

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1463 Expenditures for Classroom Instruction

SPONSOR(S): Schenck

TIED BILLS: IDEN./SIM. BILLS:

Table with 4 columns: REFERENCE, ACTION, ANALYST, STAFF DIRECTOR. Row 1: Committee on K-12, Gillespie, Ahearn. Row 2: Schools & Learning Council. Row 3: Policy & Budget Council. Row 4: Blank. Row 5: Blank.

SUMMARY ANALYSIS

House Bill 1463 requires, effective July 1, 2008, that each school district expend at least 65 percent of the district's operating funds on classroom instruction and that each public school (including charter schools) expend at least 65 percent of the school's budget on classroom instruction. Effective July 1, 2010, district-level expenditures for classroom instruction must be at least 70 percent of the district's operating funds, and school-level expenditures for classroom instruction must be at least 70 percent of the school's budget. A school district is annually required to determine its percentage of operating funds (and the percentage of each school's operating funds) expended for classroom instruction, according to calculations developed by the Department of Education (DOE).

The bill directs a school district to annually publish classroom instruction expenditure information online, in an annual financial report submitted to DOE, and in an annual report published in a local newspaper on student promotion and retention. DOE is directed to include in each public school's report card the percentage of the school's operating funds expended for classroom instruction.

DOE must provide technical assistance for school districts failing to meet the required classroom instruction expenditure levels. District school boards must also provide technical assistance for school principals whose schools fail to meet the required classroom instruction expenditure levels.

The State Board of Education is authorized to take certain enforcement actions if the state board determines that a district school board is unwilling or unable to comply with the bill's provisions. The state board may also adopt rules to implement the bill.

The bill does not appear to create a significant fiscal impact on state or local governments, nor limit the amount of funds available to school districts or public schools, but limits the expenditure of a district's or school's operating funds for activities other than classroom instruction.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

The bill does not appear to implicate any of the House principles.

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

In 2004, a national advocacy group, *First Class Education*, initiated a nationwide campaign in support of an education funding proposal known as the “65 percent solution.”¹ The mission of *First Class Education* is to:

change the laws in all 50 states and the District of Columbia to make public schools more effective and efficient by requiring at least 65 percent of every K-12 education dollar be spent on “in the classroom instruction” as defined by the National Center for Educational Statistics.²

In 2005, the “65 percent solution” received increased media coverage due in part to the advocacy of Patrick M. Byrne, president and chairman of the online retailer, Overstock.com, Inc., in support of the proposal.³ As proposed by *First Class Education*, the “65 percent solution” has five basic components:

- Each school district expends at least 65 percent of its operating budget on classroom instruction as defined by the National Center for Educational Statistics;
- If a school district expends less than 65 percent of its operating budget for classroom instruction, the district increases the amount expended for classroom instruction by 2 percent or more per year until the 65-percent threshold is met;
- If a school district experiences special circumstances that prevent it from meeting either the 65-percent threshold or the 2-percent annual increase, the district may request approval from the Commissioner of Education for a renewable 1-year waiver;
- The commissioner has sole authority to grant-in-full, grant-in-part, or reject a school district’s 1-year waiver request; and
- The Legislature establishes penalties to encourage compliance.⁴

The National Center for Education Statistics (NCES) defines “instruction and instruction-related expenditures” as follows:

expenditures for instruction and instructional staff support services. These are expenditures that are directly related to providing instruction and for activities that assist with classroom instruction. These include salaries and benefits for teachers, teaching assistants, librarians and library aides, in-service teacher trainers, curriculum

¹ Telephone Interview with Timothy F. Mooney, Communications Director, First Class Education (Mar. 13, 2008).

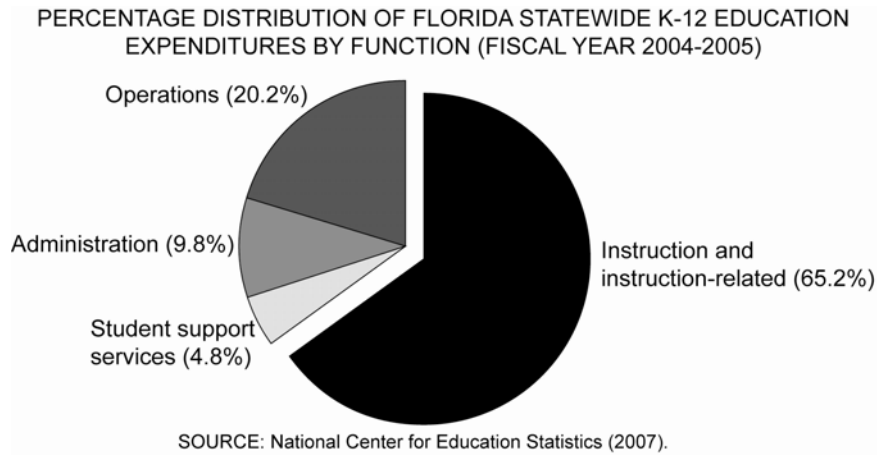
² First Class Education, *Our Mission*, at <http://www.firstclasseducation.org/ourmission.asp> (last visited Mar. 14, 2008).

³ See, e.g., George F. Will, “One Man’s Way to Better Schools,” *Washington Post* (Aug. 10, 2005), available at <http://www.washingtonpost.com/wp-dyn/articles/A38726-2005Apr8.html> (last visited Mar. 14, 2008).

⁴ First Class Education, *FAQs*, at <http://www.firstclasseducation.org/faqs.asp#why> (last visited Mar. 14, 2008).

development, student assessment, technology (for students but outside the classroom), and supplies and purchased services related to these activities.⁵

Based on this definition, NCES calculates Florida's statewide expenditures for instruction and instruction-related expenditures to be 65.2 percent of total expenditures for fiscal year 2004-2005 (most recent data available).⁶



Proposed Changes:

The bill requires, effective July 1, 2008, that each school district expend at least 65 percent of the district's operating funds for classroom instruction and that each public school (including charter schools) expend at least 65 percent of each school's budget for classroom instruction. Effective July 1, 2010, district-level expenditures for classroom instruction must be at least 70 percent of the district's operating funds, and school-level expenditures for classroom instruction must be at least 70 percent of the school's budget. A school district is annually required to calculate its percentage of operating funds expended for classroom instruction, according to the following formula:

$$e_1 + e_2 + e_3 + e_4 + e_5$$

E

⁵ U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2004-05 (Fiscal Year 2005)*, 20 (Apr. 2007), available at <http://www.nces.ed.gov/pubs2007/2007356.pdf> (last visited Mar. 14, 2008).

⁶ *Id.* at 7.

Where: e_1 = Salaries and benefits for instructional personnel,⁷ instructional specialists,⁸ and

instructional support personnel;⁹

e_2 = Instructional materials and instructional supplies;

e_3 = Inservice teacher education;

e_4 = Curriculum development;

e_5 = Student activities (e.g., field trips, athletics, and interscholastic competitions¹⁰);

and

⁷ See § 1010.215(1)(c), F.S. (the term “instructional personnel” is defined as classroom teachers, including substitute teachers).

⁸ See § 1010.215(1)(d), F.S. (the term “instructional specialists” is defined as staff members responsible for providing student personnel services, librarians, and media specialists). Student personnel services are described in section 1012.01(1)(b), F.S., to include guidance counselors, social workers, career specialists, and school psychologists.

⁹ See § 1010.215(1)(e), F.S. (the term “instructional support personnel” is defined as aides or assistants to instructional personnel or instructional specialists).

¹⁰ The bill specifies that interscholastic competitions include, but are not limited to, athletic, academic, career or technical, and fine arts competitions.

E = Sum of all district operating expenditures.

Calculations and Reporting:

The bill directs DOE to develop a uniform calculation and common format for each school district to report its percentage of operating funds expended for classroom instruction. A school district must annually publish its classroom instruction expenditure information on the district's Internet website and in an annual financial report that the district submits to DOE.¹¹

The bill requires each school district, effective July 1, 2010, to annually calculate each public school's (and charter school's) percentage of operating funds expended for classroom instruction. A school district must report school-specific expenditure information in the same manner as reporting the district's expenditures. To calculate each school's percentage of operating funds expended for classroom instruction, a school district must use the formula described above for calculating the district's expenditures, except that:

E = School's total operating budget.

Current law requires each district school board to annually publish a report describing information about the performance of the school district's students on the Florida Comprehensive Assessment Test (FCAT) and information about student promotion and retention in the district.¹² The report must be submitted to the State Board of Education and published in a local newspaper.¹³ The bill requires the report to include the percentage of district operating funds expended for classroom instruction.

Under current law, DOE must annually develop, in collaboration with the school districts, a school report card, which includes the school's grade, information about school improvement, an explanation of the school's performance (i.e., "Adequate Yearly Progress") under requirements of the federal *No Child Left Behind Act of 2001*,¹⁴ and indicators of return on investment.¹⁵ Each report card must be published annually on DOE's website, and each school district is required to deliver the report cards to

¹¹ See § 1010.215(6), F.S. (current law requires district school boards to annually submit a report by January 1 which identifies and summarizes administrative expenditures and instructional expenditures by fund for the preceding fiscal year).

¹² Section 1008.25(8)(b), F.S.

¹³ *Id.*

¹⁴ See Pub. L. 107-110 (Jan. 8, 2002).

¹⁵ Section 1008.34(5), F.S.

each parent.¹⁶ The bill requires each school report card to include the percentage of the school's operating funds expended for classroom instruction.

Assistance for Districts and Schools:

DOE is directed to analyze the expenditures of any school district that fails to meet the required classroom instruction expenditure levels or receives a district grade of "C" or lower.¹⁷ District school boards are also directed to analyze the expenditures of any school that fails to meet the required classroom instruction expenditure levels or receives a school grade of "C" or lower.¹⁸

DOE must provide technical assistance for school districts failing to meet the required classroom instruction expenditure levels and, upon request, for other districts. Similarly, a district school board must provide technical assistance for school principals whose schools fail to meet the required classroom instruction expenditure levels. The district-level and school-level technical assistance must include assistance in budget preparation and analysis.

In addition, the Commissioner of Education is required to make written recommendations to the superintendent of any school district failing to meet the required classroom instruction expenditure levels. The recommendations must include expenditure revisions that may result in improved district performance.

Enforcement and Rulemaking:

The bill requires the superintendent of a school district failing to meet the required classroom instruction expenditure levels to, within 60 days after release of the district's expenditure report, appear before the State Board of Education to explain the district's "financial and performance status." The school principal of any school failing to meet the required classroom instruction expenditure levels must, within 30 days after release of the school's expenditure report, appear before the district school board to explain the school's financial and performance status.

The State Board of Education is authorized to enforce the bill's provisions under section 1008.32, F.S., which allows the state board to take the following actions if the state board determines that a district school board is unwilling or unable to comply with law or state board rule:

- Report to the Legislature that the school district is unwilling or unable to comply with law or state board rule and recommend action to be taken by the Legislature;
- Reduce the discretionary lottery appropriation until the school district complies with the law or state board rule;
- Withhold the transfer of state funds, discretionary grant funds, or any other funds specified as eligible for this purpose by the Legislature until the school district complies with the law or state board rule;
- Declare the school district ineligible for competitive grants; or
- Require monthly or periodic reporting on the situation related to noncompliance until it is remedied.

The bill authorizes the State Board of Education to adopt rules to administer the bill's provisions.

Effective Date:

¹⁶ *Id.*

¹⁷ See § 1008.34(7), F.S. (school districts are assigned district grades, which consist of weighted district average school grades, by level, for all elementary schools, middle schools, and high schools in the district).

¹⁸ See § 1008.34(7), F.S. (schools are assigned school grades, which, according to State Board of Education rule are expressed as a letter grade of "A," "B," "C," "D," or "F." School grades are determined principally based on student scores on statewide assessments.)

The bill provides an effective date of July 1, 2007.

C. SECTION DIRECTORY:

Section 1. Creates section 1010.2155, F.S., limiting the percentage of operational funds expended by school districts and public schools for activities other than classroom instruction.

Section 2. Amends section 1008.25, F.S., requiring a school district's annual report on student promotion and retention to include the percentage of the district's operating funds expended for classroom instruction.

Section 3. Amends section 1008.34, F.S., requiring each public school's report card to include the percentage of the school's operating funds expended for classroom instruction.

Section 4. Provides an effective date of July 1, 2008.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

See D. FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

DOE is required to provide technical assistance for school districts failing to meet the bill's required classroom instruction expenditure levels. The anticipated cost of providing this assistance does not appear to create a significant fiscal impact on the state.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

The bill requires DOE to develop calculations for determining whether a school district or public school meets the bill's required classroom instruction expenditure levels. The bill does not limit the amount of funds available to school districts or public schools but limits the expenditure of operating funds for activities other than classroom instruction. The extent to which a school district's or public school's budgeting or operating expenditures are impacted is indeterminate at this time.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to require a county or municipality to spend funds or take an action requiring expenditures; reduce the authority that counties and municipalities had as of February 1, 1989, to raise revenues in the aggregate; or reduce the percentage of a state tax shared in the aggregate with counties and municipalities as of February 1, 1989.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill authorizes DOE to adopt rules to administer the bill's limits on the expenditure of a school district's or school's operating funds for activities other than classroom instruction, provisions for developing the uniform calculation and common format for a school district to report its percentage of operating funds expended for classroom instruction, requirements for providing technical assistance, and other duties.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

Waived by sponsor due to time constraints.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES