

**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.)

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Prepared By: The Professional Staff of the Committee on Education

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BILL: SB 824

INTRODUCER: Senators Garcia and Flores

SUBJECT: School District Price Level Index

DATE: January 29, 2018

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Androff	Graf	ED	<b>Favorable</b>
2.			AED	
3.			AP	

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**I. Summary:**

SB 824 requires the Florida Department of Education (DOE) to issue a competitive solicitation to contract with an independent, third-party consulting firm, by July 1, 2018, and every 10 years thereafter, to conduct a review of the existing price level index methodology. The bill also requires the DOE, by January 1, 2019, and every 10 years thereafter, to submit a report providing recommendations to the chair of the Senate Committee on Appropriations, the chair of the House of Representatives Appropriations Committee, and the Executive Office of the Governor's Office of Policy and Budget.

The bill takes effect upon becoming law.

**II. Present Situation:**

The legislature has established policies and mechanisms to fund education and related services to students in Florida.

**Florida Education Finance Program**

The Florida Legislature established the Florida Education Finance Program (FEFP) in 1973 to equalize funding for educational programs and services for all students in the K-12 public school system, regardless of geographic or local economic factors.<sup>1</sup> The FEFP, which is the primary mechanism for funding the operating costs of Florida school districts, provides for equalized funding by recognizing:<sup>2</sup>

- Varying local property tax bases;
- Varying education program costs;

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<sup>1</sup> Section 1011.62, F.S.; Florida Department of Education, *2017-18 Funding for Florida School Districts*, at 1 (2017), available at <http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf>.

<sup>2</sup> *Id* at 1.

- Varying costs of living; and
- Varying costs for equivalent educational programs due to sparsity and dispersion of the student population.

The FEFP incorporates state-appropriated funds and funds raised through *ad valorem* taxes in each local school district.<sup>3</sup> State funds appropriated to finance the 2017-18 FEFP totaled \$8,440,944,134, while the required local effort from school districts was set by the Legislature at \$7,603,850,013.<sup>4</sup>

Under the FEFP, financial support for education is based on individual students participating in a particular educational program rather than on the number of teachers or classrooms.<sup>5</sup> Funds are primarily generated by multiplying the number of full-time equivalent (FTE) students in each of the funded education programs by cost factors to obtain weighted FTE students.<sup>6</sup> Weighted FTE students are then multiplied by a base student allocation and by a district cost differential (DCD) to determine the base funding from state and local FEFP funds for a school district.<sup>7</sup>

### **District Cost Differential and the Florida Price Index**

Florida law requires the Commissioner of Education to annually calculate a district cost differential (DCD) by averaging each school district's Florida Price Level Index (FPLI) for the most recent three years.<sup>8</sup> The FPLI is an index used to represent the cost of hiring comparable personnel across the school districts.<sup>9</sup> It is prepared from extensive wage and employment data for hundreds of occupations in Florida's 67 counties collected by the Florida Department of Economic Opportunity's Bureau of Labor Market Statistics as part of the U.S. Bureau of Labor Statistics' Occupational Employment Statistics Survey.<sup>10</sup>

Before 2003, the FPLI was calculated using a weighted average of the relative prices of goods and services purchased by consumers similar to the Consumer Price Index developed by the U.S. Bureau of Labor Statistics.<sup>11</sup> However, because it was determined that the FPLI did not consider other factors that could affect the cost of hiring comparable personnel, the FPLI was revised to improve accuracy.<sup>12</sup>

The University of Florida's Bureau of Economic and Business Research (BEBR) began reviewing the FPLI methodology and provided recommendations to improve methodology

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<sup>3</sup> Section 1011.62, F.S.

<sup>4</sup> Florida Department of Education, *2017-18 Funding for Florida School Districts*, at 2 (2017), available at <http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf>.

<sup>5</sup> Section 1011.62(1)(c), F.S.

<sup>6</sup> Section 1011.62, F.S.

<sup>7</sup> *Id.*

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

<sup>9</sup> Jim Dewey, Director of Economic Analysis, Florida Polytechnic University, *2017 Florida Price Level Index* (Jan. 10, 2018).

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

accuracy in 1995.<sup>13</sup> BEBR assumed responsibility for calculating the FPLI in 2000 and has annually published a report outlining adjustments in the FPLI for each school district and summarizing the calculation methodology since 2007.<sup>14</sup> The FPLI has been calculated as part of a collaboration between Florida Polytechnic University and BEBR since 2014. There is not a third-party review of the methodology used by Florida Polytechnic University and BEBR to calculate the FPLI.

### III. Effect of Proposed Changes:

SB 824 requires the Florida Department of Education (DOE) to issue a competitive solicitation to contract with an independent, third-party consulting firm, by July 1, 2018, and every 10 years thereafter, to conduct a review of the existing price level index methodology. The bill also requires the DOE, by January 1, 2019, and every 10 years thereafter, to submit a report providing recommendations to the chair of the Senate Committee on Appropriations, the chair of the House of Representatives Appropriations Committee, and the Executive Office of the Governor's Office of Policy and Budget.

The bill takes effect upon becoming law.

### 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:

None.

#### B. Private Sector Impact:

SB 824 requires the Florida Department of Education (DOE) to contract with an independent third-party consulting firm, by July 1, 2018 and every 10 years thereafter, to conduct a review of the existing price level index methodology.

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<sup>13</sup> Florida Department of Economic Opportunity, *Florida Price Level Index* (2004) at 1, available at [http://www.floridajobs.org/library/2004\\_FPLI.pdf](http://www.floridajobs.org/library/2004_FPLI.pdf).

<sup>14</sup> *Id.*; University of Florida, Bureau of Economic and Business Research, *Florida Price Level Index (FPLI)*, <https://www.bebr.ufl.edu/economics/fpli> (last visited Jan. 26, 2018).

**C. Government Sector Impact:**

SB 824 requires the DOE to issue a competitive solicitation to contract with a third-party consulting firm, by July 1, 2018 and every 10 years thereafter, to conduct a review of the Florida Price Level Index methodology. The contract price will be subject to negotiation between the DOE and the contracted entity; thus, the fiscal impact is currently indeterminate.<sup>15</sup>

The bill does not impact local revenues but, if the study reveals that the current price level index should be changed, a new index may be developed that would increase the funds distributed through the Florida Education Finance Program to some districts and decrease the funds distributed to other districts.<sup>16</sup> The extent of such revenue shifts is indeterminable.<sup>17</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill creates section 1011.79 of the Florida Statutes.

**IX. Additional Information:****A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.

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

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<sup>15</sup> According to the Florida Department of Education, between 1996 and 1998, \$145,000 in additional funds were provided to Dr. Denslow at the University of Florida's Bureau of Economic and Business Research to conduct additional research and review the price level index methodology at that time. It is unknown how much a review of the current index would cost, but it could cost more than the in-house review by Dr. Denslow 20 years ago. Florida Department of Education, *2018 Agency Legislative Bill Analysis: SB 824* (Dec. 3, 2017), at 4.

<sup>16</sup> Florida Department of Education, *2018 Agency Legislative Bill Analysis: SB 824* (Dec. 3, 2017), at 4.

<sup>17</sup> *Id.*