

STORAGE NAME: h1001a.ge.doc
DATE: April 11, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GENERAL EDUCATION
ANALYSIS**

BILL #: HB 1001
RELATING TO: Education funding
SPONSOR(S): Representative Paul

TIED BILL(S):

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

- (1) GENERAL EDUCATION YEAS 4 NAYS 6
 - (2) EDUCATION APPROPRIATIONS
 - (3) COUNCIL FOR LIFELONG LEARNING
 - (4)
 - (5)
-

I. SUMMARY:

The bill will redistribute revenue among the school districts by modifying the formula by which the *district cost differential* (DCD) is calculated in the Florida Education Finance Program (FEFP). The new adjustment in the calculation of the DCD will allow a district with a low DCD to receive a higher DCD, if the low rated district is bordered by several districts that have a higher cost of living.

Specifically, the bill provides that if a district that has a DCD of 1.0 or less is bordered by two or more districts that have an average current Florida Price Level Index (FPLI) of greater than 4 percent more than the FPLI of the single district, the FPLI, for the purpose of calculating the single district's DCD, shall be increased by an amount equal to one-half of the difference between that district's FPLI and the average of the FPLI's of the border districts.

The district cost differential is only one factor, albeit a substantial one, in the FEFP. The FEFP is the funding formula adopted by the Florida Legislature in 1973 to allocate funds appropriated by the Legislature for public school operations. The FEFP implements the constitutional requirement of a uniform system of free public education and is an allocation model based on individual student participation in educational programs. The FEFP takes into account:

- The local property tax base;
- Costs of education programs;
- Costs of living (**district cost differential**); and
- Sparsity of student population.

Current law (s. 236.081[2], F.S.) provides that the district cost differential shall be calculated by adding each district's price level index as published in the FPLI, 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 shall be multiplied by 0.008 and to the resulting product shall be added 0.200; the sum thus obtained shall be the cost differential for that district for that year.

This bill received a negative roll call vote (4 Yays; 6 Nays) in the House Committee on General Education.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The Florida Education Finance Program (FEFP)

The Florida Education Finance Program (FEFP) is the funding formula adopted by the Florida Legislature in 1973 to allocate funds appropriated by the Legislature for public school operations. The FEFP implements the constitutional requirement of a uniform system of free public education and is an allocation model based on individual student participation in educational programs. In order to ensure equalized funding, the FEFP takes into account:

- The local property tax base;
- Costs of education programs;
- Costs of living (district cost differential or DCD); and
- Sparsity of student population.

The FEFP uses a unit of measurement for each student called a "full-time equivalent" (FTE). One FTE equals 900 hours or one school year of instruction provided to a student. Surveys are taken two times during the regular school year in each school to determine the number of students or unweighted FTEs that are enrolled in one or more of seven programs that include basic education programs, programs for limited English proficiency students, exceptional student education (ESE) programs, and vocational education. (Two more surveys are taken during the summer to determine FTE for Department of Juvenile Justice students) Each program has an associated cost factor that adds weighting to an FTE. The program cost factor reflects the relative cost of serving students in each FEFP program. The additional weighting increases the amount of funds a district is eligible to receive since the FTE is multiplied times the program cost factor.

FEFP funds are determined by multiplying the number of unweighted full-time equivalent students (FTEs) in each of the educational programs by cost factors to obtain weighted FTEs. Weighted FTEs are then multiplied by a base student allocation, as determined by the Legislature, and by a *district cost differential* to determine the Base Funding from State and Local FEFP Funds. A declining enrollment supplement, sparsity supplement, ESE guaranteed allocation, safe schools allocation, supplemental academic instruction allocation, discretionary tax equalization, and minimum guarantee allocation are added to base funding to determine total funds (state and local FEFP dollars). The district cost differential adjusts funds based on geographic cost differences of goods and services among districts.

Repeal of FEFP formula in 2004

CS/HB 701, which passed in the 2000 Legislative Session, created the Task Force on Public School Funding to examine and make recommendations to the Governor and the Legislature on the funding of the public schools in Florida. The task force consists of 17 members, 15 of whom are selected by the Governor, President of the Senate, and Speaker of the House plus the Lieutenant Governor and Commissioner of Education. The task force must submit final recommendations for changes to the public school funding formula by February 1, 2002.

CS/HB 701 also repealed the FEFP funding formula effective June 30, 2004. The Legislature will have three legislative sessions to review the task force findings and determine what, if any, changes should be made to the FEFP before, or in lieu of, the 2004 repeal.

District Cost Differential

Section 236.081(2), F.S., provides that a three-year average of the Florida Price Level Index (FPLI) adjusted for the salary component of the budget is used to allocate the revenue in the Florida Education Finance Program (FEFP) for Florida school districts. The purpose of the district cost differential is to adjust the revenue available to school districts based on variations in the cost of living among the Florida school districts.

Specifically, s. 236.081(2), F.S. provides that district cost differential shall 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 shall be multiplied by 0.008 and to the resulting product shall be added 0.200; the sum thus obtained shall be the cost differential for that district for that year.

According to May 1, 2000 calculations, Washington County has the lowest three-year DCD (.9097), and Monroe County has the highest (1.0818).

C. EFFECT OF PROPOSED CHANGES:

The bill would redistribute revenue among the school districts based on a statistical formula that alters the effect of the *district cost differentials* among the districts. It allows districts with a low DCD to receive a higher-rated DCD, if the low-rated district is bordered by several districts that have higher DCD's (the higher the cost-of-living in a district, the higher the DCD).

Specifically, it provides that if a district that has a district cost differential (DCD) of 1.0 or less is bordered by two or more districts that have an average current FPLI (Florida Price Level Index) of greater than 4 percent more than the FPLI of the single district, the FPLI, for the purpose of calculating the single district's DCD, shall be increased by an amount equal to one-half of the difference between that district's FPLI and the average of the FPLI's of the border districts.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends Section 236.081(2), F.S., to provide for an adjustment to the district cost differentials (DCD) for selected school districts. If a district that has a DCD of 1.0 or less is bordered by two or more districts that have an average current FPLI of greater than 4 percent more than the FPLI of the single district, the FPLI, for the purpose of calculating the single district's DCD, shall be increased by an amount equal to one-half of the difference between that district's FPLI and the average of the FPLI's of the border districts.

Section 2. Provides that the act shall take effect July 1, 2001.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The DOE indicated that its analysis revealed that the bill, as written, does not have the intended impact on the districts and the threshold would need to be lowered from 4.0% to 3.0%.

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 spend 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:

A. CONSTITUTIONAL ISSUES:

None.

STORAGE NAME: h1001a.ge.doc

DATE: April 11, 2001

PAGE: 5

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

The DOE provided the following comment:

"The Legislature has established in law and funded a study of the Florida Education Finance Program (FEFP). Chapter 2000-181, L.O.F., specifies the composition of the Task Force that is studying the FEFP and should be asked to review the Florida Price Level Index (FPLI) and District Cost Differential (DCD) as a part of its work, including the proposal in this bill."

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 10, 2001, the House Committee on General Education adopted one amendment. That amendment changed the required "trigger" (the percentage difference between the FPLI of the district in question versus the FPLI's of at least two surrounding districts) that will cause the alteration of the district's DCD, from a difference of 4% to a difference of 3%. See Summary page of this analysis for clarification on how the 4% (and the change to the 3%) trigger works.

VII. SIGNATURES:

COMMITTEE ON GENERAL EDUCATION:

Prepared by:

Staff Director:

Gip Arthur

Ouida Ashworth