On June 26, 1973, the system for financing elementary and secondary education in Florida was radically altered when the Florida legislature passed the Florida Education Finance Program Act of 1973. Significant features of this act include (1) substantially increased fiscal equalization; (2) a systematic plan and substantial State commitment to meet the need for school facilities; (3) increased school district responsibility and flexibility to innovate new programs; (4) simplification of school funding; and (5) disclosure of school spending through a comprehensive management information and cost accounting, including annual reporting of school and program-by-program requirements. This report describes the Act and its effects on school district finance. (JP)
Analysis of State School Finance

Reform Legislation in Florida, 1973

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On June 26, 1973, the system for financing elementary and secondary education in Florida was radically altered. The Florida Legislature voted overwhelming approval (102-13 in the House, 34-4 in the Senate) for the passage of The Florida Education Finance Program Act of 1973 (FEFP). This much talked about legislation has placed Florida in the forefront of education reform. Significant features of this act includes:

- Substantially increased fiscal equalization
- A systematic plan and substantial State commitment to meet the need for school facilities
- Increased the responsibility and flexibility of local school district to innovate new programs
- Simplification of school funding
- Disclosure of school spending through a comprehensive management information and cost accounting system, including annual reporting of school and program-by-program requirements.

At the time of passage of FEFP, Florida already had a group of enviable characteristics which were conducive to a sound and equitable system of education finance. (1) School districts were unified K-12 and coterminous with the State's 67 counties; (2) millage levies were set by local school boards and for operating purposes were statutorily limited to 10 mills on full value (100 percent) assessed valuation; and (3) property tax assessors operated on a countywide basis.

With a county system in place Florida did not have to face the school district consolidation problem common to so many States. In fact, Florida had the opposite problem. With seven school districts accounting for the
majority enrollment, the need tended toward greater decentralization. There was very little difference in the interdistrict rate of taxation. Most districts (46) were taxing at the statutory maximum (10 mills) for operating purposes with the lowest effort district taxing at over seven mills (operating). However, like most States, the wealth of school districts varied substantially (10 to 1), even with the built-in equalizing effect of a countywide property revenue base.

Before the Florida Education Finance Program Act of 1973 was passed, Florida financed its schools by means of the Minimum Foundation Program (MFP). The MFP was revolutionary for its day. When it was passed in 1947 it moved Florida out of the every-school-district-for-itself category and into a prominent leadership role both statewide and nationally. In Florida the concept was that the State government would see to it that no child would receive an education which fell below a specified minimum level. However, it was left to the discretion and financial circumstances of counties the decision to raise its educational spending level above that minimum.

Although the MFP was an improvement over what had come before, it assured no more than a minimum level of equality. Consequently, in 1970, legislation was passed which committed Florida to a policy of greater equalization. Essentially this policy meant that the State should begin to guarantee not just a minimum but a quality educational program by a more adequate and a more equitable allocation of State funds. The 1970 legislation mandated the counties to increase
about $50 million for each of the next five years. Certainly this healthy fiscal condition made the school finance reform easier.

The major features of the Florida Education Finance Program Act of 1973 follow: (See Appendix A for a statewide FEFP budget simulation.)

**Funding based on student costs.**

Under the MFP, district entitlements were determined on the basis of average daily attendance (ADA) as the basic pupil count for computing instruction units. Recognizing the inequities emerging from the use of such an allocator, (particularly in distinguishing between part-time and full-time students in different programs, or the "double counting" problem), the new Act turned away from the "instructional unit" concept in favor of a full-time equivalent student approach to counting or FTE.

An FTE is defined as the number of students enrolled in the program times the ratio of the number of hours per week the student attends that program to the number of hours per week a full-time student at that grade level normally attends school. This method of attendance accounting calculates the time spent in each program offered by a school district. If a special program is offered, the number enrolled is adjusted downward by the attendance time factor. The inclusion of this variable eliminates the possibility of counting a student who is enrolled in both regular and special programs twice.

**Differential student cost factors.**

By using the FTE concept, funding is based on student costs rather than on instructional unit costs. Thus, with "double counting" no longer a problem the basic student cost ($587) can be more accurately adjusted by weighting factors (already common in Florida under the old State formula).
their minimum local effort from three mills to education to seven mills. An additional local taxing authority was thereby included in the MFP.

Thus, a beginning had been made at significantly equalizing each county's access to resources, regardless of property wealth. However, the movement toward equalization was based on the MFP tradition. While on the one hand it affirmed a State commitment, it also proved inadequate in moving beyond a minimum level of equalization. The goal, then, was to provide a greater level of equalization.

In the summer of 1971 Florida Governor Reubin Askew appointed the Citizens' Committee on Education and charged them with the responsibility of studying all levels of education and making recommendations for improving the schools. The Committee ended its two year role in June, 1973. The results of their deliberations are contained in the final report, Improving Education in Florida, which includes the complete text of the "Florida School Finance Study."1/

The Committee made 104 recommendations, of which about 25 came from the "Florida School Finance Study." Remarkably FEFP (the legislation was CSHB 734) provides for all of the Committee's finance recommendations except Migrant Education (#79).

Impetus to change

Legislative changes, particularly in school finance are usually costly. Change is far more agreeable to legislators when it can be funded from a surplus instead of having to raise new money or shift money out of other programs. This year in Florida was the year of the surplus — some $300 million. In addition to this, Federal revenue sharing funds will add
The widely accepted concept of weighting takes into account that it costs more to educate some students than others, depending on the programs they are in. FEFP not only reaffirms this broad position but also adheres to the policy of replicating the weightings of the old MFP so that the year of transition to the new funding system minimizes the fiscal disturbances. Certain exceptions, however, were made for vocational education, as well as weighting increases for K-3 and grades 11-12. A complete listing of the cost factors in Florida is included in Appendix B.

Cost-of-living differential.

The past ten years has seen an accentuation of the urban-suburban-rural fiscal dilemma. Increasing population mobility with its concomitant tax base shifts has begun to exacerbate the problem of equitably financing public services. If, in fact, it is more expensive to live in one place than another, and these differences are reflected in differentially priced services, then the inevitable policy question arises—what can the State do to equalize these disparities?

While the recognition of cost-of-living differences is not new, the fact that it has surfaced in so many States recently and with such rapidity, makes its resolution nationally important. Beyond the general assumption that there are indeed such cost differences, there is very little hard data available on an inter or intra State basis which identifies and measures these differences.

The State of Florida (recognizing this information gap) funded a statewide cost-of-living study. The findings of this study were incorporated into a recommendation of the "Florida School Finance Study," and eventually into FEFP. The new school finance law accounts for
the fact that it costs more to live in metropolitan Dade County than it
does in rural Gadsden County. The index is set at 1.10 of the base $587 student cost for Dade, and .91 of the base for Gadsden, almost a 20 percent differential. A complete listing of the cost-of-living factors incorporated into FEFP appears in Appendix C.

An increased required local effort.

A uniform tax rate of 6.2 mills is required for participation in the FEFP. This will increase to seven mills by 1974-75.

Although the 1970 legislation mandated a four year phase-in period of a required local levy of from three to seven mills, the new legislation interrupts this process. Under the old legislation the 1973-74 school year would have been the year for the required seven mill levy. The FEFP, however, calls for 6.2 mills in 1973-74 with seven mills required a year later.

Florida school district expenditure disparities are not as severe as in other States which indicates the degree of success the State equalization program has had. By school year 1974-75, with a seven mill required local effort, local districts will have only a three mill leeway, which itself will be substantially equalized.

Property rich districts in Florida will not have the great advantage similar districts have in other States.

During the 1973-74 school year, the 6.2 mill required local effort is designed to produce $324 million, or 28 percent of total State and local operating funds, from the 67 counties.
Equalization funds from the State to poorer counties which make additional local efforts.

Florida is one of a few States which has an absolute limit on local taxing authority with no voter override. With a relatively low limitation set, most districts are taxing at the maximum rate. According to the 1973-74 annual district budget, all but 23 counties are presently at the 10-mill property tax cap and two of these, Palm Beach and Volusia, are at 9.75 and 9.9 respectively. Excluding these two counties, the number of pupils in average daily attendance in 1970-71 in the remaining 21 counties levying below 10 mills was 125,905, or only 9.8 percent of the total State ADA in grades 1-12.

While the 10-mill property tax limitation is not inordinately high, the existence of county wealth variations (10 to 1) makes it easier for some counties to raise revenue from this source. In addition, the Florida Department of Commerce has pointed out that:

"Eighteen Florida counties actually lost per capita income between 1968 and 1969...."5/

The same report goes on to say that:

"...most Floridians are not increasing their income at a rate equal to the rest of the nation and, therefore, are falling further behind in their relative income positions."6/

However difficult or burdensome some counties find the property tax, most are taxing at the statutory limit. Disparities though not extreme, can nevertheless be maintained by property rich and income rich districts taking advantage of the local leeway.
PM recognized that some counties simply do not have the property wealth to finance their local contribution as easily as others. Thus, in order to move substantially closer to the goal of full equity -- in the spirit of Serrano -- the new finance formula equalizes the optional local leeway millages. In fact, the provision has been described as "... a flawless power-equalizing apparatus...

Here is how the equalization factor works. The State guarantees seven percent of the base guaranteed entitlement. This computes thusly:

\[ \$587 \times 0.07 = \$41.09 \]

This \$41.09 is the minimum amount each school district must receive for each additional mill it levies above the required rate up to the 10 mill limitation. The guarantee does not equal the per mill yield of the richest district; however, the guarantee is somewhat greater than the per mill yield of the district of average property wealth. By the 1974-75 year, the guarantee for the optional local leeway actually levied by a district will increase from seven percent to eight percent of the base FTE cost. On a base of \$587, the guarantee will be \$46.96. Thus, this power-equalizing provision is, to poorer districts, both a monetary supplement and an inducement to levy more than the minimum required millage. Beyond that, it is a statement of commitment to education and to equity financing.

The calculation to determine how much each county can raise from the allowable local leeway is relatively simple: one mill on 95 percent of a county's assessed valuation on the previous calendar year's non-exempt roll (excluding that portion of homestead exemption Florida permits for school tax purposes) is divided by that county's unweighted FTE total to determine its property tax yield per unweighted FTE student.
To illustrate, one mill of county A's assessed valuation is $300,000 while one mill on 95 percent of county B's property is assessed at $400,000. The FTE totals for the two counties are 20,000 and 8,000 respectively. The district yield per mill per FTE for county A is $15 and for county B, $50. Under the provisions of FEFP, county A would be entitled to receive an amount from the State for the difference of the State guarantee ($41.09) and the county yield ($15). In this example county A would receive from the State $26.09 per mill per FTE. Because there is no recapture provision, county B is entitled to keep the entire $50 per mill per FTE. Quite clearly, without this equalizing provision county B would yield $35 more than county A per FTE for each additional mill above the required mill levy. With FEFP, however, the difference in yield is only $8.91.

The outlook for equalization in Florida seems bright. It has been observed that:

". . . in 1973-74 the equalization effect of the Florida Education Finance Program Act is to lower to less than 13% the difference between the amount of dollars per FTE student who lives in the largest rich school district (Palm Beach with $952 per student) and the largest poor school district (Hillsborough with $844 per student). In other words, Florida will achieve 87% equalization of funds between these districts. And in 1974-75, the amount of equalization will increase to well over 90%, given the existing statutes for 1974-75."8/
In addition to the basic educational funding program, the new legislation provided for State funds to carry forward several general and transitional categorical programs. Examples of general programs are educational leadership training and school lunch supplements for the needy -- transitional examples include driver education, and the safe schools program. General programs are considered as established programs unless changed by law. Transitional programs are to remain for not more than four years, and if not incorporated into the general program by that time they will be discontinued.

Previously, the counties bore the brunt of transportation costs. FEFP provides a new formula for calculating these costs which initially begins with a funding level of 68 percent in 1973-74.

FEFP provided a formula for capital outlays based on a sophisticated survey of building needs and costs for the State to assume the responsibility for funding the costs of school construction and debt service. The formula is recomputed annually and is aimed at being operative over the next five years. In 1973-74, an additional $89.5 million was appropriated for needed school construction and debt service. The act also provided for the utilization of rented or leased facilities, and relocatable school facilities at school centers where there is reason to believe the pupil population is unstable or is projected to decline in future years.

Florida allows a $5,000 homestead exemption against property taxes for school purposes. The new Act permitted the State to reimburse to the counties almost all of the approximately $5.6 million they will lose due to this exemption.
To prevent any county from losing funds during the first year of the new funding formula the FEFP guaranteed that each county will receive at least as much in state funds as it did in the 1972-73 school year. This hold harmless provision also included an inflation factor of an additional five percent.

Yet another feature of Florida's new Act provided for a compensatory education supplement cost factor. The supplement is given to low income, low achieving students to broaden the coverage of eligible students under Title I and to also include those not being served by Federal money. A policy decision has placed the value of this supplement at five percent of the base student amount (.05 x $587 = $29) per eligible student.

Data, its gathering and use, has been recognized in the FEFP as indispensable to its maintenance. The Commissioner of Education is to insure a comprehensive management information and assessment system. Reporting terms will be standardized and management objectives will be compatible at all policy levels. Data will be generated by the management system on a school-by-school basis for such items as student performance indicators and costs by program.

In addition to the FEFP (CSHB 734) the Legislature passed a companion piece of legislation, HB 1331, known as the Property Assessment Administration and Finance Law of 1973. This law recognizes the State's role in assuring that the property which produces the revenue for local contributions to public schools is assessed fairly and equitably. To do this, it established the State's responsibility to secure a just valuation of all property and provide for a uniform assessment as between property within each county and property in every other county or taxing district.
FOOTNOTES


2/ Prior to the passage of the Finance Act of 1973 the working papers for the Conference Committee Report derived $587 as the base student cost by allocating the available dollars among all elements of State aid. The Act itself does not contain a figure for base student cost and further provides that the base cost be adjusted in order to allocate the total amount of the appropriation. For illustrative purposes $587 will be used here.

3/ Florida Cost of Living Research Study: Florida Counties Price Level Index, Department of Administration, State Capitol, Tallahassee, Florida. October 1972.

4/ The Presidents' Commission on School Finance in Review of Existing State School Finance Programs: Volume II, noted that the ratio of maximum to minimum within the 5th - 95th percentile for 1969-70 per pupil expenditures in Florida was 1.5/1. Only ten States had ratios equal to or less than Florida's. Wyoming had the high ratio of 5.6/1.


6/ Ibid., p.20.


## Appendix A

### FEFP Budget Simulation of The Florida Education Finance Program

1. FTE Student Members
   \[ \times \] \( \$1,522,964.7 \)

2. Base Student Cost
   \[ \times \] \( \$587 \)
   \[ \text{times} \] \( \$893,980.9 \)

3. Cost Factors (avg. for State)
   \[ \times \] \( 1.200049 \)
   \[ \text{plus} \] \( \$1,072,820,139.7 \)

4. Compensatory Education
   \[ \times \] \( \$5,916,197.0 \)
   \[ \text{plus} \] \( \$1,078,736,336.7 \)

5. Cost of Living (avg. for State)
   \[ \times \] \( .9959 \)
   \[ \text{plus} \] \( \$1,074,313,517.7 \)

6. Ad Valorem Tax Equalization
   \[ \text{plus} \] \( \$38,525,509.0 \)
   \[ \text{plus} \] \( \$1,112,839,026.7 \)

7. Categorical Program Funds
   \[ \text{minus} \] \( \$41,313,168.0 \)
   \[ \text{plus} \] \( \$1,154,152,194.7 \)

8. Required Local Effort
   \[ \text{equals} \] \( \$324,028,807.0 \)

9. Total State Operating Funds
   \[ \text{equals} \] \( \$830,123,387.7 \)

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1/ There are slight discrepancies with published figures due to rounding.

Note: The general format is taken from Dr. Marshall A. Harris, Coordinator of The Florida School Finance Study.
### Appendix B

**Student Cost Factors**

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Kindergarten</td>
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<tr>
<td>Grades 1, 2, 3</td>
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<tr>
<td>Grades 4 to 10</td>
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<tr>
<td>Grades 11, 12</td>
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<tr>
<td>Educable Mentally Retarded</td>
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</tr>
<tr>
<td>Trainable Mentally Retarded</td>
<td>3.00</td>
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<tr>
<td>Physically Handicapped</td>
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<tr>
<td>Physical and Occupational Th. I</td>
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<tr>
<td>Speech Th. I</td>
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<tr>
<td>Deaf</td>
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<tr>
<td>Visually Handicapped I</td>
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<tr>
<td>Visually Handicapped</td>
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<tr>
<td>Emotionally Disturbed</td>
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<tr>
<td>Socially Mal.</td>
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<tr>
<td>Gifted I</td>
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<tr>
<td>Adult Basic and H.S.</td>
<td>1.60</td>
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<tr>
<td>Community Service</td>
<td>1.30</td>
</tr>
</tbody>
</table>
Appendix C

Cost-of-Living Factors

110.33 Dade
107.19 Broward, Palm Beach
100.12 Alachua, Collier, Duval, Leon, Monroe, Orange, Pinellas, Sarasota
96.05 Bay, Brevard, Clay, Escambia, Hillsborough, Okaloosa, Polk, St. Johns, Santa Rosa, Seminole, Volusia
90.99 All others

1/ Of the 45 counties in this index classification, 28 counties actually were computed at 84.47. A political decision resulted in the counties with an index of 84.47 to be merged into the group with an index of 90.99. This reduced the cost-of-living adjustment index range to about 20 percent (90.99 to 110.33).