The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Education Pre-K - 12 Appropriations Committee

BILL: PCS/SB 1678

INTRODUCER: Senator Wise

SUBJECT: School District Funding

DATE: March 26, 2009 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Armstrong	Hamon	EA	**Pre-meeting**
2.			GO	
3.			WPSC	
4.				
5.				
6.				

I. Summary:

The bill creates a School District Accountability Millage Adjustment. A school district will be required to levy additional local millage if it fails to comply with certain important laws, with a corresponding reduction in the state funds for the district through the FEFP.

The bill substantially amends section 200.065 and creates section 1011.625, of the Florida Statutes.

II. Present Situation:

Current accountability policies include the following:

Class Size Reduction

Compliance is verified based on student/teacher assignments each October. Failure to comply results in a transfer of funds from the district's class size operating categorical to the district's fixed capital outlay account in the fiscal year of noncompliance.

Misclassification of Students for Funding Through the FEFP

Misclassified students are identified during the Auditor General's FTE (full-time-equivalent) Audit after the fiscal year has closed. Generally, this results in a district receiving funds in the reporting year for which it was not entitled. This is partially corrected by a reduction in the districts FEFP allocation in a subsequent fiscal year appropriation in an amount equal to the sampled FTE violations.

District Discretionary Fixed Capital Outlay

Expenditures for non-allowed use are identified during the Auditor General's Fiscal Audits after the fiscal year has closed. Non-allowed expenditures result in a dollar for dollar reduction in the district's FEFP allocation in the fiscal year following the audit citation unless the district replaces non-allowed expenditures with non-fixed capital outlay funds to avoid reduction in their FEFP allocation.

Differential Pay for Teachers and School-Based Administrators
No penalty is provided in current law for failure to implement differentiated pay for teachers and school-based administrators.

III. Effect of Proposed Changes:

The bill creates a School District Accountability Millage Adjustment. A school district will be required to levy additional local millage if it fails to comply with certain important laws, with a corresponding reduction in the state funds for the district through the FEFP.

Current accountability polices generally have the effect of reducing funds available for educating students when school districts are penalized for statutory violations. This bill addresses this issue by requiring districts that fail to comply with specified accountability laws to levy an additional millage in order to generate revenue in an amount equal to the penalty for the violation.

The bill specifies that the Commission of Education will calculate the Accountability Millage for the following violations:

- Class Size Non-Compliance – Accountability Millage will match the transfer or penalty as provided under class size reduction statutes.
- Misclassification of Students – Accountability Millage will cover the full estimated cost of all students misclassified rather than the current penalty of the cost of the just the misclassifications identified in the audit sample.
- Discretionary Fixed Capital Outlay Misuse – Accountability Millage will match the full amount of the misused funds.
- Differentiated Pay for Classroom Teachers and School-Based Administrators – Accountability Millage will cover an amount that is equal to 5 percent of the total salaries of the teachers and administrators for the audited year.

The revenue generated by the levy of the Accountability Millage may only be used to cover the cost of each violation.

The bill also strengthens the accountability policy by requiring the school district board to notify the citizens of the Accountability Millage at the time of the public hearing to adopt the district's annual budget and in the Truth in Millage (TRIM) notice. The school district must also provide notice that the district failed to comply with state law and that the district board is required to levy an additional millage rate to satisfy the violation when advertising the school millage levy. This additional millage must be specifically identified in a public notice published in a newspaper of general interest and readership. The bill contains the format for the required published notice of the millage levy.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

Property owners located in school districts that are subject to School District Accountability Millage Adjustments will be required to pay more school district property taxes for the penalty year. However, the state FEFP payments will be reduced by an equivalent amount. Therefore, the net state and local expenditure of funds will be equal.

B. Private Sector Impact:

Property owners located in school districts that are subject to School District Accountability Millage Adjustments will be required to pay more school district property taxes for the penalty year.

C. Government Sector Impact:

The fiscal impact of the bill will be largely dependent on the amount of applicable violations by school districts. Since the bill creates a significant disincentive for failure to comply with applicable statutes, the amount of these violations may greatly decrease in future years.

The School District Accountability Millage Adjustment will not result in increases in expenditures through the FEFP, however the source of funds would shift between state and local funds. Local revenue increases to cover the violations would be directly offset by lower state revenue payments to each violating district. To the extent these adjustments are made, more state funds will be available within the FEFP to be provided through the normal FEFP distribution formulas.

The recent history of penalties that would be subject to Accountability Millage Adjustments varies widely year to year. For example, Auditor General findings of violations of discretionary fixed capital outlay restrictions have ranged from $43.3 million for 2008 audits (audits of 2006-07 school year) to only $275,863 for 2006 audits (audits of 2004-05 school year). The level of class size reduction transfers has ranged from $0 for 2008-09 (after alternative penalty was recommended by the Commissioner of Education) to $3.3 million in 2006-07. Recent penalties for the misclassification of students in the FEFP have been numerous, but small in fiscal impact because the current penalty only covers the audit sample. The bill's requirement to use the computed percentage of violation in the audit sample and apply this to all student reporting would lead to substantial Accountability Millage Adjustments if school districts do not improve reporting performance.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.