

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1888

SPONSOR: Senator Horne

SUBJECT: Public School Funding

DATE: April 8, 1999

REVISED: 4/12/99 _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|-------------|------------------|-----------|------------------------|
| 1. | <u>Hill</u> | <u>O'Farrell</u> | <u>ED</u> | <u>Fav/1 amendment</u> |
| 2. | _____ | _____ | <u>RC</u> | _____ |
| 3. | _____ | _____ | <u>FP</u> | _____ |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |

I. Summary:

This bill creates a Task Force on Public School Funding and provides for its appointment, powers, duties, and dissolution effective June 30, 2002. The task force will examine the current method of funding the state's public school system and recommend revisions to the Governor, President of the Senate, and the Speaker of the House. The bill identifies funding issues that the task force must consider.

The task force's work will be completed in two stages. Draft recommendations are due by September 1, 2000. Before submitting its final recommendations in February 2002, the task force must hold at least five regional public hearings to ensure public input.

The bill appropriates the sum of \$800,000 from the General Revenue Fund to the Office of Legislative Services for the task force's expenses.

The bill creates an undesignated section of law and repeals section 236.081, Florida Statutes, (the Florida Education Finance Program) on June 30, 2001.

II. Present Situation:

Article IX of the State Constitution provides for state and local governance of the state system of public schools. Section 1 of the article defines the state's responsibility for the system of public education as follows:

The education of children is a fundamental value of the people of the State of Florida. It is, therefore, a paramount duty of the state to make adequate provision for the education of all children residing within its borders. Adequate provision shall be made by law for a uniform, efficient, safe, secure, and high quality system of free public schools that allows students to obtain a high quality education and for the establishment, maintenance, and

operation of institutions of higher learning and other public education programs that the needs of the people may require.

The uniform system of free public schools required by the Constitution is achieved by statutes that govern public schools (chapters 228 through 238, F.S.) and by the education funding formula used to allocate the major portion of public schools' operating funds, the Florida Education Finance Program (the FEFP). In 1998-99, the FEFP and related categorical appropriations amounted to \$11.2 billion, consisting of \$6.9 billion from state funds and \$4.3 billion from school districts' required local effort.

The FEFP was enacted in 1973 to replace the Minimum Foundation Program (MFP). The MFP had been used to distribute funding to the 67 school districts since 1947. The revision of the MFP and creation of the FEFP was based on recommendations of the Governor's Citizens' Committee on Education. That committee completed a far-reaching study of the state's education system. The committee's report, *Improving Education in Florida*, made numerous suggestions for improving education, many of which parallel the state's most recent school improvement and education accountability reforms.

Florida's MFP was one of the first efforts to equalize funding across a state system of public schools. Like its predecessor, the FEFP was designed to achieve funding equity. The intent of the formula is to guarantee that programs and services appropriate to each student's educational needs will be available and substantially equal to those available to any similar student, regardless of geographic location and local economic circumstances. The FEFP has been consistently upheld by the courts when challenged on the basis of uniformity or equity.

The FEFP is a membership driven funding formula. It allocates funding based on time spent by students in various educational programs. The statutory formula does not allocate funds based on how well school districts and schools are preparing students to progress toward and achieve the state's high standards for academic achievement. The formula recognizes and accounts for factors that affect education costs across the state and for factors that may inadvertently affect the quantity or quality of educational services delivered to students. Major aspects of the formula adjust for differences in the costs of various educational programs; equalize differences in local property tax bases to achieve wealth neutrality; adjust for differences in the cost-of-living from one district to another; and mitigate the impact that declining student enrollments and sparse student populations have on some districts' operating costs.

The statutory FEFP formula (s. 236.081, F.S.) must be followed if the allocation of the FEFP is not determined in the annual appropriations act or the related implementing bill. Historically, the annual appropriations acts follow the basic statutory formula but apply aspects of the formula in different ways. Year-to-year variations in the FEFP application of the formula and the seemingly inherent complexities of education funding formulas contribute to complaints that only a few people really understand how the FEFP works. Similar complaints were made about the MFP.

Numerous committees and task forces have been formed to review the FEFP since its implementation in 1973. The 1986 Legislature, through the General Appropriations Act, directed the Commissioner of Education to conduct a comprehensive study of public school funding. The most recent FEFP Review Panels were appointed in 1992 and 1993 by former Commissioner of

Education Betty Castor. Those panels were charged with reviewing components of the FEFP and assessing: (1) how well the FEFP formula achieved the desired wealth neutrality and range of disparity factors; (2) whether the formula was consistent with the 1991 school improvement and education accountability law, "Blueprint 2000;" and (3) how the FEFP could be simplified for better understanding by parents and the public. The Legislature subsequently implemented many changes recommended by these studies.

In 1996, the Legislature's Joint Legislative Auditing Committee directed the Office of Program Policy Analysis and Government Accountability (OPPAGA) to determine: (1) how Florida's public school funding system compares to funding systems in other states; (2) whether the FEFP equalizes education funding as intended; and (3) whether the current funding system prepares the state for performance based budgeting.

Recent substantive laws and appropriations acts have implemented financial incentives and rewards for improved performance by students, teachers, and schools. The Legislature is currently debating proposed legislation that would ratchet up previously adopted performance standards for students, teachers, administrators, and schools. The recently adopted Sunshine State Standards expect all students to achieve at higher levels and the more rigorous Florida Comprehensive Achievement Test (FCAT) and related state assessments measure how well students and schools are meeting performance goals. All of these changes prompt new questions about how well the FEFP formula fits a performance-driven system and how performance based funding impacts funding equity.

School finance reform is underway across the nation as states, or the courts, try to define how funding formulas can be aligned with performance-driven education policies, while maintaining equity and adequacy. Since 1989, supreme courts in 21 states have issued rulings on the constitutionality of their school finance systems. In 11 states, the state supreme court found the finance system unconstitutional; in ten states the system was upheld. Litigation is active in a majority of states and concern over the possibility of litigation affects most of the remaining states. Earlier litigation focused on the equity or uniformity of per-pupil expenditures, while recent court challenges have based claims of unconstitutionality on the failure to provide "adequate" or "fair" levels of resources and educational opportunities. Courts have vacated earlier notions of minimal adequacy while embracing new standards of adequacy and equity. Courts have considered the opportunities afforded students as indicators of adequacy (e.g., the depth and breadth of curriculum; the ability to attract and retain quality teachers; the condition and safety of facilities; class sizes; budget flexibility and stability; and other input, output and process indicators.) (Verstegen, Deborah A., "Judicial Analysis During the New Wave of School Finance Litigation: The New Adequacy in Education" *Journal of Education Finance*, 24 (Summer 1998), 51-68.)

A congressionally mandated study of public school finance is underway and slated for completion in September 1999. The National Academy of Sciences (NAS) Committee on Equity, Adequacy, and Productivity in Education is conducting the study under contract with the National Institute on Educational Governance, Finance, Policymaking, and Management of the U.S. Department of Education. This is a comprehensive study of the complex legal, economic, structural, and pedagogical issues surrounding the relationship between education finance and student achievement. The study is addressing this key question: How can education finance systems be

designed and implemented to: (1) provide the capacity and incentives to assure that all students achieve high levels of learning, and (2) assure that education funds are used in the most productive manner possible. When its work is completed, the NAS committee will hold a series of regional workshops to engage governors, state legislators, state and local educational officials, and judges in discussions of the final report.

III. Effect of Proposed Changes:

The Task Force on Public School Funding, created by this bill, will examine the current method of funding the state's public school system and recommend revisions to the Governor, President of the Senate, and the Speaker of the House. The task force must consider at least:

- Funding public schools based on evidence of students' equitable achievement of state academic achievement standards.
- Relationships between state and local funding of public schools.
- Maintenance of equity in allocating funds among school districts and schools.
- Acquisition and support of technology in the instructional process.
- Funding of parental choice of their children's educational services.
- Public school finance studies by nationally recognized experts, groups, and other states.

The 17-member task force is assigned to the Office of Legislative Services for administrative and fiscal accountability purposes. The Governor, President of the Senate, and the Speaker of the House of Representatives will each appoint five task force members. The Lieutenant Governor and Commissioner of Education will be voting ex officio members. The Governor will select the chairperson from among task force members. Each member will serve until the task force is dissolved June 30, 2002. The bill also provides for the removal of members for cause, for appointments to fill vacancies, and for per diem and travel expenses of members.

The task force will appoint an executive director to serve as its chief executive officer. Subject to task force approval, the executive director may employ and direct research and support staff for the task force and its subcommittees. All task force employees are exempt from the state's career service system. The task force may contract with nationally recognized school finance experts and may accept fund, grants, donations, expenses, in-kind services and other goods and services from public and private sources.

The task force must organize by September 1, 1999, and meet at least monthly until its final recommendations are submitted. Its work will be completed in stages. Draft recommendations are due by September 1, 2000. The task force must hold at least one public hearing in each of the five service regions of the Department of Education before submitting final recommendations. The public hearings must be held between September 1 and December 31, 2001. Final recommendations are due February 1, 2002.

The task force's work will provide a studied basis for revising the way the state system of public schools is funded. The bill repeals the statutory FEFP formula (s. 236.081, F.S.) effective June 30, 2001, which occurs before the task force completes its work.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill funds the task force's expenses by appropriating \$800,000 from the General Revenue Fund to the Office of Legislative Services.

VI. Technical Deficiencies:

On page 4, line 8, the repeal of the FEFP should be changed from June 30, 2001 to June 30, 2002. The proposed repeal occurs before the task force submits final recommendations in February 2002.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Education:

Repeals the FEFP (s. 236.081, F.S.) on June 30, 2002, to allow consideration of the task force's final recommendations.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
