

# **FLORIDA LEGISLATURE**



## **OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY**

### **FLORIDA'S EDUCATION FINANCE SYSTEM COMPARED TO OTHER STATES**

**March 11, 1996**

**OPPAGA INFORMATION BRIEF**  
**FLORIDA'S EDUCATION FINANCE SYSTEM**  
**COMPARED TO OTHER STATES**

**Abstract**

- Some states' approaches to funding education require local revenues, while others do not.
  
- States place varying degrees of control on the amount of local funds that may be used for education.
  
- Florida and many other states include student need factors in their education finance system.
  
- Florida and half of the states analyzed also use geographic adjustments.
  
- Florida is in the minority of states we analyzed that use financial performance incentive programs.

# INTRODUCTION Purpose, Background, and Methodology

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## **Purpose**

The Joint Legislative Auditing Committee directed the Office of Program Policy Analysis and Government Accountability to determine how Florida's education funding system compares to funding systems in other states. This comparison is the first of a series of three reports that examines Florida's Education Finance System. The next two reports will address whether Florida's current funding system provides equalization in education funding as originally intended and whether Florida's system will prepare Florida to do performance based budgeting.

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## **Background**

State funds account for 50% of the funding for K-12 education in Florida. During fiscal year 1994-95, the state appropriated \$6.5 billion (50%), the districts contributed \$5.5 billion (43%) and the federal government provided \$1 billion (7%) for Florida's K-12 education system. Florida's Education Finance Program, commonly referred to as the FEFP, uses both state and local funds to support its elementary and secondary public school system. Some districts and schools are questioning the system that Florida uses to fund education. Questions are being raised about the lack of sufficient district flexibility permitted in the system, particularly the degree of local flexibility in spending and raising revenues. The Coalition for Adequacy and Fairness in School Funding, Inc., 43 district school boards, and others filed suit against the Governor, the presiding officers of the Florida Senate and the Florida House of Representatives, the Commissioner of Education, and the State Board of Education, challenging the adequacy of funds provided by the state for education. The trial court dismissed the case without reaching a decision on the merits of the claims. Currently, an appeal of that dismissal is pending in the Florida Supreme Court.

Among the 50 states, there is a wide variation in terms of the number of districts and students served. The number of public school districts in a state range from 1,052 in Texas to 1 in Hawaii. Florida has 67 school districts. Only 11 states have a fewer number of school districts than Florida.

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Florida ranks 4th nationally in the number of K-12 students enrolled in its public school system with 2,109,052 (Fall 1994). California has the greatest number of students, with 5,341,025, and Wyoming the least, with 100,314 students.

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## **Methodology**

To compare Florida's education system to the education systems of other states, we selected 15 other states that use a variety of finance systems. The states selected for comparison purposes are: Alabama, Alaska, California, Georgia, Hawaii, Kentucky, Michigan, Minnesota, Mississippi, New York, North Carolina, Rhode Island, Tennessee, Texas, and Wisconsin. We conducted telephone interviews with Department of Education Budget Officers and Legislative and/or Governors Office of Planning and Budgeting staff. We also reviewed relevant literature, in particular the American Education Finance Association publication entitled "Public School Finance Programs of the United States and Canada". (Refer to the Bibliography page 22.) Finally, we interviewed Dr. Craig Wood and Dr. David Honeyman, education finance experts at the University of Florida.

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# State Education Finance Approaches

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Most (13 out of 15) state education finance systems analyzed require local revenues be used to fund a portion of the districts' education costs. However, Hawaii's education finance system consists of a 100% state funded, state operated, single statewide district. North Carolina also does not require local funding but does allow districts to use local revenues to supplement what they receive from the state.

## State Education Finance Approaches That Require Local Revenues

### Overview

A state's school finance system is a series of procedures, formulas, and mechanisms designed to allocate state support to the school districts, reimburse school districts for particular expenditures they incur, control the spending levels and tax rates of school districts, regulate how districts spend revenues, and provide incentives for school districts. Each system is unique due to the number and type of components included and the countless possibilities for combining them, the different characteristics of the states, and the historical development of the systems.

The overall goal of many state education finance systems is to change the spending patterns across districts to promote equalization of education funding and spending. To achieve this overall goal states consider two specific types of equalization in their education finance systems: (1) district wealth equalization, and (2) adjustments of funding based on student needs and geographic costs.

The primary purpose of district wealth equalization is to equalize the availability of or access to basic educational resources and revenues among school districts in the state. Because districts have different tax bases or potential revenue sources, not all school districts have the same capacity to fund their basic educational system.

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In addition to wealth equalization, states also adjust funding based on student needs and differing costs. Adjustments address varying costs of providing a similar level of educational services across districts due to differences in student population and district geography. For example, states believe that it costs more to educate a special education student and provide additional funding. Likewise, cost of living and wage scales in one district may affect the spending power of dollars allocated for education.

**States place varying degrees of control on the amount of local funds that may be used for education.**

- **Florida and 5 of 13 states control both the minimum and maximum amount of funds districts have available to spend on education.**
- **Three of 13 states provide both low and high wealth districts flexibility in determining the amount of funds they may have available to spend on education; however, the state may limit flexibility.**
- **Three of thirteen states provide a minimum level of funds regardless of the district's wealth and allow district flexibility in determining the amount of funds beyond the minimum.**
- **Two of thirteen states set the maximum funding levels districts may reach and gradually bring each district up to the funding level of the high wealth districts.**

**District Wealth Equalization**

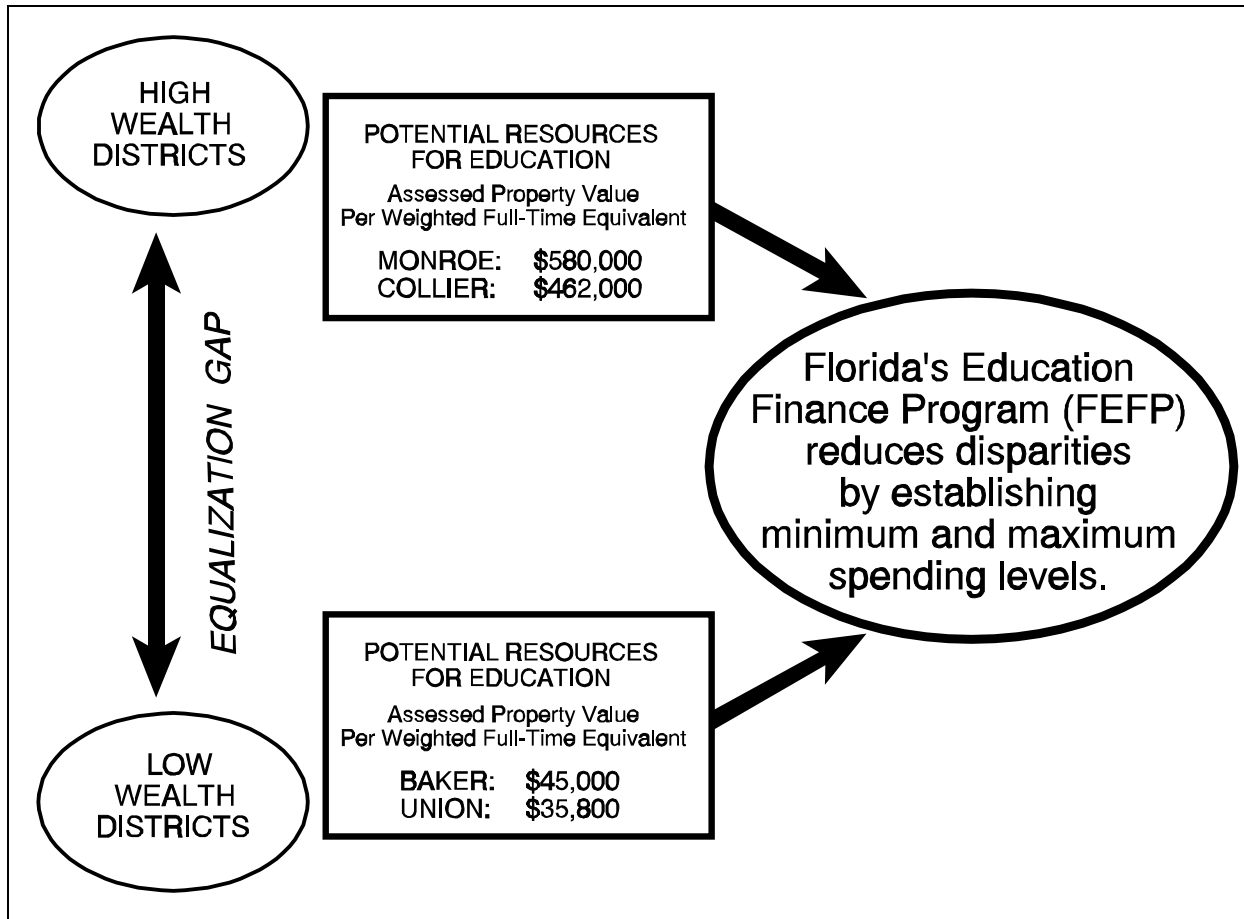
District wealth equalization is included in education finance systems because districts have different tax bases or potential revenue sources. As a result, school districts generate different levels of revenue for equal tax effort. For example, a high wealth district (high property value) can generate greater revenues than a low wealth district although each district assess the same level of property tax. As a result, some districts have historically had very high levels of potential local revenue per pupil while other

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districts have had very low levels. Without state intervention or funding, districts with low wealth (assessed property valuation) would have very little potential revenue available to spend for education unless they increased their local tax rates. This can result in disparate education opportunities for students residing in these districts.

Florida is attempting to reduce disparities in potential revenue by establishing minimum and maximum levels of revenue that districts may have available to spend on education. As can be seen in Figure 1 there is a large difference in the amount of assessed property value per weighted full-time equivalent student between the high wealth and low wealth districts in Florida.

**Figure 1**  
**Florida is Reducing the Gap Between High and Low Wealth Districts**



Source: Compiled by OPPAGA staff.

Based on Florida’s education finance system and the finance systems in the 13 other states that require local revenues, we identified five approaches:

- Local discretion/percent reimbursement approaches, uncapped;
- Local discretion/percent reimbursement approaches, capped;
- Minimum foundation, uncapped approaches;
- Minimum foundation, capped approaches; and
- Foundation leveled up approaches.

Refer to Figure 2 for further explanation of the approaches.



**Figure 2  
States Vary in the Approaches Used**

Type of Approach	What is the Primary Purpose of the Approach?	Who Determines the Basic Level of Funds That School Districts Will Have Available to Spend for Education?	How Much Local Discretion is Permitted?	State(s) Using Approach
<b>Local Discretion and Percent Reimbursement "Uncapped"</b>	To allow districts to determine their basic level of funding or spending AND to make state funds available to help low wealth districts.	Districts determine their level of funding.  State pays (reimburses) districts for a portion of their expenses. Districts with less wealth (property value) per student are reimbursed at higher percentages than high wealth districts.	The whole approach is based on local discretion.	New York, Rhode Island
<b>Local Discretion and Percent Reimbursement "Capped"</b>	To allow districts to determine their basic level of funding or spending within limits established by the state AND to make state funds available to help low wealth districts.	Districts determine basic levels of funding within limits determined by the state.  State determines the maximum level of revenues that districts can raise.  State pays (reimburses) districts for a portion of their expenses. Districts with less wealth (property value) per student are reimbursed at higher percentages than high wealth districts.	The approach is based on local discretion.	Wisconsin
<b>Minimum Foundation "Uncapped"</b>	To ensure districts have a minimum level of funds regardless of a district's wealth or fiscal capacity BUT allow districts to determine their level of funds beyond the minimum.	State determines the minimum level of funds from state and local revenues.  Within the state's general tax structure, districts determine their level of funding beyond the minimum.  Funding beyond the required minimum will primarily come from local revenues, although some state funds may be available to help low wealth districts.	District determines level of funding beyond the minimum.	Alabama, Mississippi, Tennessee
<b>Minimum Foundation "Capped"</b>	To ensure districts have a minimum level of funds regardless of a district's wealth or fiscal capacity AND to also restrict overall level of funds that districts can raise beyond the minimum.	State determines the minimum level of funds from state and local revenues.  Within the state's general tax structure, the state determines the maximum level of funds that districts may have available.  Funding beyond the required minimum will primarily come from local revenues, although some state funds may be available to help low wealth districts.	District determines if it wants to raise local revenues to reach the state determined maximum funding level.	Alaska, Florida, Georgia, Kentucky, Minnesota, Texas
<b>Foundation Leveling Up</b>	To set the revenue limit per student that districts may reach and to gradually bring all districts up toward the levels of high wealth districts.	State sets funding levels per student and determines annual amounts to gradually bring up the funding of low wealth districts.	Very limited local discretion in determining the basic funding level.	California, Michigan

Source: OPPAGA analysis of information obtained from Florida and other states.

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The approaches vary in the amount of district discretion allowed in the process for determining a district's level of funding. These approaches basically address district wealth equalization by making state funds available primarily to help low wealth districts. Low wealth districts will receive a larger proportion of their total funds through state revenues whereas high wealth districts will receive more of their funds through local revenues. States vary in the amount to which they control district spending for education. In general, the more control the state has over district spending levels the greater the possibility the state has reduced overall disparities in the revenues available among school districts. Only 2 of the 13 states analyzed place more control than Florida does on local district discretion (California, Michigan).

**Florida and many other states include student need and geographic cost factors in their education finance system. The thirteen states analyzed that require both state and local funds adjust for student needs in their education finance system. Florida and half of the states analyzed (7 of 13) also use geographic adjustments. Student need factors include grade level, special education, vocational education, bilingual, poverty/low income, and remediation. Types of geographic or demographic factors used are size of student population, district cost of living, sparsity, and declining enrollment.**

### **Adjustments for Student Needs and District Cost**

In addition to district wealth equalization, the thirteen other states we analyzed include a second type of equalization in their overall funding approaches. The purpose of this second type of equalization is to adjust funding based on student needs and differing costs. Based on our review of the 13 states and the literature, we identified two categories that contribute to cost differentials among school districts: (1) cost factors related to particular students (needs) or programs; and (2) cost factors related to geographic or demographic characteristics of districts. States frequently provide additional state funds to districts for transportation and capital outlay, which include very detailed adjustments. We excluded these cost factors from our analysis of student

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and geographic cost factors. Transportation and capital outlay funding should be examined in more detail but such a detailed examination was beyond the scope of this particular project.

***Student Related Cost Factors.*** It costs more to educate and provide support services to some students who may need lower pupil-to-teacher ratios, specially trained teachers, or technical equipment. The states we analyzed included a variety of cost factors related to such students. The student groups or programs most typically identified in state funding systems as requiring higher-than-average resources include the following: (a) grade level cost differences, (b) special education, (c) vocational education, (d) bilingual education, (e) educational services for students from poverty or low-income families, and (f) remedial education. Some states, such as Florida and Georgia, recognize in their funding systems that programs offered at certain grade levels are expected to cost more. Figure 3 identifies the student cost factors used by the states we reviewed.

**Figure 3**  
**At Least Half of the States We Analyzed**  
**Use Special Education, Vocational Education, Grade Level and**  
**Poverty/Low Income Student Need Cost Factors in Their Education Finance**  
**System**

States	Grade Level Cost Differences	Special Education	Vocational Education	Bilingual Education	Poverty /Low Income	Remediation
Alabama	√	√	√			
Alaska	√	√	√	√		
California	√	√	√		√	√
Florida	√	√	√	√		√
Georgia	√	√	√	√		√
Kentucky		√	√		√	
Michigan		√	√	√	√	√
Minnesota	√	√	√	√	√	
Mississippi	√	√	√		√	
New York	√	√	√	√	√	√
Rhode Island		√	√	√	√	
Tennessee	√	√	√		√	
Texas		√	√	√	√	
Wisconsin		√		√	√	

Source: OPPAGA analysis of information obtained from Florida and other states.

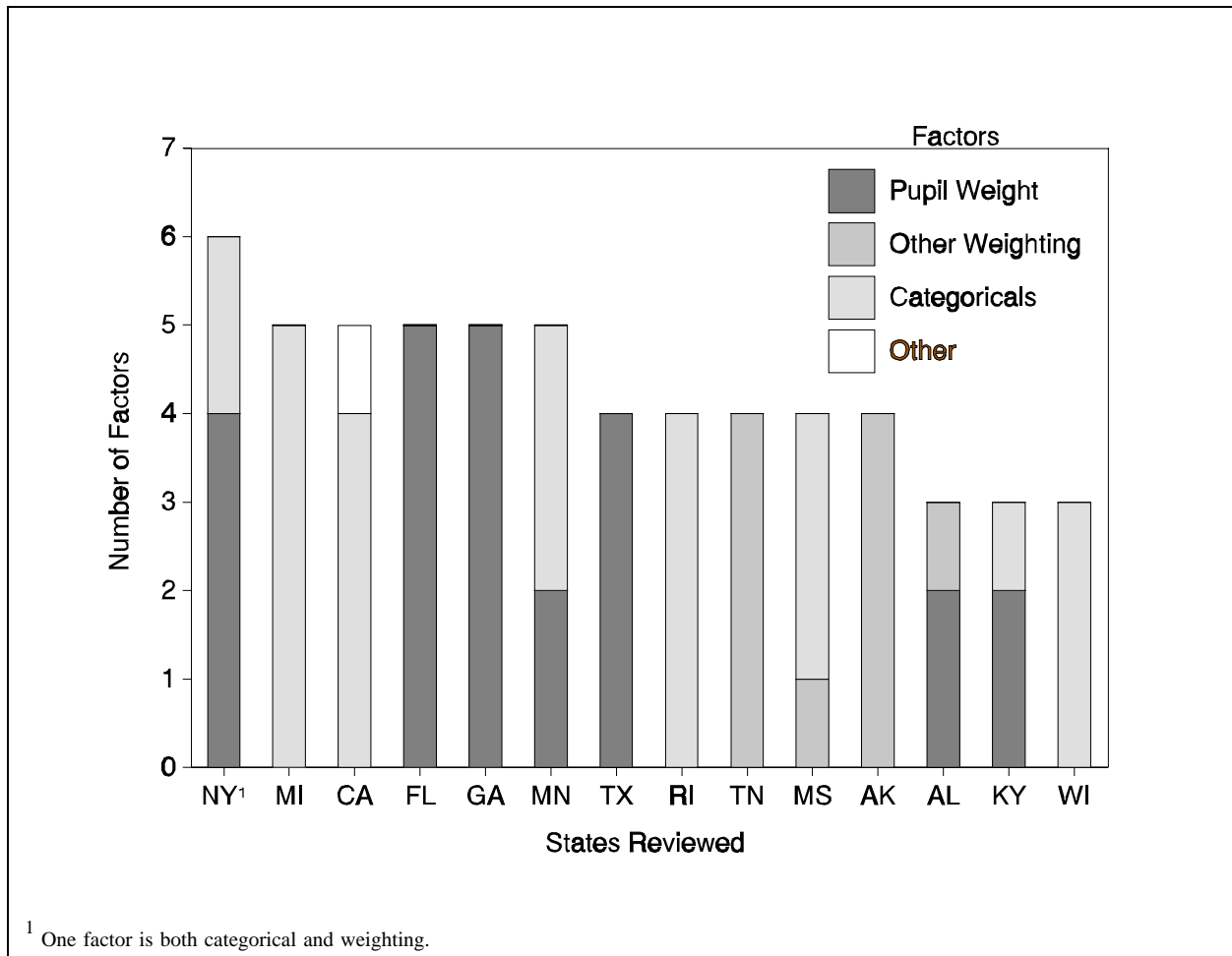
In addition to the major student related cost factors identified in our analysis, each state has incorporated additional student cost factors in their education finance system. Other student related cost factors include the following: rural students (Alaska); minority-school desegregation (California); adult basic skills (Florida); seriously disruptive students (Georgia); hospital or homebound students (Kentucky); American Indians (Minnesota); and deaf students and/or blind students (Texas).

**Student Need Cost Factor Funding Methods**

Florida, as well as the 13 other states analyzed typically fund student need cost factors through the use of (1) categorical programs or (2) weighting approaches. Categorically funded programs provide a specified amount

of funds for particular educational services or for serving specified types of students. States weight pupils or other units of allocation to reflect the relative cost of serving certain students. Florida, unlike most of the other states, primarily uses pupil weighting as the basis for determining the funding for the student need cost factors included in our review. Figure 4 provides information on whether the states use pupil weighting, other types of weighting (i.e. teacher unit), or categorical funding for their student need cost equalization factors.

**Figure 4**  
**Of States Analyzed, Only Florida, Georgia, and Texas**  
**Use Pupil Weighting to Fund Selected Student Cost Factors**



<sup>1</sup> One factor is both categorical and weighting.

Source: OPPAGA analysis of information obtained from Florida and other states.

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***Categorical Programs.*** One way states fund student related cost factors is through the use of categorical programs. Categorically funded programs are provided funds that typically must be used for a particular purpose such as vocational education. However, not all states, such as Alaska and Wisconsin, restrict the use of categorical program funds. Ten of the 13 states we analyzed used the categorical funding approach for at least one of the selected student cost factors previously identified.

Florida does not categorically fund any of the selected student cost factors. However, Florida does categorically fund programs such as student transportation, instructional materials, and pre-school projects. Categorical programs in Florida are used when funds need to be distributed using a different method than the FEFP. For example, transportation is provided for each qualified child, not each weighted FTE. In addition, the Florida Legislature has created categorical programs because it wants to place special emphasis on certain programs, like the safe schools and reduction in class size programs.

***Weighting Procedures.*** Another way states fund student related cost factors is through the use of weighting procedures. States weight pupils or other units of allocation (such as teachers or administrators) to reflect the relative cost of serving them. The weighted count or amount is then integrated into the basic education funding system that equalizes revenues among school districts on the basis of district wealth. States apply pupil weighting to varying degrees in each of the student need cost equalization factors identified above.

In Florida, the Legislature establishes program cost factors that are intended to assure that each program receives its equitable share of funds in relation to its relative cost per student. In 1995-96 the cost factor for educating grades four through eight is 1.000 (basic student allocation), while the cost factor for special education ranges from 1.747 for gifted part-time students to 16.687 for visually handicapped part-time students. States may base their weighted pupil allocation on different factors. For example, in Georgia the

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**Geographic and  
Demographic Cost Factor  
Adjustments**

basic student allocation (1.000) is based on the cost of providing education to a high school student.

In addition to cost equalization for student or program related factors, school districts may have certain geographic or demographic characteristics such as population sparsity that could affect the cost to provide educational services. Consequently, some states have incorporated various geographic cost factors into their education funding systems. The geographic and demographic cost factors or adjustments typically occurring in the states analyzed included the following: (1) number of pupils, (2) district cost of living, (3) sparsity (number of pupils plus another factor such as geographic isolation of schools in a district), and (4) declining enrollment. We found 3 of the 13 states we analyzed have both a size and sparsity supplement. Figure 5 identifies four cost factors used by the states we analyzed.

**Figure 5**  
**Only One of the States Analyzed Included More of**  
**These Geographic and Demographic Cost Factors in**  
**Their Education Finance Systems Than Florida**

States	Number of Pupils	District Cost of Living	Sparsity	Declining Enrollment
Alabama				
Alaska	√	√	√	√
California	√		√	√
Florida		√	√	√
Georgia			√	
Kentucky				
Michigan				
Minnesota			√	
Mississippi				
New York			√	
Rhode Island				
Tennessee		√		
Texas	√	√	√	
Wisconsin				

Source: OPPAGA analysis of information obtained from Florida and other states.

Like two of the largest states we analyzed, (California, and Texas) Florida’s education finance system incorporates several of these cost equalization factors. Florida adjusts for at least as many of the cost factors as other states. The system makes adjustments for district cost of living, sparsity (available to districts with fewer than 20,000 students and less than four permanent senior high school centers), and declining enrollment (supplement for districts when they have a decline in unweighted FTE).

Like Florida, 3 of the other 13 states are making cost equalization adjustments for at least three of the four types of cost factors we identified. Six states are not using any of these factors. In addition, Florida and five states use hold harmless cost adjustments. This type of adjustment



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guarantees each district a percent increase in funding over the district's prior year funding.

## **State Education Finance Approaches That Do Not Require Local Revenue**

While most state education finance systems we analyzed include funding that is derived from both state and local revenues, we identified two states that do not require local revenues for education. The two systems are similar in that they do not require local revenue, yet differ in their approaches.

### **Full State Funding**

Hawaii is using a full-state funding approach that is based on the principle that financing K-12 public education is the state's responsibility. All educational funds are raised by statewide taxes. Hawaii has no local school districts, and operates one statewide school system.

Hawaii does not have a constitutionally or legislatively prescribed formula for allocating funds to schools. The Governor, the Legislature, the Department of Education, and other agencies determine the amount of funds appropriated for the operation of public schools. The state education funds are allocated to schools on a program-by-program basis. Thus, schools receive funds for programs such as instructional support, special education, and capital improvements.

### **Local Funding Optional**

North Carolina is a second state in our review that does not require local revenues as part of its state education finance system. In general, the state determines the minimum level of funds that school districts may have available to spend. Unlike the minimum foundation approaches discussed earlier, the minimum amount in North Carolina is funded entirely from state funds. The state does not require school districts to contribute local revenues in order to receive state funding. However, school districts may use local revenues to supplement funds received from the state.

In North Carolina, the minimum state funding level does not address differences in local fiscal capacity among

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districts. Districts having the same number of pupil units receive the same amount of state aid regardless of a district's ability to pay for education. However, districts that raise revenue to provide funds in addition to the minimum state funding level, receive state funds based on the wealth of the district.

### **Student Need and Geographic Cost Factors**

Although Hawaii and North Carolina do not require local revenues in their state education finance systems, both provide adjustments for student cost factors. For example, Hawaii funds special education, vocational education, and remediation as categoricals. North Carolina includes grade level cost differences, special education, vocational education, and poverty/low income in its state education finance system. Hawaii does not include any geographic or demographic cost factors in its state education finance system, while North Carolina includes sparsity in its state education finance system.

### **Performance Incentive Programs**

**Florida is in the minority of states we analyzed that use financial performance incentive programs. Florida, as well as three other states analyzed are taking the initiative to incorporate financial performance incentive programs into their state education finance systems, but not disincentives. Financial incentives reward improved student performance, teacher performance, principal performance, and schools' progress towards meeting state education goals. Florida has three performance funding incentive programs (Advanced Student Placement, International Baccalaureate, and Performance-Based Incentive Funding) that reward districts for student performance.**

States are including performance based funding incentive programs in their systems. Florida and three other states analyzed have established incentive programs in their state education finance programs. Only one state (Michigan) has authorized a disincentive program for its education funding

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system. That state is in the beginning stages of using this program and has not yet financially sanctioned a district.

The financial incentive programs are designed to reward school districts for a variety of outcomes. For example, states reward districts for improved student performance (Florida and Kentucky), improved teacher performance (North Carolina), improved principal performance (Texas), or the progress of a school toward its state's education goals (Texas). Refer to Figure 6 for a description of incentive programs used in these states and the disincentive program authorized, but not yet applied in Michigan.

**Figure 6**  
**Florida and 3 other States Analyzed Have Established**  
**Performance Incentive Programs**

State	Description of Performance Incentive/Disincentive Incorporated into the States Education Finance System	Funds Awarded for 1995-1996
<i>Florida</i>	<p><b>Incentive Programs</b></p> <ul style="list-style-type: none"> <li>■ The district receives an incentive payment for each <b>Advanced Placement</b> student who scores a three or higher on each College Board Advanced Placement Subject Examination.</li> <li>■ The district receives an incentive payment for each student enrolled in an <b>International Baccalaureate</b> course who receives a score of four or higher on a subject examination, and for each student who receives an <b>International Baccalaureate</b> diploma.</li> <li>■ The <b>Performance-Based Incentive Funding Program</b> awards incentives to school districts for preparing individuals for market-demand occupations at district technical centers. Points are awarded for enrollment of disadvantaged students, program completion, and job placement for all students. Incentives are doubled for program completion and job placement of disadvantaged students.</li> </ul>	<p>Advanced Placement Funds awarded = \$14.8 million</p> <p>International Baccalaureate Funds awarded = \$3.45 million</p> <p>\$30 million</p>
<i>Kentucky</i>	<p><b>Incentive Program</b></p> <ul style="list-style-type: none"> <li>■ The <b>School Rewards Program</b> awards funds to school districts for schools that exceed their improvement expectations on cognitive (test scores) and non-cognitive indicators (graduation rates, attendance rates, and drop out rates). The funds distributed go to the teachers at a particular school as a supplement to their salary. (The funds may also be used for support staff - if teachers vote to do so.) The maximum reward amount is based on 10% of the average teacher salary of the five districts with the highest average teacher salary or \$3,690.</li> </ul>	<p>\$26 million</p>
<i>North Carolina</i>	<p><b>Incentive Program</b></p> <ul style="list-style-type: none"> <li>■ The <b>Accountability and Performance-Based Pay Plans</b> incentive provides 1% of total state funding for local school districts to develop accountability and performance-based pay plans for all certified employees in the district. Funds were allocated to the districts that developed performance measures based on 2% of district salary. Schools were to award the funds to teachers based on improvements in teacher performance. <ul style="list-style-type: none"> <li>-- However, the Legislature removed this funding in 1995-96 because school teachers simply voted across the board pay raises to all teachers and did not tie the reward to differences in performance.</li> <li>-- But, there is a proposed incentive to be based on improvement between pre- and post-test pupil achievement at the beginning and end of the school year.</li> </ul> </li> </ul>	<p>\$38.8 million (1993-94)</p>
<i>Texas</i>	<p><b>Incentive Programs</b></p> <ul style="list-style-type: none"> <li>■ The purpose of the <b>Principal Performance Incentives</b> is to award performance incentives to principals identified through the evaluation system as high-performing. This includes a statistical analysis comparing current campus performance to previous performance.</li> <li>■ The <b>Successful School Awards</b> reward those schools and school districts that demonstrate progress or success in achieving the state education goals. A total of 1,637 schools received cash awards ranging from \$1,000 to \$10,000.</li> </ul>	<p>\$5 million</p> <p>Not funded in 1995-96 due to a lack of funds. In 1994-95 \$5 million was awarded.</p>
<i>Michigan</i>	<p><b>Disincentive Program</b></p> <ul style="list-style-type: none"> <li>■ The state has established a disincentive program that allows the state to withhold funds from districts that are not accredited. However, the intent is for the Department to work with the districts to overcome those problems, such as having buildings that are not up to standard. Achievement test scores are part of the accreditation process. The intent is not to rank schools, but to compare students to see if there are ways schools can serve them better.</li> </ul>	<p>The state is in the beginning stages of using this program and has not yet financially sanctioned a district.</p>

Source: OPPAGA analysis of information obtained from Florida and other states.

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**Use of Performance  
Incentives in Florida**

Florida's Advanced Placement Incentive Program awarded \$14.8 million to school districts for the performance of their students on the College Board Advanced Placement Subject Examinations. The seven largest districts in Florida received 60% of the total funds (\$8.8 million), 27 of 28 medium size districts received 39% (\$5.8 million), and small (8 of 32) and special districts received less than 1% of the total funds.

Florida's International Baccalaureate Incentive program provides more funds to larger districts. The state awarded a total of \$3.5 million in fiscal year 1995-96. The large districts received 69% of the total funds (\$2.4 million). Five of 28 medium districts received 30% (\$1 million) and one of 32 small districts was awarded less than 1% of the total funds.

The Legislature allocated \$30 million to the Performance Based Incentive Program for fiscal year 1995-96. The Performance-Based Incentive Funding Program awards incentives to school districts for preparing individuals for market-demand occupations at district technical centers. Points are awarded for enrollment of disadvantaged students, program completion, and job placement for all students. Incentives are doubled for program completion and job placement of disadvantaged students.

### **Advantages and Disadvantages of Selected State Education Finance Approaches**

In general, of the 15 states we analyzed, all state education finance systems provide for some level of equalization. However, those with education finance systems that allow more local flexibility (Local Discretion, Percent Reimbursement, and Minimum Foundation "Uncapped"), do so by providing for less statewide equalization. However, Florida like five other states that require local funding is more restrictive of district flexibility. This approach is designed to provide high levels of equalization.

We identified the advantages and disadvantages of the education finance approaches that are being used by states we analyzed. The advantages and disadvantages of each approach are presented in Figure 7.

**Figure 7  
Advantages and Disadvantages Associated With Equalization Approaches**

Approach	Advantages	Disadvantages
<i>Local Discretion/ Percent Reimbursement "Uncapped"</i>	<ul style="list-style-type: none"> <li>■ Districts are provided flexibility in determining the level of local funds available to spend for education.</li> <li>■ Districts are reimbursed for a percentage of their expense levels based on their ability to pay. Low wealth districts are reimbursed at higher rates than High Wealth districts.</li> </ul>	<ul style="list-style-type: none"> <li>■ The gap in potential spending levels between high and low wealth districts is not reduced to achieve equalization.</li> <li>■ Districts are not required to provide a minimum level of funding for education, therefore, basic student educational opportunity may vary greatly between districts.</li> </ul>
<i>Local Discretion/ Percent Reimbursement "Capped"</i>	<ul style="list-style-type: none"> <li>■ Within limits set by the state, districts are provided flexibility in determining the level of local funds available to spend for education.</li> <li>■ Districts are reimbursed for a percentage of their expense levels based on their ability to pay. Low wealth districts are reimbursed at higher rates than High Wealth districts.</li> </ul>	<ul style="list-style-type: none"> <li>■ Districts are not required to provide a minimum level of funding for education. Therefore, basic student educational opportunity may vary greatly between districts.</li> </ul>
<i>Minimum Foundation "Uncapped"</i>	<ul style="list-style-type: none"> <li>■ Districts are provided unlimited flexibility to determine their level of funding beyond the minimum.</li> <li>■ Low wealth districts are provided a minimum foundation amount of funding.</li> </ul>	<ul style="list-style-type: none"> <li>■ Although a minimum level of funding is guaranteed by the state, the gap in potential spending levels between the high and low wealth districts may still be substantial.</li> </ul>
<i>Minimum Foundation "Capped"</i>	<ul style="list-style-type: none"> <li>■ The gap in potential spending levels between the high and low wealth districts is reduced to achieve equalization.</li> <li>■ Low wealth districts are provided a minimum foundation amount of funding.</li> </ul>	<ul style="list-style-type: none"> <li>■ Local districts are provided little flexibility in exerting greater fiscal effort beyond the minimum funding level.</li> </ul>
<i>Foundation - Leveling Up</i>	<ul style="list-style-type: none"> <li>■ High wealth districts are not penalized (overall district spending level not reduced by the state).</li> <li>■ Low wealth districts are brought up to high wealth district spending capabilities, rather than the reverse.</li> </ul>	<ul style="list-style-type: none"> <li>■ Approach with the least amount of flexibility: locals have no discretion in determining the basic funding level because the state sets the local level.</li> <li>■ Has potential to be a very slow approach to closing the equalization gap between high and low wealth districts due to financial demand needed to achieve equalization.</li> </ul>
<i>Local Funding Not Required</i>	<ul style="list-style-type: none"> <li>■ Districts are not required to provide funds for education. States may allow districts to supplement state funds.</li> </ul>	<ul style="list-style-type: none"> <li>■ Reduces state flexibility in times of limited state revenues.</li> </ul>

Source: OPPAGA analysis based on information from Florida and other states.

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**Concluding Observations**

- The complexity of a state's education finance system is driven by the organizational framework of its school system and the process involved in distributing funds. Factors that contribute to the complexity in a state's education finance system include the number of school districts participating, the diversity of the students served (e.g. special education, bilingual), the ability of the school districts to raise taxes, and the percentage of funds allocated through the funding formula.
- Education finance literature indicates a trend in litigation against state education finance systems. Those systems with greater equalization have better withstood constitutional challenges.
- Based on our analysis it appears that Florida has generally incorporated elements of both district wealth equalization and adjustments for student needs and district cost factors into its education finance system.

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