

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: SB 2686

INTRODUCER: Senator Garcia

SUBJECT: District School Costs Study

DATE: April 13, 2010 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Brown</u>	<u>Matthews</u>	<u>ED</u>	Favorable
2.	<u>Armstrong</u>	<u>Hamon</u>	<u>EA</u>	Pre-meeting
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE..... Statement of Substantial Changes

B. AMENDMENTS..... Technical amendments were recommended

Amendments were recommended

Significant amendments were recommended

I. Summary:

The bill requires the Department of Education to contract with a qualified out-of-state postsecondary educational institution to analyze the state’s current school district cost differential index and to develop a cost-of-education index that focuses on the cost differences integral to K-12 public school district operations.

For purposes of the study, the cost-of-education index shall be a tool used to adjust state education calculations to compensate for regional variations in costs of education beyond the control of the school districts and may include, but not limited to, costs for teacher salaries, employee health insurance, property insurance and student transportation costs.

The Department is required to provide the final report to the Senate President, the Speaker of the House of Representatives, and the Governor by January 1, 2011.

This bill creates an undesignated section of the Florida Statutes.

II. Present Situation:

Currently, school districts are funded through both local and state dollars. Local dollars are provided through ad valorem, or property tax, collections.

State dollars are allocated to school districts through the Florida Education Finance Program (FEFP).¹ The calculation of the FEFP is adjusted by a variable known as a district cost differential (DCD), based on the Florida Price Level Index for School Personnel (FPLI).² The index is explained as follows:

The index uses extensive data on wages, occupational location, and the prices of goods and services to estimate the relative wage level needed to maintain a given standard of living for occupations comparable to school personnel across Florida's counties.³

The district cost differential is calculated annually by adding each district's price level index as published in Florida Price Level Index for the most recent 3 years and dividing by 3. The result for each district shall be multiplied by 0.008 and to the resulting product shall be added 0.200; the sum thus obtained shall be the cost differential for that district for that year.⁴ Therefore, the DCD slightly shifts every year, based on the updated 3 year average. For example, each district's price level index as published in 2007, 2008, and 2009 are used to calculate each district's 2009-2010 district cost differential.

The legitimacy of the FPLI as an accurate measure of relative wages was challenged in the case of The School Board of Miami-Dade County v. James E. King, Jr.⁵ In this case, a few school boards around the state alleged that the 2004-2005 General Appropriations Act violated Section 1, Article 9 of the State Constitution. In addition to bringing suit against the Department of Education, the State Board of Education, and the Florida Legislature, various school boards joined the case as defendants. The plaintiff school boards argued that the use of the recently amended FPLI in the FEFP violated the state's constitutional obligation to adequately provide for a uniform system of free public schools. At issue in the case was the finding of a 2003 FPLI report, which recommended that the wage index be added to the FPLI as a factor in calculating personnel costs.⁶ The Legislature adopted this suggestion, which resulted in the General Appropriations Act providing increases in funding to some counties, at the expense of concurrent decreases in other counties.⁷ The District Court of Appeal decided this case on other grounds ("We consider the holding in this case to be that no private cause of action exists for the enforcement of Article IX, section I, against *individual school boards*...."), and the court did not

¹ s. 1011.62, F.S.

² The FPLI is published annually by the Bureau of Economic and Business Research at the University of Florida, Gainesville, Florida. The latest FPLI can be viewed at: <http://www.bebr.ufl.edu/category/subject-index/publications/florida-price-level-index-fpli>. Last checked March 18, 2010.

³ James F. Dewey, David A. Denslow and Babak T. Lotfinia, *2009 Florida Price Level Index*, pg. 2, Bureau of Economic and Business Research, University of Florida (2010).

⁴ s. 1011.62(2), F.S.

⁵ 940 So.2d 593 (Fla. 1st DCA 2006).

⁶ *Id.* at 596.

⁷ *Id.* Leon, Duval, Gadsden, and Nassau counties received the largest increases in funding (up to 5.4 percent) and Monroe, Miami-Dade, and Broward counties incurred the biggest decreases (up to 7.6 percent).

invalidate the use of the FPLI.⁸ The Florida Supreme Court subsequently denied review of the case.⁹

III. Effect of Proposed Changes:

The bill requires the Department of Education to contract with a qualified out-of-state postsecondary educational institution to analyze the state's current school district cost differential index and to develop a cost-of-education index that focuses on the cost differences integral to K-12 public school district operations.

For purposes of the study, the cost-of-education index shall be a tool used to adjust state education calculations to compensate for regional variations in costs of education beyond the control of the school districts and may include, but not limited to, costs for teacher salaries, employee health insurance, property insurance and student transportation costs.

The Department is required to provide the final report to the Senate President, the Speaker of the House of Representatives, and the Governor by January 1, 2011.

The Department is provided little direction regarding the commissioning of this study.

Chapter 287, F.S., subjects state agencies to state procurement and competitive bid law. A contractual service is defined to include "research and development studies or reports on the findings of consultants engaged thereunder" by independent contractors.¹⁰ The bill does not specify whether compensation would be offered to the entity conducting the study, and if that individual would provide this service as an independent contractor. In the event that the Department does commission a study for compensation with an independent contractor, as a qualifying state agency, it appears that the Department would be subject to state purchasing requirements regarding the competitive bid process.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

⁸ *Id.* at 603.

⁹ 954 So.2d 1156 (Table).

¹⁰ s. 287.012(9), F.S.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Senate Bill 2700, the General Appropriations Bill for fiscal year 2010-2011, provides a maximum of \$100,000 from the Contracted Services category, Specific Appropriation 123, for the Department of Education to contract with an entity located outside the state of Florida to conduct a study of the Florida Education Finance Program. The study will review the current formula and the funding equity among districts with the purpose of recommending improvements. This appropriation and the proviso language is provided to meet the requirements of the bill.

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.