing the resulting sum by 3. The result for each district is multiplied by 0.008 and 0.200 is added to the resulting product. The sum obtained becomes the cost differential for that district for that year.

SPARSITY SUPPLEMENT

The sparsity supplement is the component of the FEFP which assists rural districts with sparse student populations. The amount available for the sparsity supplement is determined annually by the Legislature through the GAA. The formula for the sparsity supplement is computed as follows:

$$\text{Sparsity Factor} = \frac{1101.8918}{2700 + \text{district sparsity index}} - 0.1101$$

except that districts with a sparsity index of 1,000 or less are computed as having a sparsity index of 1,000, and districts having a sparsity index of 7,308 and above are computed as having a sparsity factor of zero. A qualified district's full-time equivalent (FTE) student membership must be equal or less than that prescribed annually by the Legislature in the GAA. The student membership amount prescribed annually by the Legislature can be no less than 17,000, but no more than 24,000.

The district sparsity index is computed by dividing the total number of FTE students in all programs in the district by the number of high schools in the district, not in excess of three.

Wealth Adjustment of Sparsity Supplement

Each eligible districts' allocation of sparsity supplement funds is adjusted by a sparsity wealth adjustment. Districts whose maximum discretionary levy per FTE is greater than the state average discretionary levy per FTE receive an adjustment to their sparsity supplement funds.

B. EFFECT OF PROPOSED CHANGES:

The bill revises the formula for determining district cost differentials for the purpose of calculating school district allocations under the FEFP. Specifically, it provides for a modified formula for those districts where the housing component of the district's price level index exceeds the statewide average. The bill deletes the wealth adjustment provision in the calculation of the sparsity supplement.

According to the Department of Education (DOE), certain districts -- Broward, Collier, Dade, Hillsborough, Monroe, Palm Beach, Pinellas, and Sarasota counties would realize an increase in FEFP funds if the proposed changes were made in the computation of the DCD.

In addition, the elimination of the wealth adjustment provision in the calculation of the sparsity supplement would increase funding of certain districts by removing the negative factor of the wealth adjustment in their FEFP calculation. Based on the 1998-99 3rd calculation of the FEFP, seven districts were negatively impacted by the wealth adjustment -- Charlotte, Citrus, Flagler, Franklin, Indian River, Monroe, and Walton counties.

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?

No.

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

No.

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

An agency or program is not eliminated or reduced.

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

N/A

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

N/A

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

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

Not directly.

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

No.

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

Not directly.

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?

No.

- 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:

The bill does not purport to provide services to families or children.

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

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

N/A

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

N/A

- 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:

The bill does not create or change a program providing services to families or children.

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

The bill amends s. 236.081, F.S.

E. SECTION-BY-SECTION ANALYSIS:

Section 1 revises the formula for determining district cost differentials for the purpose of calculating school district allocations under the FEFP. Specifically, it provides for a modified formula for those districts where the housing component of the district's price level index for the current year exceeds the statewide average. The bill deletes a wealth adjustment provision in relation to the calculation of a sparsity supplement.

Section 2 specifies an effective date of July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

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:

Indeterminate. The proposed changes in the FEFP formula will have an adverse impact on a majority of the school districts while providing increased funding for a minority of the districts. The Sparsity Supplement for 1998-1999 was \$30,000,000 which was shared by qualifying districts. If additional districts had qualified, each eligible individual district would have received less money.

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:

Disparity between districts will increase -- the difference in the amount of funds per student between the district with the highest funds per student and the district with the lowest funds per student will increase by \$167 per student.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

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

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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

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

V. COMMENTS:

An amendment is needed on page 1, lines 29 and 30 of the bill to technically correct the comparison of the district's price level index for the current year to the statewide average of 100 percent.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON EDUCATION K-12:

Prepared by:

Staff Director:

Terri J. Chasteen

Patricia W. Levesque

STORAGE NAME: h1447.edk
DATE: March 26, 1999
PAGE 7