

**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: CS/SB 1284

INTRODUCER: Education Committee and Senator Diaz and others

SUBJECT: District Cost Differential

DATE: March 27, 2019

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Brick	Sikes	ED	<b>Fav/CS</b>
2.			AED	
3.			AP	

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 1284 revises the methodology for calculating the district cost differential (DCD) for each school district beginning in the 2020-2021 fiscal year. Specifically, the bill:

- Requires the DCD to be calculated by utilizing a wage level index developed by the Department of Education in consultation with specified informed stakeholders.
- Eliminates the requirement for the Commissioner of Education to annually compute the DCD for each school district by utilizing the Florida Price Level Index.

The bill also removes the requirement for the Department of Revenue to make information received in connection with the administration of taxes available to designated Department of Education employees who are directly responsible for determining each school district's price level index.

The bill does not require additional state funds. However, the bill may impact the funding each school district is provided through the Florida Education Finance Program (FEFP) and other education funding formulas. The impact on each school district is currently indeterminate.

The bill takes effect July 1, 2019.

## II. Present Situation:

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

Under the FEFP, financial support for education is based on individual students participating in a particular educational program.<sup>3</sup> The number of full-time equivalent (FTE) students in each of the funded education programs is multiplied by cost factors<sup>4</sup> relative to each program to obtain weighted FTE student values.<sup>5</sup> Weighted FTE student values are then multiplied by a base student allocation<sup>6</sup> 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

The district cost differential (DCD) is calculated by averaging each school district's Florida Price Level Index (FPLI) for the most recent three years. The average is then multiplied by 0.008, and 0.200 is added to the product to obtain the final district cost differential.<sup>8</sup>

The FPLI represents the cost of hiring comparable personnel across school districts and is the result of a collaboration between Florida Polytechnic University and the University of Florida's Bureau of Economic and Business Research.<sup>9</sup> The FPLI compares the cost of purchasing goods and services in each district.<sup>10</sup> The FPLI includes an "amenity factor" based on wage data that

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<sup>1</sup> Section 1011.62, F.S.; Florida Department of Education, *2017-18 Funding for Florida School Districts*, (2017), available at <http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf>, at 4.

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

<sup>3</sup> Section 1011.62(1)(c), F.S.

<sup>4</sup> Program cost factors are based on desired relative cost differences between the following programs as established in the annual General Appropriations Act: grades K-3; 4-8; 9-12; two program cost factors for exceptional students; secondary career education programs; and English for Speakers of Other Languages. Section 1011.62(1)(c), F.S.

<sup>5</sup> Section 1011.62, F.S.; Florida Department of Education, <http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf>, *supra* note 1, at 11.

<sup>6</sup> As determined in the annual General Appropriations Act. Section 1011.62(1)(b), F.S.

<sup>7</sup> Section 1011.62, F.S.; Florida Department of Education, <http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf>, *supra* note 1.

<sup>8</sup> Section 1011.62(2), F.S.

<sup>9</sup> Jim Dewey, Director of Economic Analysis, Florida Polytechnic University, *2017 Florida Price Level Index* (2018), available at <https://floridapoly.edu/wp-content/uploads/2017fpli.pdf>.

<sup>10</sup> Florida School Boards Association, <https://fsba.org/wp-content/uploads/2016/11/2016-17-FEFP-101.pdf>, *supra* note 11.

takes the desirability of living in an area into account.<sup>11</sup> It is prepared from wage and employment data collected by the Florida Department of Economic Opportunity covering hundreds of occupations in Florida's 67 counties.<sup>12</sup>

For the 2018-2019 academic year, the DCD ranged from a low of 0.919 for Lafayette County, to a high of 1.043 for Palm Beach County.<sup>13</sup> Leon County had the median DCD of 0.9714.<sup>14</sup>

### **Information-Sharing**

All information contained in returns, reports, accounts, or declarations received by the Department of Revenue, including investigative reports and information and letters of technical advice, is confidential except for official purposes.<sup>15</sup> However, the Department of Revenue must make information received in connection with the administration of taxes available to designated Department of Education employees who are directly responsible for determining each school district's price level index.<sup>16</sup>

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

CS/SB 1284 revises the methodology for calculating the district cost differential (DCD) for each school district beginning in the 2020-2021 fiscal year. Specifically, the bill:

- Requires the DCD to be calculated by utilizing a wage level index developed by the Department of Education in consultation with specified informed stakeholders.
- Eliminates the requirement for the Commissioner of Education to annually compute the DCD for each school district by utilizing the Florida Price Level Index.

The bill also removes the requirement for the Department of Revenue to make information received in connection with the administration of taxes available to designated Department of Education employees who are directly responsible for determining each school district's price level index.

The bill requires the development of a wage level index to replace the Florida Price Level Index in the computation of the DCD. The wage level index must include, but is not limited to, county-level wage index data and occupational-level wage index data. The Department of Education (DOE) must develop the wage level index in consultation with informed stakeholders, including school districts, industry representatives, the Department of Economic Opportunity, and academic and private sector experts in econometric modeling and data. The DOE must complete the development and calculation of the wage level index by January 1, 2020, for application beginning in the 2020-2021 fiscal year.

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<sup>11</sup> *Id.*; and Dewey, <https://floridapoly.edu/wp-content/uploads/2017fppli.pdf>, *supra* note 13.

<sup>12</sup> *Id.* The U.S. Bureau of Labor Statistics gathers the wage and employment data as part of the Occupational Employment Statistics Survey, available at [https://www.bls.gov/oes/current/oes\\_fl.htm](https://www.bls.gov/oes/current/oes_fl.htm). 29 U.S.C. s. 2.

<sup>13</sup> The Florida House of Representatives, Appropriations Committee, *Final Conference Report for House Bill 5001 March 8, 2018*, (2018), available at [https://www.flsenate.gov/PublishedContent/Session/2018/Conference/2/RelatedDocument/2018-19%20Conference%20FEFP%203-8-18\\_239.pdf](https://www.flsenate.gov/PublishedContent/Session/2018/Conference/2/RelatedDocument/2018-19%20Conference%20FEFP%203-8-18_239.pdf).

<sup>14</sup> *Id.*

<sup>15</sup> Section 213.053(2)(a), F.S.

<sup>16</sup> Section 213.053(7)(a)6. and (7)(d), F.S.

The bill may result in changes to the DCD that could impact the funding each school district is provided through the Florida Education Finance Program (FEFP) and other education funding formulas. Changes in the DCD could result in funding increases for some schools districts and funding decreases for other school districts. It is not known what effect the new changes to the DCD may have for any particular school district.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill does not require additional state funds. However, the bill may impact the funding each school district is provided through the Florida Education Finance Program (FEFP). The impact on each school district is currently not known.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 1011.62 and 213.053.

This bill reenacts the following section of the Florida Statutes: 402.22, 1002.37, 1002.71, and 1003.52.

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

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

**CS by Education on March 26, 2019.**

The committee substitute requires the Department of Education to develop and compute the wage level index by January 1, 2020, for application beginning in the 2020-2021 fiscal year.

**B. Amendments:**

None.