

POLICY MEMORANDUM

To: Governor Ron DeSantis

From: Michael Graddy Jr., Joshua L. Lakey, and Krystyl Pillion

Date: May 6, 2019

Subject: Closing the Achievement Gap: Reforming Florida's Education Funding Program

Introduction

Our policy proposal seeks equity within education funding for Florida's K-12 public schools. Its objectives are to reduce the achievement gap between socio-demographic populations, align performance standards with adequacy and include a poverty index in the per-pupil calculus when determining district funding. The cost of implementing is estimated at ~\$4.6 billion. To generate the additional revues needed to address each objective successfully, we recommend increasing the base sales tax by 1.1% and increasing the allocation of lottery dollar distribution by 5%. With these two modifications, the State will generate \$4.1 billion in additional funding to support achieving equity in education funding. The complex issue of establishing equality in education funding is one that continues to challenge legislative and judicial systems for decades.

In 1973, Texas was one of the first states to experience judicial setbacks in the quest for equity. In *Rodriguez v. San Antonio*, the Supreme Court found that education is not a fundamental right and is therefore not subject to federal protections under the Constitution (Cornell Law School, n.d.). Florida proactively sought to achieve equity in 1973 by introducing the Florida Education Finance Program (FEFP). The FEFP was originally designed to allocate funds to districts based on student population with an adjustment for cost of living and student need – namely: physically and mental impairment and English language proficiency. To date, the FEFP is amongst the more equitable funding constructs in the Nation (FBSA, 2016). However, FEFP still fails to address adequacy amongst Florida's diverse student population.

The History of Florida's Assessments and Accountability Systems

In 1998, as a result of the *Coalition for Adequacy and Fairness in School Funding v. Chiles* court case, the Florida Constitution was amended to address adequacy and read:

The education of children is a fundamental value of the people of the State of Florida. It is, therefore, a paramount duty of the state to make adequate

provision for the education of all children residing within its borders. Adequate provision shall be made by law for a uniform, efficient, safe, secure, and high-quality system of free public schools that allows students to obtain a high-quality education¹.

Therefore, the language above put the onus on the State to provide *adequate* and equitable public education for grades K-12. An adequate education is meant to meet individual student needs and give them a reasonable opportunity to succeed (Harris, 2004). Inherent with this requirement is the need to continuously build capacity and provide equal educational opportunities for individual students; as well as the establishment of an accountability system to ensure all of Florida's children have access to quality education.

Students' academic growth, progress, and achievement are commonly measured using a standardized test. However, as Smith and O'Day presented in 1990, long-term transformative school improvement outcomes are often sacrificed for short-term results that yield greater political gain (Polikoff, 2014). Such was the case, in 1996, with the introduction of the Florida Comprehensive Assessment Test (FCAT), in response to Florida's Constitutional amendment and was further compounded, in 2002, by the federal education law - No Child Left Behind (NCLB). Under NCLB, states were required to adopt grade-level content standards, conduct annual assessments, and establish annual performance expectations by which schools are measured (Polikoff, 2014).

With the FCAT as a measuring stick, policymakers use of it aligned with the principal-agent theory. Whereas, the policy creator (legislators) incentivizes those implementing the policy (educators) to perform in line with their expectations. The result was teachers teaching to the FCAT test; as their pupil scores were a factor in determining their future employment. As an additional condition of NCLB, each state was able to set its achievement benchmark; some states, like Florida, decided to set the mark extremely low to meet the federal standard and not risk losing, or limiting the use of, federal funding. Both NCLB and FCAT were not successful in achieving their desired goals; however, they exposed achievement gaps among traditionally underserved students (U.S. Department of Education, n.d.). The arguably more difficult FCAT2.0 replaced the FCAT in 2011. Again, failing to achieve its desired end-state and further increasing the achievement gap. The Florida Standards Assessment (FSA) was introduced in 2014 and has remained Florida student's assessment for reading, writing, and mathematics.

¹ Italicized and bold language was added in 1998.

Unlike previous assessments, the FSA is the first to link student achievement, graduation requirements, and school grading. Student performance is categorized on a scale of 1 to 5; with level 3 (satisfactory) being the minimal accepted achievement level. (Figure 4) Students who fail to achieve an overall passing score of 350 (level 3) will receive a certificate of completion instead of a high school diploma; without a high school diploma the lifelong opportunities for success are greatly diminished. Student FSA results also contribute to the school grades which assist parents and the public with making an informed decision about how well a school is serving its population. Of the 11 school-grade criteria, four are based on FSA achievement. Each component is worth up to 100 points in the overall calculation. School grades levels are as follows: A – 62% or greater; B – 54% to 61%; C – 41% to 53%; D – 32% to 40%; F – 31% or below (Florida Department of Education, 2017).

School grades not only speak to the expected quality of education it should provide but are also linked to school funding and resources. Schools that achieve a grade of A or improve by two grades have greater authority over funds the allocation of the school's total budget generated from the FEFP, state categorical, lottery funds, grants, and local funds (The 2018 Florida Statutes, 2018.). Therefore, schools that are exceeding the state's minimum achievement goal, of level 3, are receiving funding above and beyond what is needed; while underperforming schools continue to operate at inadequate levels of funding. The focus of our policy proposal surrounds a school district achieving a grade level of B. It is worth noting, in 2018, Florida's schools largely achieved a grade of C, 19% (630) increased their grade, 17% (555) decreased their grade, and 63% (2,059) had no change. (Figure 3) The calculated school districts grades are an average of each district's school grades.

Overview of FL Education Funding

The Florida Department of Education (FDoE) receives funding from the federal, state, and local government to support the infrastructure, materials, transportation, teacher salaries, and other cost related to providing public education for its citizens. In 2018-19, FDoE's total operating budget is \$21.6 billion; of that 42 percent of their financial support from state sources, 46 percent from local sources, and 12 percent from federal sources (OFFER, 2019).

State Aid

The state contributions to FDoE's operating budget are primarily derived from tax contributions which make up the General Revenue Fund (GFR). Of the \$11.8 billion in state revenue,

\$8.7 billion are appropriated funds while \$3.1 billion are state grants for the 2018-2019 school year. Of note is the \$8.3 billion contributions from the GRF (sales tax); while the remaining \$273.7 million and \$32 million were from the Educational Enhancement Trust Fund (EETF) and the State School Trust Fund (SSTF), respectively (OFFR, 2019). EETF contains variable percentages on the sale of online and instant lottery tickets; while the SSTF is a collection of funds from the proceeds of all federal lands which is specified for use by public school purposes, donations to the state for an unspecified purpose, and the proceeds of escheated property or forfeitures; and 25% of the sales of public lands which are now owned by the state (Florida Legislature, 2019).

Local Aid

At \$9.2 billion for 2018-19, local aid provides a sizable amount of funding to the overall FDoE operating funds account. The bulk, \$7.7 billion, of the aid is derived from the Required Local Effort (RLE), or property tax. The percentage levied is set annually by the commissioner while state legislators set the amount as an adjusted RLE. Each district's share of the RLE is determined by a statutory procedure that is initiated by certification of the property tax, or a millage rate, valuations of each district by the Florida Department of Revenue (OFFR, 2019). The millage rate is the amount per \$1,000 of the property value that is used to calculate local property taxes revenue (Kagan, 2018). The average millage rate across the state of Florida is currently 4.075. This implies that the average homeowner is required to pay \$4.08 for every \$1,000 of the property value. Therefore, if someone owns a home and the property's assessed value is \$100,000; the homeowner owes the state \$407.50.

Federal Aid

At \$2.3 billion, the FDoE receives its smallest fraction of revenue from the federal government; however, through programs such as No Child Left Behind Act (NCLB) and now Every Student Succeed Act (ESSA), the federal government uses its availability of funds to shape and incentive states to achieve specific levels of performance. Federal education funding also includes, but isn't limited to, Individual with Disabilities Act (IDEA) and the Workforce Innovation Opportunity Act (WIOA) as well as funds from various agencies such as the Department of Labor, Veterans Administration, Department of Interior, Department of Education, Department of Defense and Department of Agriculture (OFFR, 2019).

2018-19 Floria Legislative Action

FDoE's robust revenue streams require legislative action to increase its share of appropriated tax revenue and/or to modify its allocation of funds. Since 2018, the State's legislature has failed to address the additional revenue needed to support educating its economically disadvantaged student population. Instead, in 2018 three amendments were included on the statewide ballot which collectively could reduce education funding or make it increasingly more difficult to pass future laws to raise taxes.

Specifically, Amendment 1, which failed, was introduced with the intention to raise the homestead property tax exemption by \$25,000, for homes worth more than \$100,000. If passed, it would reduce the taxable value of a residential home and therefore reducing the amount of education revenue. Next, Amendment 2, which passed, permanently places a 10-percent cap on the annual increase of non-homestead property tax assessments. Last, Amendment 5 also passed and as a result, Florida legislators must now have a two-thirds majority vote – instead of a simple majority – to raise taxes (Beagan, 2018). This amendment doesn't apply to local taxes that may be raised by specific counties.

Additionally, clean bills were also introduced in 2019 to address education funding. Their introduction demonstrates the lack of attention that economically disadvantaged students receive. For example, House Bill 1061 was introduced to increase the FEFP allocation for advance placement students by a factor of 0.3. It also grants AP teachers a \$50 bonus for each AP student who score a 3 or higher on their AP exam. The last provision of the bill is a \$500 bonus for each teacher in a D or F school who has at least one student that scores a 3 on their AP exam (HB 1061, 2019).

Policy Reform Objectives

The goal of our proposed policy reform is to draw attention to the cost of educating economically disadvantaged students. The objectives of our proposal are to reduce the achievement gap, align performance standards with adequacy, and add a poverty program weight to the FEFP.

Objective 1: Reducing the Achievement Gap

Socioeconomic background—including parents' education, family income, and occupations—has always been one of the strongest predictors of students' academic achievement and educational attainment (Berends, 2014). The Florida Standards Achievement (FSA) student performance follows

similar trends of the both the FCAT and FCAT 2.0. (Figure 1). Consequently, economically disadvantaged students consistently perform worse than non-economically disadvantaged students by at least 20 percentage points; analysis of all major testing areas by demographic supports a result comparable to those in Figure 1 (FL DoE, 2017). A similar performance pattern is evident when considering high school graduation rates (Figure 2). The gap still exists; however, it has steadily decreased over a five-year period. Ultimately, the desired outcome of this policy proposal is to address and to attenuate the achievement gap within varying socio-demographic populations.

Objective 2: Link Adequacy to Performance

Armed with the Florida Constitution and the national wave of litigation focused on the adequacy of education resources, a band of concerned parents, collectively known as the Citizens for Strong Schools, challenged the FDoE. The now decade-old, and on-going, the lawsuit alleges that the FDoE is in breach of its duty to provide an *adequate* and *high-quality* system of free education to all of Florida's students. By better defining adequacy, districts and states can ensure that appropriated funds align with the states desired educational outcome.

A prime example of a successful legislative outcome comes from the state of Kentucky. In the case of Kentucky, the desired educational outcome was a reduction in the achievement gap between economically disadvantaged and non-economically disadvantaged students. As a result of the *Rose v. Council for Better Education* the state of Kentucky passed the Kentucky Education Reform Act (KERA). At its core is a funding formula that accounts for the cost to educate economically disadvantaged students. After two years of aggressive fiscal policy, the legislature raised \$1.3 billion in new revenues for the general fund. With increased spending, Kentucky saw a reduction in the achievement gap within the first ten years after implementation.

The challenge with strengthening the definition of adequacy for many states, including Florida, is rooted in the historic Republican desire to have a separation of powers and therefore not impede on county rights (Herrington, n.d.). Additionally, the fungibility of a state's budget acts as a deterrent for judicial intervention to better define adequacy. Education spending is the second largest state expenditure and defining adequacy will lead to increased education spending, potentially at the expense of other appropriations. Nationally, the FEFP is heralded as an equitable method of allocating funds evenly across school districts in Florida (FSBA, 2016). However, its calculation structure results in horizontal equity which is therefore inequitable as per-pupil cost differ based on

variables such as a student being economically disadvantaged. Vertical equity is achieved through this policy proposal; an adequacy level is not only established but is also associated with a defined cost to attain it.

Objective 3: Florida Education Finance Program Adjustments

The Florida Legislature enacted the Florida Education Finance Program (FEFP) as a means for funding public education in an equitable way. Under this program, the education provided by the state "guarantees to each student in the Florida public education system the availability of programs and services appropriate to his or her educational needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors" (FBSA, 2016). This is achieved on a basic level, but several factors that are currently structured within the FEFP, or missing altogether, are reducing its ability to equalize funding for all types of students.

FEFP Shortcomings

A popular method for financing K-12 public education, the hybrid foundation aid program that Florida currently uses is shared by at least 38 other states. It is widely accepted as an equitable approach to funding; this occurs when it accurately adjusts for district-specific costs and uses a minimum required performance level to establish required spending. For the citizens of Florida, the equity of the distribution of educational resources is a significant issue in that, by the constitution's mandate, the people are guaranteed a fiscally equitable system for financing public schools (Maiden, Wood, 1995). Although the FEFP was a landmark change to the state of Florida's education system, equalizing funding across certain demographics of high need students, it did not address the required support for some of the most disadvantaged students within the state.

In many states, the foundation aid formulas focus on ensuring minimum per-pupil spending versus achieving a minimum performance standard for students and districts; additionally, they fail to address the different costs associated with achieving a given performance standard for various districts (Yinger, 2004). Compounding these concerns is the fact that the funding formula has remained largely unchanged over the past 30 years, lending to the belief by many scholars and critics that as Florida's economy, demographics, and education focus have changed, its funding system has remained the same and not currently best suited to maximize the performance outcomes of all students. Moreover, Florida has transitioned to a standards-based accountability system but has

retained its expenditure-based aid formula that does not incorporate a minimum required performance level. Lastly, the current foundation target revenue and spending level set for each district are unrelated to the actual costs of achieving a certain performance standard (Augenblick, 2014).

Two critical issues exist with the FEFP for the 2018-2019 school year. Each should be addressed to ensure all students are provided an equal opportunity to receive a quality education. These two issues are the lack of a cost factor or program weight for economically disadvantaged students and the calculation of the Base Student Allocation (BSA). In its current form, the FEFP incorporates program weights that adjust the Full-Time Equivalent (FTE) student amount into a weighted amount that is multiplied by the BSA, then by the District Cost Differential (DCD), to determine the Base Funding Amount. This methodology is sound and common to most states' foundation aid programs, but where FL is currently lacking is in applying a program weight for "economically disadvantaged" students. For FY 2018-2019, current program weights are listed in Figure 5.

Economically Disadvantaged Students

Each of Florida's 67 districts is challenged with varying degrees of student populations that are classified as disadvantaged. Using a general definition from a New York State Education Department report, we observe that there are five common indicators associated with lower than average school performance. These indicators are critical in identifying and selecting an accurate cost estimation method, and they support identifying students who are at increased risk of not achieving established education outcomes. They include: "minority racial/ethnic group identity, living in a poverty household, having a poorly educated mother, and having a non-English language background" (Harris, 2004). In addition to these indicators our policy and research incorporates a sixth indicator - having a learning or physical disability - that we use to develop a comprehensive approach to identifying disadvantaged students. Using this designation as the foundation of our analysis and assumptions, we established a new cost factor for being economically disadvantaged or those students living in poverty.

When considering disadvantaged or high-needs student populations, Florida is currently only utilizing pupil weights that address the increased costs associated with educating the youngest population of students (K-3), exceptional students with mental or physical disabilities that reduce their ability to learn in normal settings and students who have English as a second language. This

same methodology should be translated to the economically disadvantaged student population, as numerous research in the field of public education finance has shown that there are significant increased costs associated with educating students in poverty. A study by Yinger and Duncombe in the New York State suggested that education costs will vary by each district for two main reasons: labor market costs for teachers/educators, and the number of disadvantaged students in a given district. (Duncombe, Yinger, 2004) Since many scholars include economically disadvantaged students in the widely accepted disadvantaged student population, it is appropriate to include it as a pupil weight for equalizing funding.

Base Student Allocation

The second issue within the FEFP is the calculation of the BSA. It is currently determined annually by the Florida Legislature and not linked to a minimum required performance level; instead, it is subject to the availability of funds (FDoE, 2017). The State would benefit if the BSA were linked to a given performance standard. By incorporating a statewide required level of performance for each district and utilizing the Successful Schools Approach (SSA) for estimating required spending, the BSA can be adjusted to reflect the average required spending needs. The underlying basis of the SSA is the belief that all districts should be able to achieve a given education standard if they spend as much as the average amount spent by districts that meet the standards (Augenblick, 2014). Since Florida uses program weights and the DCD to address the cost implications of students and district needs, the successful school's approach can and should be used to estimate required spending in the BSA. The SSA has “persisted over time because policymakers are attracted by its underlying philosophy,” and relative ease of calculation compared to other methods (Augenblick, 2014).

Reform Analysis

Base Student Allocation

The annual BSA amounts must be addressed to ensure base funding amounts are aligned with actual minimum required spending at the district level. Second to a major overhaul of the current foundation aid formula, adjusting the BSA, utilizing a widely accepted cost estimating method, like SSA, is the most politically feasible option to increase equity in the funding formula. Using the SSA ensures that funding levels are in line with actual costs. To recalculate the BSA using the SSA, we recommend the standard grade for each school district performance to achieve a grade of “B.” We recommend setting the criterion for graduation rates (between 80 – 85%), and the criterion for college

acceleration rates (between 55 – 65%). The ranges for those criteria were selected by comparison to the state average; the range for both rates was at the state average plus 3-5%, to allow for the inclusion of slightly higher performing districts.

We used our recommended criteria to determine if the State currently has a *model district* to use as a benchmark and viability of our recommendation. Currently, only seven of the state's 67 districts meet our recommended performance level and criteria (Figure 6). From these seven counties, we further narrowed our selection by focusing on districts within \$5,000 of the state median income, that have a minimum of 40,000 FTE students, and have relatively low costs; while achieving the required performance level. Note the district cost differential required had to be between .95 and 1.05 (Figure 7).

After analyzing these factors, we selected Broward County, FL as the district by which required spending would be set. Further analysis of the districts expenditures, and state and local aid contributions, removing added cost adjustments, resulted in a per-pupil spending amount of \$4802.25 (Figure 8). This amount is \$597.83 higher than the current BSA, suggesting that an increase to the BSA is required to achieve adequate funding levels across the state. Ceteris paribus, an increase in the BSA to the SSA provided amount would raise state required base funding to \$14,879,155,459; this results in an increase required spending amount by ~\$1.85B.

Economically Disadvantaged Cost Factor

The use of pupil weights in the current foundation aid program is fundamental to achieving equalized funding. In comparison to other estimation methods, namely the utilization of a cost index, the pupil weight approach does not account for differences in costs or enrollment across districts (Duncombe, Yinger, 2004). As such, our analysis is centered on maintaining this formula; however, incorporating a pupil weight to address the increased cost of educating economically disadvantaged students. Numerous studies have shown the importance of the cost environment and its impact on student performance outcomes. One specific New York state study from Duncombe and Yinger (1998) illustrates the powerful role poverty played in a statewide performance measure. The study highlighted, “the percentage of third-graders above a standard reference point on the State’s reading exam [fell] as the poverty concentration in a school [raised]” (p.246). The research also showed that ~90% of students scored above the reference point when they attended a school with less than 20%

of students in poverty. Conversely, only ~58% of students met the same standard when they attended a school with more than an 80% poverty rate (Duncombe, Yinger, 1998).

Using Free or Reduced Lunch (FORL) as a poverty indicator, a 2004 Duncombe and Yinger study used statistical methods to estimate pupil weights for economically disadvantaged students in NY state. The study produced a pupil weight of 1.6, which is comparatively high to other state's poverty factors (Figure 11). For the purposes of our analysis and to increase political feasibility, we rounded down the factor to 1.6.

The state of Florida has a total of 1,118,910 students that are classified as economically disadvantaged for the 2018-2019 school year (Figure 9). Applying the 1.6 weight to the number of economically disadvantaged students results in a weighted FTE increase of 671,346 with an associated cost of ~\$2.85 billion, when using 2018-2019 FTE amounts. This research supports our position that the state of FL must address the lack of a poverty cost factor in its foundation aid formula, as over 1.1 million economically disadvantaged students are impacted by the lack of such a cost adjustment.

Revenues: Sales Tax

Florida's primary revenue generators are the taxation of goods, corporate income tax, and gaming; which collectively make up the state's General Revenue Fund. At 6%, Florida's sales tax is slightly above the national average and contributes \$21.6 billion to the state's operating budget. **For an in-depth breakdown of sales tax by category, see figures 12-14.*

Revenues: Florida Education Lottery

Since its inception in 1984, the Florida Lottery has contributed more than \$34 billion to education. Currently, each lottery dollar is allocated at a rate of 65% towards the prize money, 27% towards education, 6% towards retailer commissions, 1% administration, and 1% ticket vendor fees. For 2017-18, \$134,582,877 lottery dollars were appropriated for education which were distributed through Florida School Recognition Program (FSR) and District Discretionary Lottery (DDL).

The priority in the use of the funds is to support the FSR, which provides monetary awards for schools that earn an "A" grade, improve at least one performance grade from the previous year, or sustain the previous year's improvement of more than one letter grade (Florida Lottery, 2019).

DDL funds are comprised of any remaining funds after fully supporting the FSR and are based on each district's proportionate share of the FEFP base funding entitlement.

Revenues: Required Local Effort- Property Tax and Millage

Modifications to the required local effort (RLE) is a potential option to generate additional revenue to support education; one which we chose not to consider. Implementing a formal required minimum tax rate would force already economically disadvantaged districts to raise their tax effort; potentially resulting in a higher burden on a fragile population. Research by Duncombe and Yinger demonstrated that for a performance-based foundation plan, which we are advocating for, and where the standard is set at the current median outcome, 80 percent of districts with outcomes presently below the standard would be forced to impose a higher tax rate than the median voter would select (Duncombe, Yinger, 2004). An unavoidable reality is that any change in an education finance system will come with steep resistance. And using a required high minimum tax rate that raises property tax rates across the state will impose significant political acceptance challenges; inevitably there will be conflicting views from those that benefit and those that suffer under a revised aid system (Duncombe, Yinger 2004). Until the political environment and taste for education in Florida shifts towards one that is more supportive of significant increases in education spending, we recommend revenue generating policies that do not implicate local property tax efforts. However, we do recommend conducting a study on the current RLE to determine the feasibility of implementing increases, and the impacts on local millage rates that would be required to cover increased performance-based spending.

Policy Proposal

Overview

Our policy reform approach focuses on addressing the funding allocation within both state and local levels of government and reducing the achievement gap by:

1. Establishing performance standards linked to adequacy.
2. Revising the foundation aid funding formula to shift from expenditure-based to performance-based system.
3. Increasing revenues to support education.
4. Establishing an Analytical Section within FL DoE.

Recommendations for Addressing Adequacy

We recommend linking performance standards to adequacy by requiring all school districts to achieve a grade level of “B”. This would align adequacy with the minimum achievement levels currently in place to promote college preparedness.

Recommendation for FEFP Adjustment

We recommend two revisions to the FEFP funding formula to make it more equitable and provide increased funding to disadvantaged students by: Creating an economically disadvantaged cost factor (pupil weight) and using the successful schools approach of cost estimation as the method of calculating the BSA.

Economically Disadvantaged Pupil Weight

We recommend adopting a cost factor of 1.6 for every economically disadvantaged student within each district; adopting this cost factor will increase the current statewide required aid by ~\$2.8B.

Successful Schools Approach and the Base Student Allocation

We recommend a shift from the current legislature/budget (expenditure-based) determined BSA, to a performance-based method by adopting the Successful Schools Approach. This approach estimates required spending to attain a specified level of performance. The modification will increase the current BSA amount from \$4204 to \$4802; a ~\$598 increase in per-pupil base allocation funding. The total increased spending amount resulting from adopting the SSA is ~\$1.8B

****The combined cost of implementing both adjustments to the FEFP is ~\$4.6 billion.***

Recommended Revenue Generating Policies

We recommend increasing sales by 1.1% and increasing the lottery education allocation by 5% percentage. The identified increase to the statewide sales tax will generate \$25.2 billion for the General Revenue Fund and \$157 from the lottery contribution. All revenue generated totaling a \$4.15 billion increase through the sales tax and lottery adjustments will be added to the states’ education budget.

New analytical section in DOE for econometrics

We recommend establishing an analytical section within the Assessment, Research, and Measurement (ARM) division of the Florida Department of Education. Currently, the ARM focuses primarily on the FSA and tracking performance by various demographics, measuring student performance across multiple metrics, and researching education programs (FDoE, 2019). The proposed analytical section would shift focus on econometrics, cost estimation, and public education finance efficiency initiatives. Creating this section would provide the state continuous analysis on required spending to achieve statewide performance levels, impacts of programs on various student populations, and analytical decision support for policy implementation. The DoE should request additional funding to develop the section and its three components: Cost Analysis, Behavioral Economics, and Efficiency.

Impact/Externalities

Positive Externalities of the Reform

Countless of studies have demonstrated the link between a more educated population and positive externalities such as a reduced crime rate, increased property values, and increased economic development opportunities within communities. The long-term effects of a highly educated, and therefore highly skilled, population is a productive community with little reliance on government aide through social welfare programs.

Negative Impacts of the Reform

As with many government programs that are linked to a monetary incentive, the potential misrepresentation or mismanagement of funding exists. Through the new formed analytical section, school districts must be monitored to ward of fraud, waste, and abuse of education revenues.

Suggested Future Research

Over the past decade four trends have developed that require further study by the Florida department of education: (1) educational productivity and efficiency, (2) largely enriched datasets on educational finance, student performance, and school characteristics, (3) comparative data on learning outcomes as measured by state, federal, and international assessments, and (4) the impact of increased education spending on the demand for other public goods.

Policymakers have shown increased attention to the issues of educational productivity, efficiency, equity, and impacts on learning outcomes that emerged from earlier research. These previously studied areas were successful in documenting the complex relationship between resources and educational outcomes. Educator support for improved analysis of education finance systems has allowed for a deeper exploration of how student learning is affected by resources, the regulation of those resources, and how resources are applied to education (Herrington, 2014). In conjunction with our recommendation, the newly created analytical section within the ARM division should continue to research in these areas.

Conclusion

The Florida Education Finance Program (FEFP) is the crux to the funding amounts appropriated to each school district. The FEFP, though equitable, provides greater benefits to non-economically disadvantaged students. In its current form, the FEFP rewards both teachers and students performing above the minimum required achievement level, as defined by the Florida Standard Assessment, to earn a high school diploma. Our policy proposal seeks equity for children who live in poverty with the objectives of reducing the achievement gap between socio-demographic populations and aligning performance standards with adequacy.

The objectives are achieved by creating an economically disadvantaged cost factor (pupil weight) and using the Successful Schools Approach of cost estimation as the method of calculating the Base Student Allocation. The combined cost of implementing both adjustments to the FEFP is ~\$4.6 billion. To generate the additional revues needed to address each objective successfully, we recommend increasing the base sales tax by 1.1% and increasing the allocation of lottery dollar distribution by 5%. With these two modifications, the State will generate \$4.1 billion in additional funding to support achieving vertical equity in education funding.

Lastly, the establishment of analytical section within the Assessment, Research, and Measurement (ARM) division of the Florida Department of Education ensures that the policy objectives are being met with the ability to make recommendations on future adjustments to meet the evolving demand. This policy reform is a comprehensive model for other states to follow in order to address disparities in education statewide.

Annotated Bibliography

Augenblick, J. (2014). *Encyclopedia of education economics & finance*. Los Angeles: SAGE reference, pp.2-4.

This chapter from the Encyclopedia of Education Economics and Finance focuses on achieving adequacy standards using the successful schools district approach. It highlights the pros and cons of this approach in relation to other methods. The author provides examples of states that have implemented this technique, and the impact it had on student performance outcomes. Additionally, this chapter details how to use the methodology, which costs to consider, and how it incorporates into a foundation aid formula. This is considered a highly reputable source within the field of education finance.

Baumann, A. (2017). The Funding Gap Between Kentucky's Poor and Wealthy School Districts Continues to Grow. Berea, KY: *Kentucky Center for Economic Policy*, pp.2-6. Retrieved from <https://kypolicy.org/dash/wp-content/uploads/2017/12/KCEP-equity-gap-report-1.pdf>

This article provides information about Kentucky's funding gap between its poor and wealthy districts. It was published by the Kentucky Center for Economic Policy, a reputable non-partisan organization that provides research, analysis and education on important policy issues facing the Kentucky Commonwealth. The author describes the steps taken after the passage of KERA and how the state initially generated the additional \$1.3 billion in general funds to support the increase in education costs. Additionally, this research analyzes the resource gap, pre and post KERA, and the impact on performance as a result of its adoption.

Beagan, G. (2018). Vote yes or no for Amendment 5? Here's what 6 Florida newspapers recommend. *Florida Today*, pp.1-3. Retrieved from <https://www.floridatoday.com/story/news/2018/10/22/florida-amendments-vote-ballot/1728798002/>

This article was published in the Florida Today Newspaper, a subsidiary of the USA Today communications network. The article provides a detailed overview of all NOV 5, 2018 statewide ballot measures that impact taxes. The authors explain which amendments passed or failed and identifies the main support groups for each legislative proposal. This is not considered a scholarly article and includes some of the authors opinions in providing analysis.

Berends, M. (2014). *Encyclopedia of education economics & finance*. Achievement Gap. Los Angeles: SAGE reference, pp.2-5.

This chapter from the Encyclopedia of Education Economics and Finance focuses on the achievement gaps that exist in most states. It details three different types of achievement gaps: racial-ethnic, socio-economic, and gender. The author provides several widely accepted explanations for achievement gaps, ranging from parenting styles to summer learning loss. Additionally, this chapter provides a brief explanation of why achievement gaps have begun closing nationally, and how more empirical research is needed to determine best practices. This is considered a highly reputable source within the field of education finance.

Duncombe, W., Lukemeyer, A. and Yinger, J. (2004). Education Finance Reform in New York: Calculating the Cost of a 'Sound Basic Education' in New York City. *SSRN Electronic Journal*,

pp.1-3. Retrieved from

https://www.maxwell.syr.edu/uploadedFiles/cpr/publications/cpr_policy_briefs/pb28.pdf

This article is a policy brief conducted by three researchers in the field of education finance. It focuses on defining a sound basic education and applying various cost estimation methods for determining how much a state should spend per pupil. The authors identify that once an educational performance standard has been selected, lawmakers face the task of determining how much it would cost to reach this standard in every district. This article was published by the Center for Policy Research at Syracuse University.

Duncombe, W. and Yinger, J. (1998). Financing Higher Standards in Public Education: The Importance of Accounting for Educational Costs. *SSRN Electronic Journal*, (10), pp.2-6. Retrieved from https://www.maxwell.syr.edu/uploadedFiles/cpr/publications/cpr_policy_briefs/pb10.pdf

This article is a policy brief conducted by two researchers in the field of education finance. In this article, the researchers explain why establishing a performance focus and educational cost indexes must be used when estimating costs for state aid programs. They use data from New York state that controls for costs in the design of school aid formulas; this allows for urban cities to reach educational adequacy standards. Additionally, the article addresses factors outside of the districts control and the importance of identifying them. This article was published by the Center for Policy Research at Syracuse University.

Duncombe, W. and Yinger, J. (2004). How Much More Does a Disadvantaged Student Cost? *SSRN Electronic Journal*. (Pg. 8-10.) Retrieved from <https://surface.syr.edu/cgi/viewcontent.cgi?article=1102&context=cpr>

This policy paper provides an analysis on various statistically based methods for estimating the extra costs of educating disadvantaged students. It shows how these methods are related and compares state aid programs that account for these costs in different ways. The researchers showed that urban districts with high disadvantaged student populations required more funding and assign pupil weights for different categories. The article was accepted and published by the Center for Policy Research at Syracuse University, and is a highly reputable source.

Duncombe, W. and Yinger, J. (1998). SCHOOL FINANCE REFORM: AID FORMULAS AND EQUITY OBJECTIVES. *National Tax Journal*, 51(2), pp.239-262. <https://www.ntanet.org/NTJ/51/2/ntj-v51n02p239-62-school-finance-reform-aid.pdf>

This is an article from an accredited, peer reviewed scholarly journal. The National Tax journal is a premier scholarly journal that analyzes the impacts of tax related policies on the public. The authors examined the relationship between performance standards and decreasing state aid. They identified how many state aid formulas fail to address performance requirements related to funding levels. This paper shows how to estimate comprehensive educational cost indexes that control for school district inefficiency and include them in state aid formulas. It also simulates the impact of several aid formulas on educational performance in New York state.

Escue, C. (2012). Adequate Yearly Progress as a Means of Funding Public Elementary and Secondary Education for Impoverished Students: Florida Funding. *Journal of Education Finance*, 37(4), 347-373. Retrieved <http://www.jstor.org/stable/23255492>

This scholarly journal article addresses public policy of adequacy by the creation of a Florida state-wide poverty index model to assist in the distribution of state and local dollars in funding public education. It examines the poverty index to determine if using a yearly adequate progress measure will increase accountability. It proposes adopting the poverty index model in order to increase equity across the state and increase funding for economically challenged students. The article was published in the reputable Journal of Education Finance.

Florida Department of Education. (2018, August). 2017-18 Guide to Calculating School and District Grades. *Annual State Published Guide*. Retrieved from <http://www.fldoe.org/core/fileparse.php/18534/urlt/SchoolGradesOverview18.pdf>

This document is the official annual guide for school district grade calculations. It is developed by the Florida Department of Education's Assessment, Research, and Measurement Division, and presented by the state Education commissioner. It provides and in-depth analysis of all 11 components that factor in to the district grade calculation. This document serves as the primary accountability measure for the state's education system.

Florida Department of Education. (2018, June). 2018-19 FLORIDA EDUCATION FINANCE PROGRAM. *Conference Presentation*. Retrieved from <https://webworks.typepad.com/files/fefp-1819famisfefp-1.pdf>

This annual presentation is an analysis of the FEPF for the 2018-2019 school year. It includes the funding changes for the year, total topline budget, and specifics on each of the 21 variables included in the formula. Additionally, the presentation includes legislative changes that impact education funding for the 2018-2019 school year. This document is prepared by the finance department within the Florida Department of Education, and values in the presentation were confirmed with official Department of Education financials.

Florida Department of Education. (2019, January). Florida School Grades 2017-2018. *Annual State Published Report*. Retrieved from <http://www.fldoe.org/core/fileparse.php/18534/urlt/SchoolGradesResultPacket18.pdf>

This document is produced annually by the Florida Department of Education and includes the official school district grades for all 67 districts. It shows trends over the past five years and includes analysis on all 11 factors for each school district. This report is produced by the Assessment, Research, and Measurement division within the Department of Education. It is used by scholars, educators, and citizens for holding school board officials accountable, and tracking performance metrics on various levels.

Florida Department of Education. (2018, April). Florida Standards Assessments 2018. *Annual State Published Report*. Retrieved from <http://www.fldoe.org/core/fileparse.php/5668/urlt/80PacketFSA18.pdf>

This document serves as a comprehensive review of Florida's district level performance on the Florida Standards Assessments; it is produced by the Assessment, Research, and Measurement division. It details all the different assessments for various grade levels, the achievement ranges, and summarized key points for each major assessment. Additionally, it provides a comparison of scores over the last five years, by individual district. This document is used by research centers, scholars, and policymakers for tracking performance in Florida's standardized tests.

Florida Department of Education. (2018, October). Funding for Florida School Districts 2018-2019. *Annual State Published Report*. Retrieved from <http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf>

The Funding for Florida School Districts publication details the state program for financing public schools in Florida. The report was prepared by the Office of Funding and Financial Reporting in the Bureau of School Business Services, Florida Department of Education. It outlines all the sources of funds for the year, to include dollar amounts for each district. This serves as the primary document for education budget information; it also includes all FEFP variable amounts and a detailed description of them. The document has a master appendix that provides district level details on all funding components and an analysis of FTEs.

Florida Legislature. (2019, March). The 2018 Florida Statutes. *1008.34 School Grading System; School report cards; district grade. Title XLVIII*. Retrieved from http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=1000-1099/1008/Sections/1008.34.html

This website is the official repository for all Florida Statutes; it is maintained by the Florida Legislature and includes all legislative actions. The specific page used details the current statutes that were enacted involving the School Grading System; school report cards; district grades. Within this act are details on the achievement level necessary to achieve specific school grades and the benefits associated with the various levels. Additionally, this specific legislation establishes broad definitions for letter grade categories assigned to school districts.

Florida Legislature. (2019, March). The 2018 Florida Statutes. *1010.71 State School Trust Fund, Title XLVIII*. Retrieved from http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=1000-1099/1010/Sections/1010.71.html

This website is the official repository for all Florida Statutes; it is maintained by the Florida Legislature and includes all legislative actions. The specific page used details all 2018 statutes that were enacted involving the State School Trust Fund. This specific legislation deals with proceeds from certain types of property.

Florida Policy Institute. (2018, March). Florida Budget Lags in Long-Term Investments that Drive Economic Growth. Retrieved from <https://www.fpi.institute/fiscal-year-2018-19-budget-summary->

This article is produced annually by the Florida Policy Institute, a non-partisan research and policy center that provides analysis of the state's budget and informs policymakers. It summarizes the entire state budget for 2018-2019, focusing on all major appropriations. It includes a section on tax reductions and education, which we used in our analysis of current legislative trends regarding Florida's budget. The authors are staff member of at the FPI and provide a clear breakdown of all the spending increases for education during the 2018-2019 school year.

Florida School Boards Association. (2016, November). Understanding the FEFP. *Annual State Published Guide*. Retrieved from <https://fsba.org/wp-content/uploads/2016/11/2016-17-FEFP-101.pdf>

The Florida School Boards Association produces an annual guide to understanding the FEFP, similar to that produced by the Department of Education. The report includes the 21 variables that comprise the FEFP, and it explains the amounts and details of each variable for the 2016-2017 school year. It outlines all the sources of funds for the year, to include dollar amounts for each district. This document is not an official department of education publication, but, is produced by an accredited education association.

Harris, D. (2004). Adequacy, Costs, and the State Constitution. Pdfs.semanticscholar.org. *Education Policy Research Unit (EPRU)* pg. 6-9. Retrieved <https://pdfs.semanticscholar.org/9a37/4e7b180bdf377152b431fff80606be68e133.pdf>

This policy brief takes a holistic look at adequacy and education costs within the state of FL, during the 1999-2000 school year. The author examines education spending to determine if spending is adequate by the state's constitutional definition. In addition, the policy brief analyzes recent supreme court cases within the state; lawsuits involving adequacy claims by citizens. Lastly, the policy paper looks at the impact of the 1998 amendment that changed the adequacy language within the Florida constitution. The brief was published by the Arizona State University Education Policy Studies Laboratory.

Heberling, M., Rephann, T., and Stair, A. (2006). Demand for public education: Evidence from a rural school district. *Economics of Education Review*, 25(5), pp.521-531. <http://www.equotient.net/papers/eddemand.pdf>

This is an article that was published in the Economics of Education Review, an accredited, peer reviewed scholarly journal. The authors in this study conducted analysis on the apparent underperformance of children in basic areas like reading, math, and English as reflected by low scores on standardized achievement exams relative to their international peers and the appropriate level of educational spending. This study examines the question of how much households are willing to pay for improvements in the quality of local public education in two areas of a rural school district in Pennsylvania.

Herrington, C. and Picus, L. (2014). *Encyclopedia of education economics & finance*. Los Angeles: SAGE reference, pp.2-4.

This chapter from the Encyclopedia of Education Economics and Finance focuses on the role of an education association in affecting education policy. It details the organization and its objectives and discusses annual events that connect education policy influencers within the United States. Areas of interest within the chapter include a focus on trends within education finance, and journals that further the cause of education finance reform.

Kentucky Chamber of Commerce. (2016, June). A Citizens Guide to Kentucky Education Reform, Progress, Continuing Challenges. *Prichard Committee for Academic Excellence Annual Published Report*. Retrieved from <http://prichardcommittee.org/wp-content/uploads/2016/06/A-Citizens-Guide-to-Kentucky-Education.pdf>

This document serves as a comprehensive guide to the history of Kentucky's education reform and the passage of KERA. It was published by the Kentucky Chamber of Commerce and research was conducted by the Prichard Committee for Academic Excellence; they are an independent, non-partisan, non-profit citizen's advocacy group. The committee continuously studies priority issues, informs the public and policymakers and engages citizens, business leaders, families, students, and others in a shared mission to move

Kentucky to the top tier of all states for education excellence and equity for all children. This guide provides chronological analysis of Kentucky's education policies relating to KERA, and details per pupil spending resulting from the reform.

Maiden, J. and Wood, C. (1995). An Examination of the Discretionary Elements of the Florida Education Finance Program. *Journal of Education Finance*, 21(2), pp.271-290.

This is an article from an accredited, peer reviewed scholarly journal, the Journal of Education Finance. The article examines the foundation aid programs of various states, and how they strive for creating equity. The authors identify three main equity challenges that arise from districts levying un-equalized discretionary dollars to supplement a minimum foundation program. The primary analysis of this study is conducted in Florida, during the 1994-1995 school year.

Maiden, J. and Young, B. (2014). *Encyclopedia of education economics & finance*. Los Angeles: SAGE reference, pp.1-2.

This chapter from the Encyclopedia of Education Economics and Finance focuses on achieving adequacy standards through the cost function approach. It highlights the pros and cons of this analytical method and explains the political challenges with its implementation and adoption. The authors provide examples of states that are currently using this technique, and how using statistical methods that control for various costs and environment differences can produce accurate results. Additionally, this chapter details the objective benefits of this approach. This is considered a highly reputable source within the field of education finance.

Polikoff, M., & Wrabel, S. (2014). *Encyclopedia of education economics & finance*. Accountability, Standards-Based. Los Angeles: SAGE reference, pp.2-.

This chapter from the Encyclopedia of Education Economics and Finance focuses on standards-based accountability systems. It details the six essential components of standards-based accountability systems and how they are directly linked to achieving adequacy. The authors provide a brief history of federal acts that shifted the U.S. education system towards a standards-based one; emphasis was placed on the No Child Left Behind act. Additionally, this chapter explains several considerations for implementing a standards-based system.

San Antonio Independent School District v. Rodriguez, 411 U.S. 14 (Supreme Court), p.1. Retrieved from <https://www.law.cornell.edu/supremecourt/text/411/1>

This article serves as a detailed overview of the Supreme Court case, San Antonio Independent School District v. Rodriguez (1972). This suit attacking the Texas system of financing public education was initiated by Mexican-American parents whose children attend the elementary and secondary schools in the Edgewood Independent School District, an urban school district in San Antonio, Texas. This case was similar to other supreme court cases addressing adequacy and equity claims in states' public education funding systems. Faculty of Cornell Law School conducted the analysis and published the article in the Legal Information Institute (LII); the LII is an independently funded project of the Cornell Law School.

The Florida Senate. (2019, February). *House Bill 1061*. Retrieved from <https://www.flsenate.gov/Session/Bill/2019/1061/BillText/c1/PDF>

This document is the text from House Bill 1061. It was passed in 2019 and supports an increase in the cost factor for AP funding, and provides teacher incentives in the form of bonuses for students enrolled and passing AP exams. This law will take affect for the 2019-2020 school year.

U.S. Department of Education. (2019, March). Every Student Succeeds Act (ESSA). *Published Federal Law*. Retrieved from <https://www.ed.gov/essa>

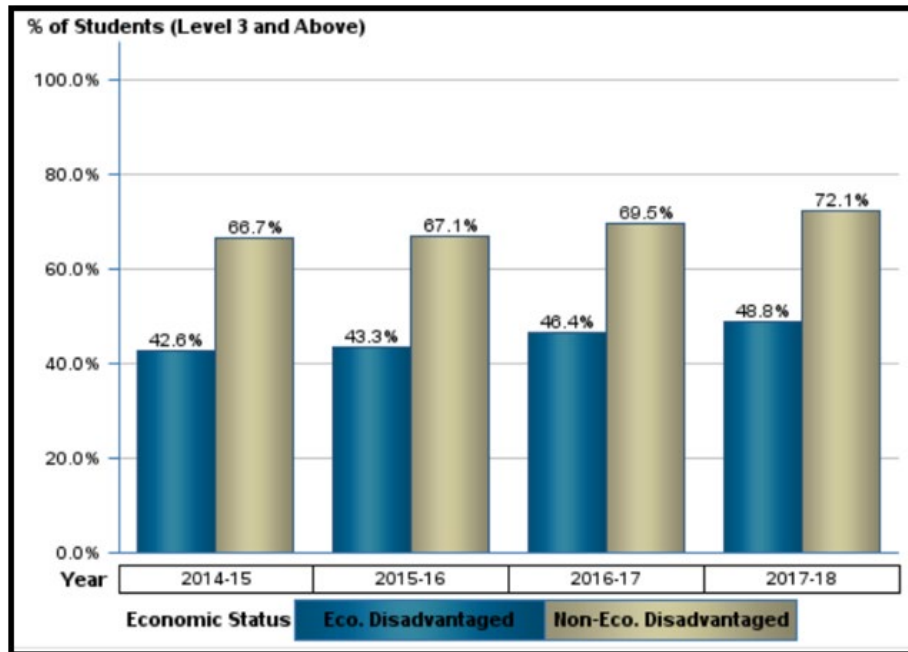
This U.S. Department of Education (DoE) publication on Every Student Succeeds Act (ESSA) provides an overview of the new education law and its genesis as the Elementary and Secondary Education Act. The article was prepared by the DoE as an informational guide to understanding the new law. It outlines all major provisions off the ESSA and how it addresses shortcomings of the NCLB. The website where this document is stored is maintained by the DoE and is updated frequently with statistics relevant to the ESSA.

Yinger, J. (2004). STATE AID AND THE PURSUIT OF EDUCATIONAL EQUITY: LESSONS FOR NEW YORK. *Educational Change 2003-2004*. Pg. 3-5. Retrieved from https://www.researchgate.net/publication/265742397_STATE_AID_AND_THE_PURSUIT_OF_EDUCATIONAL_EQUITY_LESSONS_FOR_NEW_YORK

This is a detailed policy paper by professor John Yinger of Syracuse University. It was published in the Educational Change journal for 2003-2004; this is an accredited, peer reviewed scholarly journal that publishes original articles reflecting critically on issues of equality in education. It addresses the foundation aid formula and how it should be used to achieve a given level of performance. The author discusses the need for a minimum required tax rate to support the aid formula, and several key considerations when redistributing aid.

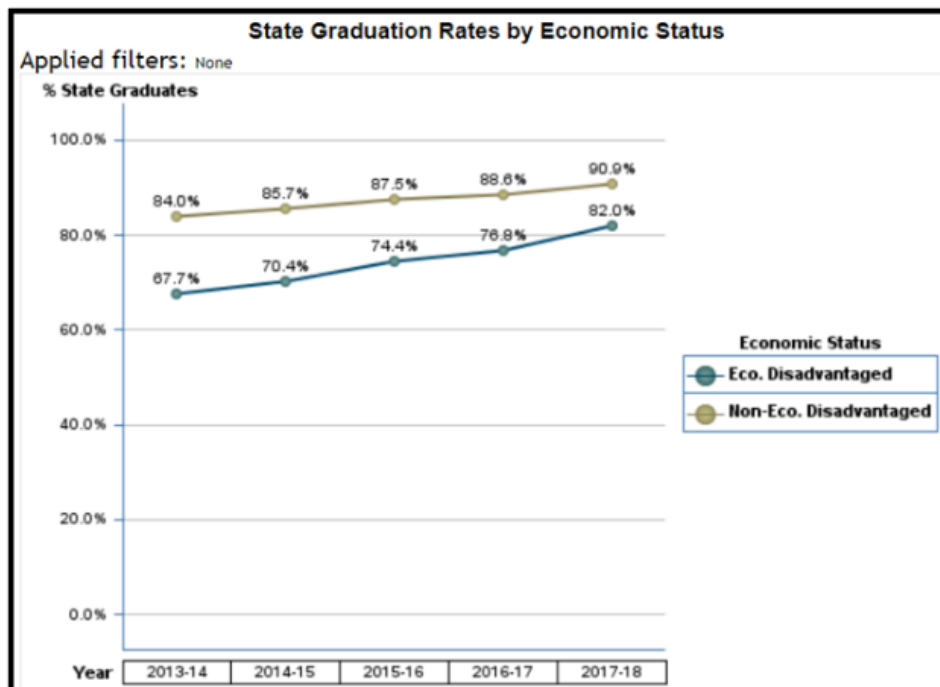
Appendix

Figure 1: Florida Standards Assessment Achievement by Economic Status (Grades 3-5 Math)



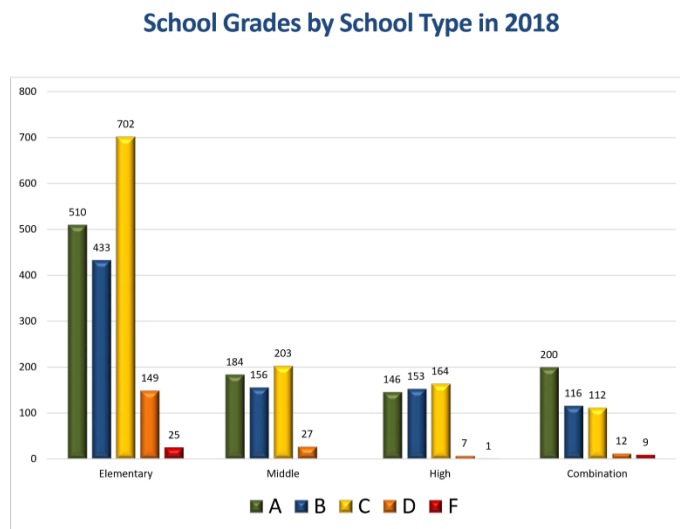
Source: Florida Dept. Of Education website

Figure 2: Figure X: Florida Graduation Rates by Economic Status



Source: Florida Dept. Of Education website

Figure 3: 2018 Statewide School Grades Report



Source: Florida Department of Education

Figure 4: Florida Standards Assessment Achievement Level Description

| Level 1 | Level 2 | Level 3 | Level 4 | Level 5 |
|--|--|---|---|--|
| Inadequate: Highly likely to need substantial support for the next grade | Below Satisfactory: Likely to need substantial support for the next grade | Satisfactory: May need additional support for the next grade | Proficient: Likely to excel in the next grade | Mastery: Highly likely to excel in the next grade |


Source: Florida Department of Education

Figure 5: 2018 - 2019 FEFP Program Weights

| | 2018-19 Cost Factors |
|--|-------------------------|
| (1) Basic Programs | |
| 101 – Kindergarten and Grades 1, 2 and 3 | 1.108 |
| 102 – Grades 4, 5, 6, 7 and 8 | 1.000 |
| 103 – Grades 9, 10, 11 and 12 | 1.000 |
| (2) Programs for Exceptional Student Education | |
| 111 – Kindergarten and Grades 1, 2 and 3 with ESE Services | 1.108 |
| 112 – Grades 4, 5, 6, 7 and 8 with ESE Services | 1.000 |
| 113 – Grades 9, 10, 11 and 12 with ESE Services | 1.000 |
| 254 – Support Level 4 | 3.619 |
| 255 – Support Level 5 | 5.642 |
| (3) 130 – English for Speakers of Other Languages | 1.185 |
| (4) 300 – Programs for Grades 9-12 Career Education | 1.000 |

Source: Florida Dept of Education Website

Figure 6: 2017-2018 Narrowed District Grades for Successful Schools Approach



2017-18 District Grades

| District Number | District Name | English Language Arts Achievement | English Language Arts Learning Gains | English Language Arts Learning Gains of the Lowest 25% | Mathematics Achievement | Mathematics Learning Gains | Mathematics Learning Gains of the Lowest 25% | Science Achievement | Social Studies Achievement | Middle School Acceleration | Graduation Rate 2016-17 | College and Career Acceleration 2016-17 | Total Points Earned | Total Components | Percent of Total Possible Points | Percent Tested | Grade 2018 | Grade 2017 | Grade 2016 | Informational Baseline Grade 2015 | Grade 2014 | Grade 2013 | Grade 2012 | Grade 2011 | Grade 2010 |
|-----------------|---------------|-----------------------------------|--------------------------------------|--|-------------------------|----------------------------|--|---------------------|----------------------------|----------------------------|-------------------------|---|---------------------|------------------|----------------------------------|----------------|------------|------------|------------|-----------------------------------|------------|------------|------------|------------|------------|
| 01 | ALACHUA | 57 | 55 | 40 | 58 | 56 | 40 | 59 | 71 | 80 | 83 | 60 | 659 | 11 | 60 | 98 | B | B | B | A | C | C | B | A | A |
| 02 | BAKER | 51 | 51 | 45 | 62 | 52 | 45 | 54 | 65 | 59 | 81 | 58 | 623 | 11 | 57 | 98 | B | B | C | C | C | C | B | B | |
| 06 | BROWARD | 58 | 57 | 45 | 60 | 57 | 43 | 55 | 71 | 68 | 81 | 62 | 657 | 11 | 60 | 98 | B | B | B | B | B | C | B | A | A |
| 23 | GULF | 52 | 51 | 42 | 59 | 52 | 43 | 56 | 66 | 73 | 85 | 61 | 640 | 11 | 58 | 97 | B | B | B | B | C | C | B | A | A |
| 27 | HERNANDO | 54 | 51 | 43 | 59 | 55 | 48 | 58 | 72 | 53 | 83 | 59 | 635 | 11 | 58 | 98 | B | B | B | B | C | C | C | B | A |
| 41 | MANATEE | 52 | 52 | 43 | 57 | 57 | 46 | 55 | 76 | 66 | 81 | 56 | 641 | 11 | 58 | 99 | B | B | C | B | C | C | C | B | B |
| 52 | PINELLAS | 52 | 50 | 39 | 57 | 55 | 41 | 59 | 69 | 75 | 83 | 55 | 635 | 11 | 58 | 98 | B | B | B | B | C | C | C | B | B |

Source: Florida Dept of Education Website

Figure 7: 2018-2019 Florida District Cost Differential Amounts

District Cost Differential

Section 1011.62(2), F.S., requires the commissioner to annually compute District Cost Differentials (DCDs) by adding each district's Florida Price Level Index for the most recent three years and dividing the sum by three. The result is multiplied by 0.800 and divided by 100, and 0.200 is added to the product to obtain the DCD. This serves to limit the factor's adjustment to 80 percent of the index (i.e., the approximate percentage of district salary costs to total operating costs). The three-year averaging reduces the immediate impact on districts of fluctuations in the index. The following DCDs were established for 2018-19:

| | | | |
|--------------|--------|------------------------|--------|
| Alachua | 0.9726 | Liberty | 0.9311 |
| Baker | 0.9754 | Madison | 0.9255 |
| Bay | 0.9673 | Manatee | 0.9872 |
| Bradford | 0.9709 | Marion | 0.9509 |
| Brevard | 0.9875 | Martin | 1.0113 |
| Broward | 1.0219 | Monroe | 1.0271 |
| Calhoun | 0.9335 | Nassau | 0.9894 |
| Charlotte | 0.9822 | Okaloosa | 0.9896 |
| Citrus | 0.9491 | Okeechobee | 0.9769 |
| Clay | 0.9918 | Orange | 1.0054 |
| Collier | 1.0405 | Osceola | 0.9868 |
| Columbia | 0.9495 | Palm Beach | 1.0430 |
| Miami-Dade | 1.0180 | Pasco | 0.9858 |
| DeSoto | 0.9720 | Pinellas | 1.0026 |
| Dixie | 0.9302 | Polk | 0.9708 |
| Duval | 1.0106 | Putnam | 0.9616 |
| Escambia | 0.9729 | St. Johns | 1.0013 |
| Flagler | 0.9537 | St. Lucie | 0.9952 |
| Franklin | 0.9291 | Santa Rosa | 0.9713 |
| Gadsden | 0.9511 | Sarasota | 1.0058 |
| Gilchrist | 0.9470 | Seminole | 0.9940 |
| Glades | 0.9770 | Sumter | 0.9625 |
| Gulf | 0.9391 | Suwannee | 0.9338 |
| Hamilton | 0.9282 | Taylor | 0.9266 |
| Hardee | 0.9621 | Union | 0.9623 |
| Hendry | 0.9895 | Volusia | 0.9643 |
| Hernando | 0.9704 | Wakulla | 0.9515 |
| Highlands | 0.9483 | Walton | 0.9721 |
| Hillsborough | 1.0074 | Washington | 0.9373 |
| Holmes | 0.9374 | FAMU | 0.9714 |
| Indian River | 1.0001 | FAU – Palm Beach | 1.0430 |
| Jackson | 0.9325 | FAU – St. Lucie | 0.9952 |
| Jefferson | 0.9491 | FSU - Broward | 1.0219 |
| Lafayette | 0.9190 | FSU – Leon | 0.9714 |
| Lake | 0.9776 | UF | 0.9726 |
| Lee | 1.0105 | | |
| Leon | 0.9714 | Florida Virtual School | 1.0000 |
| Levy | 0.9458 | | |


Source: Florida Dept of Education Website

Figure 8: Successful School Approach Calculation Amounts

| Florida Dept. of Education Broward County Funding Stats | | | | | |
|---|-----------------|----------------------|---------------------|------------------|------------------|
| | | | | BSA | 4204.42 |
| FTEs | Weighted FTEs | Unweighted Amount | Weighted BSA Amount | Difference | Base Funding |
| 270661 | 294837 | \$ 1,137,972,522 | \$ 1,239,618,580 | \$ 101,646,058 | \$ 1,266,766,226 |
| DCD | 1.0219 | DCD applied to Total | 0.9781 | | |
| Total S&L Funding | Total W/Out DCD | Total W/out CFs | Total W/out DLE | | |
| 1989093504 | 1945532356 | \$ 1,843,886,298 | \$ 1,682,076,742 | | |
| Above required Spending | | | | | |
| \$ 161,809,556 | | | | | |
| Total Increase Using SSA | \$ 597.83 | New BSA | \$ 4,802.25 | New Base Funding | |
| State Numbers | | | | | |
| Unweighted FTE | Weighted FTE | Base Funding | New Base Funding | Increased Cost | |
| 2847829 | 3098371 | \$ 13,026,853,000 | \$ 14,879,155,459 | \$ 1,852,302,459 | |

Source: Internal research calculations

Figure 9: Florida 2018-2019 Free and Reduced Lunch Statistics

|  <p style="text-align: center;">Lunch Status by District (for Federal Funding) 2018-19, Final Survey 2</p> | | | | | | | | | |
|--|----------|--------------------------------|---|---|--|---|--|--|--|
| District # | District | # of Students (denominator) | # of Free Lunch Students (Codes D&F) | # of Reduced- Price Lunch Students (Codes 3&E) | # of Provision 2 Students (Code 4) | # of Direct Certification CEP Students (Codes C&R) | # of CEP Direct Certification with USDA Multiplier | # of Free or Reduced-Price Lunch with USDA Multiplier if Applicable (numerator) | Rate with Multiplier If Applicable |
| 00 | FLORIDA | 2,846,857 | 973,768 | 145,142 | 1,324 | 449,270 | 656,295 | 1,786,136 | 62.7% |

Source: Florida Dept of Education Website

Figure 10: Economically Disadvantaged Cost Factor Calculations

| Total Students Receiving Free and Reduced Lunch | Weighted Students using proposed Poverty CF of 1.6 | Increase in Weighted FTEs | Cost of weighted FTE increase (BSA * Increase w/ CF) |
|--|---|------------------------------|--|
| 1,118,910 | 1,790,256 | 671,346 | \$ 2,822,338,584 |

Source: Internal research calculations

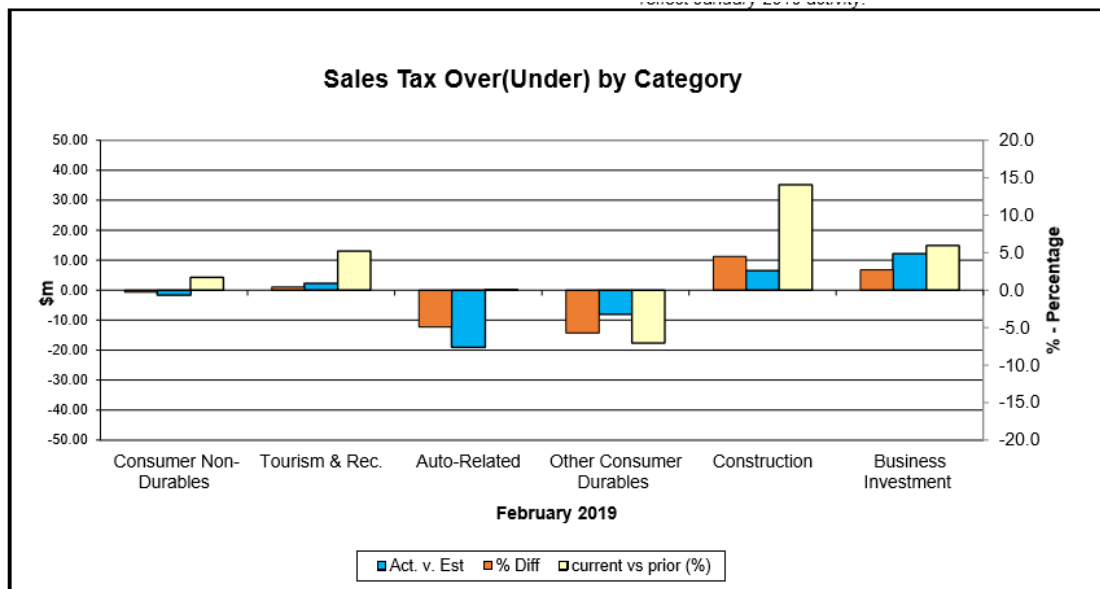
Figure11: 2004 Subsidized Lunch Pupil Weights NY State

Table 6. Estimated Pupil Weights

| | Simple Average | Enrollment- Weighted Average | Directly Estimated |
|--|----------------|------------------------------------|--------------------|
| Using Share of Students Signed up for Subsidized Lunch | | | |
| Without Special Education | | | |
| K6 Free and Reduced Price Lunch Share (2-year average) | 1.108 | 1.294 | 1.690 |

Source: Duncombe, Yinger 2004 Study

Figure 12: Florida sales tax by category



Source: Florida Department of Revenue

Figure 13: Sales Tax Revenue by Category

Note: Because sales tax by category is not immediately available this chart applies to the previous month's collections.

| Feb-18 | Actual (\$m) | Estimate (\$m) | Diff | % Diff | % Diff vs prior Year |
|--------------------------------|----------------|----------------|---------------|----------------|----------------------|
| Consumer Non-Durables | 619.6 | 621.2 | (1.6) | (0.3) | 1.7 |
| Tourism & Recreation | 518.9 | 516.6 | 2.3 | 0.4 | 5.2 |
| Auto-Related | 368.8 | 387.8 | (19.0) | (4.9) | 0.1 |
| Other Consumer Durables | 133.1 | 141.1 | (8.0) | (5.7) | (7.1) |
| Construction | 151.6 | 145.1 | 6.5 | 4.5 | 14.1 |
| Business Investment | 460.4 | 448.2 | 12.2 | 2.7 | 6.0 |
| Total Final Liability | 2,252.2 | 2,260.0 | (7.8) | (0.3) | 3.2 |
| Net Estimated Payments | (12.0) | 63.3 | (75.4) | (119.0) | |
| STATE SALES TAX | 2,240.2 | 2,323.4 | (83.1) | (3.6) | 2.5 |
| Local Option Taxes | 296.6 | 326.6 | (30.0) | (9.2) | 24.0 |
| 2.6% Gross Receipt Utility Tax | 29.6 | 31.1 | (1.5) | (4.8) | |
| TOTAL SALES TAX | 2,615.0 | 2,681.1 | (66.1) | (2.5) | 7.8 |

Note: Because sales tax by category is not immediately available, this table applies to the previous month

Source: Florida Department of Revenue

Figure 14: General Revenue Fund Projection

| TABLE 1 - FEBRUARY 2019 GENERAL REVENUE COLLECTIONS (\$ MILLIONS - BASED ON DECEMBER 2018 REVENUE ESTIMATING CONFERENCE) | | | | | | | | |
|---|-----------------------------------|--|-----------------------------------|----------------------------------|------------------------------------|--|--------------------------------|---|
| As of 03/12/19 02:07 PM | (1) ACTUAL CURRENT MONTH | (2) MONTH ESTIMATE CURRENT MONTH | (3) OVER/ UNDER ESTIMATE | (4) CURRENT YEAR ACTUAL | (5) CURRENT YEAR ESTIMATE | (6) FISCAL YEAR TO DATE OVER/ UNDER ESTIMATE | (7) PRIOR YEAR ACTUAL | (8) PERCENT INCREASE/ DECREASE |
| Final Except Sales Tax | | | | | | | | |
| * SALES TAX COLLECTIONS | 2,042.2 | 2,057.0 | (14.8) Projected | 16,629.7 | 16,581.1 | 48.6 | 15,730.8 | 5.7% |
| CORPORATE INCOME TAX | 21.3 | 51.4 | (30.1) | 1,425.2 | 1,359.3 | 65.9 | 1,120.5 | 27.2% |
| DOCUMENTARY STAMP TAX | 41.1 | 58.3 | (17.2) | 596.4 | 610.5 | (14.2) | 565.0 | 5.5% |
| INSURANCE TAXES | 41.3 | 32.7 | 8.6 | 344.2 | 338.7 | 5.6 | 306.2 | 12.4% |
| HIGHWAY SAFETY FEES | 33.7 | 38.9 | (5.2) | 349.9 | 347.5 | 2.4 | 340.3 | 2.8% |
| SERVICE CHARGES | 23.6 | 27.6 | (4.0) | 324.5 | 330.6 | (6.2) | 314.7 | 3.1% |
| INTANGIBLES TAXES | 24.9 | 25.8 | (0.9) | 251.8 | 251.6 | 0.2 | 242.3 | 3.9% |
| CORPORATE FILING FEES | 63.0 | 47.9 | 15.1 | 160.9 | 164.9 | (4.0) | 157.4 | 2.2% |
| INDIAN GAMING | 34.5 | 44.2 | (9.7) | 219.0 | 228.7 | (9.7) | 202.4 | 8.2% |
| COUNTIES' MEDICAID SHARE | 24.1 | 24.9 | (0.8) | 193.6 | 198.7 | (5.1) | 197.8 | -2.2% |
| BEVERAGE TAXES | 20.8 | 15.6 | 5.2 | 173.2 | 162.8 | 10.4 | 171.0 | 1.3% |
| TOBACCO TAX | 16.0 | 15.6 | 0.4 | 109.3 | 110.7 | (1.5) | 111.9 | -2.3% |
| EARNINGS ON INVESTMENTS | 15.2 | 14.1 | 1.1 | 124.6 | 116.6 | 8.0 | 90.9 | 37.0% |
| OTHER NONOPERATING REVENUES | 8.2 | 7.8 | 0.4 | 137.3 | 113.3 | 24.0 | 99.8 | 37.6% |
| ARTICLE V FEES AND TRANSFERS | 33.6 | 8.3 | 25.3 | 95.2 | 94.4 | 0.8 | 66.2 | 43.7% |
| OTHER TAXES LICENSES AND FEES | 2.6 | 1.9 | 0.7 | 25.7 | 25.1 | 0.6 | 24.6 | 4.4% |
| PARIMUTUEL TAXES | 0.8 | 0.6 | 0.2 | 10.6 | 11.7 | (1.1) | 11.3 | -6.4% |
| SEVERANCE TAXES | 0.1 | 0.1 | 0.0 | 9.0 | 8.9 | 0.1 | 7.8 | 14.7% |
| * TOTAL REVENUE | 2,446.9 | 2,472.7 | (25.8) | 21,179.9 | 21,055.0 | 124.9 | 19,760.9 | 7.2% |
| LESS REFUNDS | 23.9 | 54.2 | (30.3) | 274.1 | 304.2 | (30.1) | 264.5 | 3.6% |
| * NET REVENUE | 2,423.0 | 2,418.5 | 4.5 | 20,905.8 | 20,750.8 | 155.0 | 19,496.4 | 7.2% |

Source: Florida Department of Revenue