

# 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.)

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Prepared By: Education Appropriations Committee

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BILL: CS/SB 2380

INTRODUCER: Education Appropriations Committee and Senator Carlton

SUBJECT: School District Funding

DATE: April 18, 2006

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Brown</u>	<u>Matthews</u>	<u>ED</u>	<u>Favorable</u>
2.	<u>Armstrong</u>	<u>Newman</u>	<u>EA</u>	<u>Fav/CS</u>
3.	_____	_____	<u>WM</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This bill updates the maximum cost per student station for the expenditure of funds by school districts for new school construction. This revision is needed to reflect the increased costs of construction over and above inflationary costs as measured by the Consumer Price Index, due partly to implementation of the class size constitutional amendment and hurricane related shortages of labor and materials.

This bill amends the method of calculating the weighted enrollment ceiling for group 2 programs in the Florida Education Finance Program. This revision provides that for school districts that have actual weighted FTE greater than the group 2 weighted enrollment ceiling, the FTE over the ceiling are to be funded at a weight of 1.0.

This bill appropriates \$500 million from the Public Education Capital Outlay and Debt Service Trust Fund and \$600 million from the Lottery Capital Outlay and Debt Service Trust Fund to assist public school districts with the construction of additional classrooms needed to implement the constitutional class size reduction requirement. In addition, the bill appropriates \$50 million from the Educational Enhancement Trust Fund for recurring debt service for the Class Size Reduction Lottery Capital Outlay Program pursuant to s. 1013.737, Florida Statutes.

Finally, the bill makes a technical correction to a reference to "Classrooms for Kids" funds.

This bill substantially amends sections 1011.62 and 1013.64 of the Florida Statutes.

## II. Present Situation:

### Educational Facilities Funding

Funding for educational facilities is addressed in Part IV of Chapter 1013, F.S. Section 1013.60(2), F.S., requires the Commissioner of Education to annually submit to the Governor and the Legislature an integrated, comprehensive budget request for educational facility construction and fixed capital outlay needs for school districts. In the budget request, items must be identified by priority.<sup>1</sup>

Each district school board is required to adopt a capital outlay budget for the upcoming year, as a part of the annual budget.<sup>2</sup> The board is prohibited from expending any funds on any project that is not included in the budget.<sup>3</sup> Prior to adoption of the capital outlay budget, each district school board is required to prepare its tentative district educational facilities plan.<sup>4</sup>

Section 1013.64, F.S., addresses funds for comprehensive educational plant needs, and provides for specific allocations from the Public Education Capital Outlay and Debt Service Trust Fund (PECO). The Legislature is required to give priority consideration to funds for remodeling, renovation, maintenance, repairs, and site improvement for existing satisfactory facilities for appropriations allocated to district school boards from the total amount of PECO.<sup>5</sup>

Prior to spending funds from PECO or the School District and Community College District Capital Outlay and Debt Service Trust Fund for any ancillary plant or any other new construction, renovation, or remodeling of ancillary space, each district school board is required to meet all educational plant space needs of its elementary, middle, and high schools.<sup>6</sup>

Section 1013.64(6)(b)1., F.S., limits district school boards to specified amounts when using funds from the following for any new construction of educational plant space:

- PECO;
- School District and Community College District Capital Outlay and Debt Service Trust Fund;
- Classrooms First Program funds;
- Effort Index Grant funds;
- Non-voted 2-mill levy of ad valorem property taxes;
- Classrooms for Kids funds; or
- District Effort Recognition funds.

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<sup>1</sup> s. 1013.60(3)(a), F.S.

<sup>2</sup> s. 1013.61, F.S.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> s. 1013.64(1)(a), F.S.

<sup>6</sup> s. 1013.64(6)(a), F.S.

The total cost per student station, when using funds from these sources is limited to the following:

- \$12,755 for an elementary school;
- \$14,624 for a middle school; and
- \$19,352 for a high school.<sup>7</sup>

Although current law provides that these amounts are annually adjusted based on changes to the Consumer Price Index (CPI), these base amounts have not been adjusted in statute since 2002.<sup>8</sup>

The CPI adjusted amounts as of January 2006 are:

- \$14,357 for an elementary school;
- \$16,460 for a middle school; and
- \$21,872 for a high school.

### **Construction Costs**

According to the Department of Education, in recent years, school construction costs have increased significantly more than the CPI-adjusted 2002 statutory baseline per student station amounts. This is partially based on the constitutional class size amendment approved by the voters in 2002. The implementation of the class size amendment requires an increased number of classrooms to be built to accommodate the same number of students. Additionally, construction costs have accelerated in the last few years due to hurricane related shortages of labor and materials.

Staff in the Department of Education, Office of Educational Facilities, has reviewed school district construction costs per student station over the last five years. Surveyed school district construction costs have demonstrated an average cumulative increase of 27.78% from January 2000 through January 2005. 13.23% of this increase was attributable to normal inflation as measured by the CPI. The balance, 14.55%, is attributable to the increased cost of construction resulting from other factors, most likely related to class size reduction and acts of providence. In addition, department staff has calculated that an additional annual 5.57% should be added to the revised cost per student station base to adjust for the construction of additional classrooms resulting from reduced classroom sizes corresponding to maximum class size requirements.

In its final analysis, the Department recommended as of January 2006 the following maximum amounts as the total cost per student station for the expenditure of capital funds for new construction designated in section 1013.64(6)(b)1., F.S.:

- \$17,952 for an elementary school;
- \$19,386 for a middle school; and
- \$25,181 for a high school.

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<sup>7</sup> s. 1013.64(6)(b)1., F.S.

<sup>8</sup> *Id.*

### **Classrooms for Kids Program**

Section 1013.735, F.S., provides for the allocation of funds for the Classrooms for Kids Program, the purpose of which is to increase capacity to reduce class size.<sup>9</sup> A specific formula is provided in statute representing each district school board's share of the annual appropriation for the Classroom for Kids Program.<sup>10</sup> To be eligible to participate in the program, a district school board is required to enter into an interlocal agreement and certify that the district's inventory of facilities listed in the Florida Inventory of School Houses is accurate and current. Funds received are limited to expenditures for construction, renovation, remodeling, repair and purchase or lease-purchase of relocatables in excess of projects/relocatables identified in the district's five year work program.<sup>11</sup>

### **Class Size Reduction Lottery Revenue Bond Program**

Section 1013.737, Florida Statutes, establishes the Class Size Reduction Lottery Revenue Bond Program for the issuance of revenue bonds to finance the construction, acquisition, reconstruction, or renovation of educational facilities needed to implement the constitutionally required maximum class size requirement. Bonds are financed by funds appropriated from the Educational Enhancement Trust Fund (Lottery). Bond proceeds are deposited in the Lottery Capital Outlay and Debt Service Trust Fund and appropriated for allocation to school districts in accordance with the formula provided in Section 1013.735, F. S. (the Classrooms for Kids program).

### **Class Size Requirements**

In November 2002, the voters approved the class size amendment to Section 1 of Article IX of the State Constitution. By the 2010-2011 school year, the maximum number of students permitted to be assigned to a teacher teaching core-curricula courses in public school classrooms is as follows:

- 18 students for prekindergarten through Grade 3;
- 22 students for grades 4 through 8; and
- 25 students for grades 9 through 12.

### **Funds for Operation of Schools**

Section 1011.62, Florida Statutes, provides the procedure to be followed in determining the annual allocation of the basic amount of funds from the Florida Education Finance Program (FEFP) to each school district for the operation of the public schools within the district. The formula allocates funds based on the number of full-time equivalent students enrolled (FTE),

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<sup>9</sup> The Legislature established the Program in 2003 (Chapter 2003-391, L.O.F.)

<sup>10</sup> s. 1013.735(1), F.S.

<sup>11</sup> s. 1013.735(3), F.S.

weighted educational program cost factors, and a base student allocation. Based on enrollment estimates used by the Legislature to calculate the FEFP appropriation, each school district is funded for a maximum total weighted FTE enrollment. During the year, separate weighted enrollment ceilings are established for each of two program groups. Group 1 is composed of basic programs for grades K-3, 4-8, and 9-12. Group 2 is composed of students in exceptional student education programs, English for Speakers of Other Languages programs, and career education programs. For any calculation of the FEFP, the enrollment ceiling for group 1 is calculated by multiplying the actual student enrollment for each program in group 1 by the appropriate program weight. For any calculation of the FEFP, the weighted enrollment ceiling for group 2 programs is the sum of the appropriated weighted enrollment for each program in group 2. If the actual weighed enrollment for group 2 programs exceeds the weighted enrollment ceiling, a reduction proportion is calculated and subtracted from the program's weighted enrollment. During the year, no additional FTE is allowed for funding when a district's actual group 2 program weighted FTE total exceeds the weighted enrollment ceiling.

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

This bill updates the maximum cost per student station from the amounts currently provided in statute to the amount recommended by the DOE. Although the cost per student station in statute is adjusted annually by the Consumer Price Index, this adjustment rebaselines the statutory cost to more accurately reflect construction costs which have increased more rapidly than the CPI. Additionally, these figures account for the increased cost of construction due to the implementation of the class size amendment.

This bill amends the method of calculating the weighted enrollment ceiling for Group 2 programs in the Florida Education Finance Program. This revision provides that weighted FTE that are greater than the Group 2 weighted enrollment ceiling shall be funded at a weight of 1.0.

This bill appropriates \$500 million from the Public Education Capital Outlay and Debt Service Trust Fund and \$600 million from the Lottery Capital Outlay and Debt Service Trust Fund to assist public school districts with the construction of additional classrooms needed to implement the constitutional class size reduction requirement. In addition, the bill appropriates \$50 million from the Educational Enhancement Trust Fund for recurring debt service for the Class Size Reduction Capital Outlay Program pursuant to s. 1013.737, Florida Statutes.

Finally, the bill corrects a reference to "Classrooms for Kids" funds.

### **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:

According to the Department of Education, the increased cost per student station amounts would not increase the actual cost of construction as school districts are already incurring the higher costs. However, the revised cost figures would enable districts to spend more of the enumerated funds in section 1013.64(6) (b) 1, F.S. on new construction, using the standards which more accurately reflect the current costs of construction. The revised maximum costs would then continue to be escalated annually by the CPI.

The change in the method of calculating the weighted enrollment ceiling for group 2 programs will provide school districts with additional FEFP funds based on a weight of 1.0 for FTE over the initial group 2 weighted enrollment ceiling. A weight of 1.0 is roughly equal to the value of the base student allocation, which is \$3,742.42 for the 2005-06 fiscal year. If this policy had been in effect for 2005-2006, it is estimated that affected school districts would have been eligible to receive an additional \$7 to \$8 million in FEFP funds. The statutory public school enrollment conference process, which involves school districts, will continue to be used to provide program by program enrollment estimates as accurately as possible for use in the FEFP.

The bill provides a \$1.1 billion appropriation for class size reduction capital outlay from: the Public Education Capital Outlay and Debt Service Trust Fund in the amount of \$500 million and the Lottery Capital Outlay and Debt Service Trust Fund in the amount of \$600 million. In addition, an appropriation of \$50 million from the Educational Enhancement Trust Fund is provided for recurring debt service for the lottery backed bonds.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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

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## **VIII. Summary of Amendments:**

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

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