

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 989 Sparsity Supplement Funds Within the Florida Education Finance Program

SPONSOR(S): Shoaf

TIED BILLS: IDEN./SIM. BILLS: SB 1522

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) PreK-12 Appropriations Subcommittee	14 Y, 0 N	Bailey	Potvin
2) Education & Employment 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 school districts due to sparse student populations through a statutorily-established categorical called the Sparsity Supplement. The calculation methodology for this categorical is established in statute and includes, among other items, the use of a wealth adjustment factor.

The wealth adjustment factor reduces the sparsity supplement for school districts whose potential discretionary local effort per unweighted full-time equivalent (FTE) student is greater than the state average. There are nine school districts that currently receive a wealth adjustment factor in their sparsity supplement calculation: Charlotte, Franklin, Gulf, Jefferson, Martin, Monroe, Nassau, Sumter, and Walton; and one lab school: FAU-Palm Beach.

The bill exempts the use of the wealth adjustment factor for a school district with 2,000 or fewer FTE students.

The bill will have a fiscal impact on the FEFP. See Fiscal Comments.

This bill takes effect July 1, 2022.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

The Florida Education Finance Program (FEFP) is the state's formula to allocate funds appropriated to school districts for K-12 public school operations. The FEFP is composed of state and local revenues and to ensure equalized funding per student, it takes into account various factors such as the individual educational needs of students, the local property tax base, the costs of educational programs, district cost differentials, and sparsity of student population.¹

State revenues are derived from the General Revenue Fund, the Educational Enhancement Trust Fund and the State School Trust Fund. Local revenues are generated from property taxes levied by Florida's 67 school districts.² To participate in the state allocation of FEFP funds, a school district must levy the millage rate set for it Required Local Effort from property taxes. In addition to the Required Local Effort, each school district is authorized to levy a nonvoted current operating discretionary millage, also known as the discretionary local effort.³ The Legislature annually prescribes in the General Appropriations Act the maximum amount of the millage a school district may levy through this means, which for the Fiscal Year 2021-2022 is 0.748 mills.⁴

There are two main parts of the FEFP:

- The base FEFP which represents approximately 60 percent of the total FEFP funding and is the part of the FEFP that provides state and local revenues to school districts based on each district's total number and type of full-time equivalent (FTE) students.⁵
- Categoricals which are allocations funded in the FEFP to ensure either equalized access to educational services and resources by all public school students or to fund specific statutory policies.

The base FEFP plus all categoricals represent the total amount appropriated in the FEFP.

One of the categoricals funded in the FEFP is the Sparsity Supplement allocation which addresses the relatively higher operating cost of smaller districts due to sparse student populations.⁶ School districts with 24,000 or fewer full-time equivalent (FTE) students are eligible to receive the Sparsity Supplement.⁷

The calculation methodology for the Sparsity Supplement is established in statute and requires the calculation of a sparsity index for each eligible school district.⁸ The calculation of the sparsity index results in the amount of the school district's sparsity supplement. The sparsity supplement is then adjusted by a wealth adjustment factor.⁹ The purpose of the wealth adjustment factor in the calculation of the Sparsity Supplement is to address the amount of revenue generated by the assessment of the discretionary local effort regardless of the school district's number of FTE students. The wealth adjustment factor reduces the amount of the sparsity supplement for school districts whose potential discretionary local effort per unweighted FTE student is greater than the state average. If the school

¹ Section 1011.62, F.S.

² Section 1011.71(1), F.S.

³ *Id.*

⁴ Specific Appropriations 7 and 90, s. 2, ch. 2021-36, L.O.F.

⁵ Section 1011.62(1)(s), F.S.

⁶ Section 1011.62(7), F.S.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

district's per FTE student discretionary local effort amount is above the state average, that amount is deducted from the school district's sparsity supplement.¹⁰

For Fiscal Year 2021-2022 the Legislature appropriated \$55.5 million for the Sparsity Supplement in the FEFP¹¹ with 32 school districts and four lab schools eligible to receive the categorical's funding.¹² There are nine school districts that currently receive a wealth adjustment factor in their sparsity supplement calculation: Charlotte, Franklin, Gulf, Jefferson, Martin, Monroe, Nassau, Sumter, and Walton; and one lab school: FAU-Palm Beach. Of the nine school districts, three school districts have 2,000 or fewer FTE students and the FAU-Palm lab school also has 2,000 or fewer FTE students.¹³

Effect of the Bill

This bill would exempt the use of the wealth adjustment factor on eligible school districts, to include eligible lab schools, with 2,000 or fewer FTE students.

B. SECTION DIRECTORY:

Section 1. Amends 1011.62, F.S., providing that a school district with a specified student population is exempt from the wealth adjustment factor when calculating their amount of the Sparsity Supplement.

Section 2. Providing an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See Fiscal Comments.

2. Expenditures:

See Fiscal Comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

For Fiscal Year 2021-2022, there are 32 school districts and four lab schools that receive the Sparsity Supplement. Three of the school districts, Franklin, Gulf, and Jefferson, and the FAU-Palm Beach lab school, have 2,000 or fewer FTE students and have their sparsity supplement reduced by the wealth

¹⁰ *Id.*

¹¹ Specific Appropriations 7 and 90, s. 2, ch. 2021-36, L.O.F.

¹² Florida Department of Education, *Florida Education Finance Program 2021-22 Second Calculation*, (July 16, 2021), available at <https://www.fldoe.org/core/fileparse.php/7507/urlt/2122FEFPSecondCalc.pdf>.

¹³ *Id.*

adjustment factor. This bill would exclude these school districts and lab school from having their sparsity supplement adjusted by the wealth adjustment factor, which is currently reducing their sparsity supplement by \$1.9 million.¹⁴

For the Fiscal Year 2022-2023 FEFP, if the calculation of the Sparsity Supplement results in an amount that exceeds the appropriated amount and the amount of the categorical is not increased, the distribution of the Sparsity Supplement would be prorated to the appropriated amount and distributed to the eligible school districts and lab schools.

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.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

None.

¹⁴ *Id.*