

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 117 Education Funding

SPONSOR(S): Beshears

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Education Appropriations Subcommittee	11 Y, 0 N	Seifert	Heflin
2) Education Committee			
3) Appropriations Committee			

SUMMARY ANALYSIS

The Florida Education Finance Program (FEFP) is the primary mechanism for funding the operating costs of Florida school districts and is the foundation for financing Florida's K-12 educational programs. The FEFP recognizes the relatively higher operating cost of smaller districts due to sparse student populations through a statutory formula in which the variable factor is a sparsity index. This index is computed by dividing the full-time equivalent (FTE) of the district by the number of permanent senior high school centers. For districts with FTE student memberships between 20,000 and 24,000, the maximum number of high school centers for eligibility is four. The maximum number of high school centers is reduced to three for districts with fewer than 20,000 FTE students. There are four adjustments to the initial sparsity computation, including a wealth adjustment.

The wealth adjustment reduces the sparsity supplement of districts whose potential discretionary local effort per unweighted FTE student is greater than the state average. There are 12 districts that currently receive a wealth adjustment in the sparsity calculation: Charlotte, Citrus, Flagler, Franklin, Gulf, Jefferson, Martin, Monroe, Nassau, Sumter, Walton, and FAU-Palm Beach

The bill exempts a school district with a student population of 2,000 or less from receiving a sparsity wealth adjustment.

The bill does not have a fiscal impact on state government but will result in a redistribution of sparsity funding among eligible districts in the FEFP.

This bill takes effect July 1, 2016.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

The Florida Education Finance Program (FEFP) is the primary mechanism for funding the operating costs of Florida school districts and is the foundation for financing Florida's K-12 educational programs. A key feature of the FEFP is that it bases financial support for education upon the individual student participating in a particular educational program rather than upon the number of teachers or classrooms.

The FEFP recognizes the relatively higher operating cost of smaller districts due to sparse student populations through a statutory formula in which the variable factor is a sparsity index. This index is computed by dividing the full-time equivalent (FTE) of the district by the number of permanent senior high school centers. For districts with FTE student memberships between 20,000 and 24,000, the maximum number of high school centers for eligibility is four. The maximum number of high school centers is reduced to three for districts with fewer than 20,000 FTE students. Per the General Appropriations Act proviso, participation is limited to districts of 24,000 or fewer FTE students. There are four adjustments to the initial sparsity computation, including a wealth adjustment. This supplement is limited to \$52,800,000 statewide for the 2015-16 fiscal year. There are 37 districts receiving a sparsity supplement for the 2015-16 fiscal year.

Districts with 24,000 or fewer FTE students receive a sparsity supplement calculated in accordance with s. 1011.62(7), F.S., to support the relatively higher operating cost of smaller districts due to sparse student populations. The formula outlined in statute has a variable factor for the sparsity index. This index is computed by dividing the FTE students of the school district by the number of permanent senior high school centers (not to exceed four). The index is compared to a value of 7,308, which is provided in s. 1011.62(7)(a), F.S. If the index is greater than 7,308, the school district is not eligible for a sparsity supplement. If it is less than 7,308, the index is used to calculate a sparsity factor, which when multiplied by the funded weighted FTE and base student allocation results in a computed sparsity supplement. After receiving a wealth adjustment, the computed amount is prorated to equal the sparsity supplement allocation.

The sparsity formula outlined in s. 1011.62(7), F.S., includes a wealth adjustment. The wealth adjustment reduces the sparsity supplement of districts whose potential discretionary local effort per unweighted FTE student is greater than the state average. This is done by multiplying the district's per FTE amount above the state average by its unweighted FTE. The result is then deducted from the calculated unadjusted sparsity supplement.

No district shall have a sparsity wealth adjustment that, when applied to the total potential funds, would cause the district's total potential funds per FTE student to be less than the state average. The total potential funds include all the components of the FEFP except for Florida School Recognition Program funds.

As of the 2015-16 FEFP Second Calculation, there are 14 districts (six of which are lab schools) with fewer than 2,000 FTE students. Of these 14 districts, four are currently receiving a sparsity wealth adjustment. This bill would prohibit those four districts (Franklin, Gulf, Jefferson and FAU-Palm Beach) from receiving a wealth adjustment in the sparsity formula.

B. SECTION DIRECTORY:

Section 1. Amends 1011.62, F.S., prohibiting a school district with a specified student population from receiving a sparsity wealth adjustment.

Section 2. Providing an effective date.

II. 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 known.

D. FISCAL COMMENTS:

As of the 2015-16 FEFP Second Calculation, there are four districts (Franklin, Gulf, Jefferson and FAU-Palm Beach) with fewer than 2,000 FTE students receiving a sparsity wealth adjustment. This bill would exclude these districts from receiving a wealth adjustment, which is currently reducing their sparsity supplement by a total of \$1,363,928.

Because the sparsity allocation is prorated among the districts based on FTE student membership, elimination of the wealth adjustment in districts with fewer than 2,000 FTE students will result in an increase in sparsity funds for those districts and a decrease in sparsity funds among the other districts that received the sparsity supplement. If this bill had been implemented in the 2015-16 FEFP Second Calculation, the four districts with fewer than 2,000 FTE students (Franklin, Gulf, Jefferson and FAU-Palm Beach) would see an increase of \$1,203,550 in their overall sparsity supplements. The other 33 districts receiving this allocation would experience a decrease of \$1,203,550 in their sparsity supplements, ranging from a decrease of \$6,635 (Nassau) to \$80,218 (Jackson).

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None known.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES