

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 366

SPONSOR: Senator Carlton

SUBJECT: Determination of District Cost Differentials

DATE: March 27, 2003      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	_____	_____	ED	Withdrawn
2.	_____	_____	AED	Withdrawn
3.	Golden	Coburn	AP	Favorable/CS
4.	_____	_____	RC	Withdrawn
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

This bill provides that for the 2003-2004 fiscal year only, the district cost differential as provided in s. 1011.62 (2), F.S., shall be the same as the district cost differential used in the 2002-2003 General Appropriations Act.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: s. 1011.62 (2), F.S.

**II. Present Situation:**

Annually a district cost differential is calculated for each school district using the most recent 3 years of the Florida Price Level Index (FPLI). The district cost differential is applied to the base funding of the Florida Education Finance Program (FEFP). The result is a redistribution of FEFP base funding among the 67 districts. The FEFP base funding for all districts with an index below 100 is reduced and the FEFP base funding for all districts with an index above 100 is increased by a like amount.

The FPLI is constructed so that the populated-weighted average is 100. Each district's index is then established as being above 100 or below 100. The 2002 FPLI produces an index in which 61 districts are below 100 and 6 districts are above 100. The range of the index for all 67 districts from lowest to highest for the most recent three years is as follows:

<u>Year</u>	<u>Highest</u>	<u>Lowest</u>	<u>Range</u>
2000	107.60	90.68	16.92
2001	110.51	90.23	20.28
2002	113.56	88.32	25.24

The FPLI is based on a market basket of goods chosen to represent the expenditure categories used by the U. S. Bureau of Labor Statistics and weighted to each item's relative importance in the Consumer Price Index (CPI). However, unlike the CPI, the FPLI does not measure inflation from year to year.

The Education Appropriations Subcommittee requested economists from the Bureau of Economic and Business Research at the University of Florida to review the FPLI to determine the reason for the year to year instability of the index and to advise the subcommittee whether the widening of the range over the most recent three years is expected to continue or to stabilize. In testimony before the committee it was reported that the review showed land cost was the primary cause for the skewing of the index and if no change is made in the items or the weighting of the items very soon only 4 districts will have an index above 100 and 63 districts will have an index below 100. In testimony before the committee the professional opinion of University of Florida economist was that to find a solution to the problem with the FPLI the Legislature should look at developing a "wage index"; an index that combines "wages and goods"; or an index with modifications to the market basket of goods.

Specific Appropriation 113 of the Senate Proposed Committee Bill on General Appropriations for Fiscal Year 2003-2004 provides \$50,000 to fund a review of the current FPLI methodology and the development of alternative approaches. The results of this study are to be provided to the Governor and the Legislature by November 1, 2003.

The range from the highest to lowest index in the FLPI over the three most recent years has changed from 16.92 to 25.24, an increase of 67%. This increase is attributable primarily to change in the price of land in selected locations and is not the result of a change in the operating cost to school districts for K-12 education programs funded through the FEFP.

### **III. Effect of Proposed Changes:**

The effect of the bill is that for the 2003-2004 fiscal year only, the district cost differential used for the calculation of the Florida Education Finance Program will be the same as the one used in the 2002-2003 General Appropriations Act.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None

C. Government Sector Impact:

This bill does not increase or decrease funds appropriated in the General Appropriations Act. It does, however, change the potential distribution of funds within the FEFP.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.