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ABSTRACT

This paper discusses some of the advantages and disadvantages of three alternative, philosophical and practical approaches for the equitable distribution of state aid to local school districts. These three approaches include the "equity through uniformity" approach, implemented through a Full State Assumption school finance model; the "equity through fiscal neutrality" approach, implemented through a Guaranteed Tax Base model; and a "partial" approach to equity, implemented through a combination of a Foundation Program and a Guaranteed Tax Base model. Florida's present school finance distribution system is examined in light of these three approaches, and several alternatives for improving the equity of Florida's school finance system are discussed. (Author/JG)

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FLORIDA SCHOOL FINANCE STUDY

Alternative Approaches for the Equitable Distribution of Funds to School Districts

BEST COPY AVAILABLE

State of Florida
Department of Education
Tallahassee, Florida
Ralph D. Turlington, Commissioner
an equal opportunity employer

February 11, 1977

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For additional information about this paper contact Marshall A. Harris, Strategy Planning and Management Information Systems, 904/487-1630

SUMMARY

The purpose of this paper is to present alternative philosophic and practical approaches for the equitable distribution of state aid to local school districts, and to discuss some of the advantages and disadvantages of those alternatives. Compliance with the widely accepted principle "that the quality of public education may not be a function of wealth, other than the wealth of the state as a whole" is the criterion of an equitable distribution system. Two general approaches to satisfy this criterion are (1) equity through uniformity, and (2) equity through fiscal neutrality. These approaches embody opposing political and educational philosophies.

Equity through unformity, which is implemented with a Full State Assumption (FSA) model of school finance, centralizes at the state level decisions relative to the per pupil spending level among all school districts. FSA can be funded by an combination of revenue sources, including property taxes. The basic state policy decision under FSA is what should be the per pupil spending for all students in the state. If property tax is used as a revenue source, the state establishes a tax rate that every district must levy. The state then makes up the difference between what the property tax produces in each district and the statewide spending level. Some advantages of FSA are:

1. It eliminates differences among districts in per pupil spending levels caused by local property wealth and the willingness of local districts to support education.

2. It allows school boards and other local decision makers to concentrate their time and effort on education decisions rather than on establishing budget levels and raising revenues.

3. It moves to the state level the question of what is adequate per pupil spending, which probably will promote increased research of ways to improve education productivity.

Disadvantages of FSA include:

1. It eliminates local choice in establishing education expenditures and tax rates.

2. It prohibits districts from spending above the statewide expenditure level, thereby inhibiting districts from creating so-called "lighthouse programs."

3. It would probably cause some districts to raise property tax rates.

Equity through fiscal neutrality, on the other hand, decentralizes among school districts choices regarding per pupil spending levels. Each district would establish, within certain boundaries, its per pupil spending level, select from a state prescribed schedule the tax rate corresponding to its spending level, and levy that tax rate. If that tax rate did not produce the established spending level, the state would make up the difference. Thus the uneven distribution among school districts of

property tax bases would be neutralized through a state guarantee of equal per pupil revenues for equal tax rates. This approach can be implemented through a distribution system called Guaranteed Tax Base (GTB). Some advantages of a GTB are:

1. It eliminates the influence of local property tax wealth on school district spending levels. The state guarantees all school districts the same tax base.

2. It assures equal spending levels for equal property tax rates.

3. It promotes local flexibility in determining education spending levels and tax rates.

4. It allows districts to enjoy through lower tax rates the benefit of efficiency.

5. It allows districts freedom to experiment with more costly programs, to create so called "lighthouse programs."

Some disadvantages of a GTB are:

1. It allows per pupil spending levels among districts to be different, resulting in uneven education opportunities.

2. It allows per pupil spending levels to be influenced by differences among districts in income levels and age composition of voters. Higher income groups tend to value education more than low income groups and younger people tend to be more supportive of education.

3. It may create some uncertainity about what will be spending and tax levels among districts, and what will be the state cost.

The most widely used school finance distribution system is called a Foundation Program (27 states use it) and it is what Florida uses (the Florida Education Finance Program, FEFP). Under this system the state guarantees all districts a certain spending level, and requires a local tax rate. If that tax rate cannot produce the state-guaranteed spending or "foundation" level, the state makes up the difference.

The FEFP, like foundation programs in other states, is only a partial approach to equitable distribution. While the extent of inequality in Florida is low compared to most other states, the level of per pupil spending above the foundation level ($754 per pupil) and the required tax rate (6.3 mills) is a function of local property tax wealth; therefore it violates the standard for an equitable distribution system.

A third possible approach for an equitable distribution system is a combination of a Foundation Program and a Guaranteed Tax Base. This approach has the advantages of at least a uniform spending level among

districts, and also gives districts--poor ones as well as rich--flexibility to increase spending levels above the statewide uniform level. One way Florida could adopt this approach is to add a GTB on top of the present FEFP.

The three alternative distribution systems--Full State Assumption (FSA), Guaranteed Tax Base (GTB), and Foundation Program plus GTB--meet the widely accepted standard of equity, that the quality of public education may not be a function of wealth, other than the wealth of the state as a whole. Another equity issue not only important in itself but also necessary for the correct operation of any of the three distribution systems, when property tax is included as a revenue source, is accurate and uniform property appraisals among districts.

The Department of Education has a computer simulation which can readily compute and show the fiscal impact on all school districts as well as the statewide cost of the alternative distribution systems.

Introduction

The funding of elementary and secondary schools has been the center of much judicial action, political debate and research in the 1970's. At the heart of the activity was a challenge to states, as the level of government responsible for public education, to address equity issues related to the collection and distribution of funds for public schools, and, to a lesser extent, adequacy of funding levels. These issues, of course, are fundamental for the pursuit of the noble American goal of providing to all students an equal education opportunity funded by a fair tax structure.

The purpose of this paper is to examine alternative approaches for the equitable distribution of funds to school districts for operating purposes. Although funding for capital outlay (school construction) could fit the alternative distribution systems presented here, it is not discussed. While the raising of revenue for public schools is a complex issue itself, it also affects somewhat the distribution side of the ledger; to that extent it is treated in this paper. Similarly, adequacy of funding levels is a very difficult value-ladden issue, and it too is discussed only as it affects equitable distribution.

That state governments during the past half dozen years have assumed a new prominence in public policy issues generally, and especially in school financing, is evident from the flurry of school finance reforms. In at least twenty states, since 1971, fundamental changes were made in school finance structures, including Florida's highly acclaimed reform in 1973. Emanating from the famous court pronounced principle, "that the quality of public education may not be a function of wealth, other than the wealth of the state as a whole,"* the reforms sought to eliminate

*This principle was reaffirmed in December, 1976 by the California Supreme Court in the appeal of the Serrano case, and was the standard in the New Jersey court case, Robinson v. Cahill, which overturned that state's school finance system.

expenditure and taxation inequities associated with the size of a local school districts' property tax base.

To comply with this principle two major alternative approaches for the distribution of education funds have emerged over the years--equity through uniformity, and equity through fiscal neutrality. In their pure forms the two alternatives embody opposing philosophies of management with regard to spending levels among school districts, and thus, presumably, the quality of education.

These two approaches, together with a third which may be called a "partial" approach to equity are examined and compared in this paper. In addition, Florida's school finance program is discussed in light of these approaches. Finally, the options available for improving the Florida school finance distribution system are presented. First, however, are a few comments about the role of the local property tax in a state-local school finance structure.

A Few Comments About the Property Tax Base of School Districts

The most common measure among the states of local school districts' ability to support schools, or their wealth, is the amount of taxable (i.e., non-exempt) property value behind each student.* Technically this is referred to as assessed valuation per pupil. Among the school districts within the states, assessed valuation per pupil varies widely;

*Increasingly, states are beginning to include other measures of local ability to support schools, such as personal income. For example, Connecticut and Rhode Island use property valuation per capita modified by a median family income ratio; Kansas uses a combination of property valuation and taxable income. This whole issue will be discussed in the Florida context in a future paper.

in Florida it ranges from a low of $12,217 per weighted* pupil in Gadsden County to a high of $110,852 per weighted pupil in Flagler County. Expressed in terms of tax rates, one mill ($1.00 per $1,000 assessed valuation) in Gadsden County will raise about $12 per pupil, in Flagler County it will raise about $111 per pupil. Thus, if school spending levels in Florida were a function only of local district wealth, given an eight mill limit on school tax rates, the potential difference in per pupil spending between these two districts could be $792 (8 mills times $12 in Gadsden=$96, 8 mills times $111 in Flagler=$888, $888 minus $96=$792). Florida, however, like almost all other states, has attempted to correct this disparity through a system of school aid which provides state aid inversely related to assessed valuation, that is, more aid flows to poor districts than to wealthy ones. In effect, then, the measure of local districts' ability to support schools, which is assessed valuation per weighted pupil, is the very basis for the state aid system. If that basis is weak because, for example, of inaccurate and non-uniform property appraisals methods among counties, then any new school finance structure built on such a basis is analagous to building a fine new school house (or capitol building) on quicksand.

In order to make the measure of property valuation uniform among school districts many states use assessment-sales surveys. According to the United States Bureau of the Census, 36 states conduct these surveys, and twenty-nine of those states use the assessment-sales ratio in the allocation of state aid for education. In other words, nearly 60 percent of

*A weighted pupil is a technique for counting a pupil so that his or her need for financial support can be compared to a base or unit amount. It costs more to educate a visually impaired than a sighted pupil and weighting the visually impaired pupil more than the sighted pupil will reflect this. Florida, for example, weights visually impaired pupils 3.5 times more than a normal student in grades 4 through 9, and thereby provides 3.5 more funds for the visually impaired student.

all states in the country have decided, as a matter of fair public policy, that locally determined assessed valuations must be adjusted by state-produced assessment ratios in order to apportion state aid for schools in an equitable manner.

Assessment ratios were in fact used in Florida in 1969-71, but a number of school districts (those with relatively low assessment ratios) challenged their use. In 1973 the Florida Supreme Court overruled the use of assessment ratios in distributing state aid, saying that the Legislature could not change the decision of Constitutionally empowered local property appraisers.

Seeking to correct the assessment problem in another way, the 1973 Legislature reformed the powers of State Department of Revenue in the supervision and evaluation of local assessment practices. Although there were significant changes in assessment practices in 1973 and 1974, major problems still exist today in the administration of the property tax. Appendix A shows the fiscal distortion on a school-finance distribution system of non-uniform property appraisal practices among counties.

Once there is uniform administration of the property tax, two different philosophic approaches to overcoming the differences in assessed valuation per pupil among school districts can be considered.

Equity Through Uniformity

This approach to school finance caters to egalitarian values, where the objective is to provide all students, regardless of their geographic address, the same level of financial resources and presumably the same or similar education opportunities. If it was decided, for example, that $1000 was the "appropriate" financial support for a particular kind of student, then that kind of student would, wherever he or she may happen to live within the state, receive the same level of financial support. Local preferences and taste regarding schooling would not affect the level of spending under this approach since decisions about spending levels would be centralized and uniform throughout the state. This is not to suggest that all local decision making would be discarded; to the contrary, advocates of this approach maintain that local control and decision making would be enhanced. Relieved of the difficulties of establishing budget levels and raising revenues, so the argument goes, local school boards and other local decision makers could have more time to devote to more important education decisions, such as establishing education priorities and how best to organize personnel, materials and equipment in the delivery of education services, within the spending level available.

The beginning of the equity through uniformity approach to school finance can be traced to 1930 when Henry Morrison wrote of spillover benefits and costs from one school district to another. The performance of students in one district was important not just to the students, parents and other inhabitants of that district, but also to the people of the state and nation generally. Unlike other locally provided services,

such as street cleaning or fire protection, which affect only one community, the positive and negative results of education could affect all communities and school districts particularly in a mobile society.

Equity through uniformity can be implemented with a Full State Assumption (FSA) model of school finance. The name, FSA, is not to suggest that property taxes, which comprise about 50 percent of the funds for elementary and secondary education nationally, and about 39 percent in Florida, could not be used for school support. Property taxes can be a source of revenue under FSA if the state establishes the same tax effort (rate) for all districts and the state provides all districts the difference between the yield from that tax rate and the uniform level of spending mandated in all districts.* Figure 1 illustrates this, showing a uniform expenditure level (line A-B), and varying yields from (line C-D) the same property tax rate. If the state-established tax rate should happen to produce more than the uniform spending level in one or several districts, such as line E-D in Figure 1, the excess property tax revenue would be transferred to the state for distribution to other districts.** Alternatively, only state level revenue could be used to fund FSA, thus eliminating local property taxes completely, a fiscal and political improbability in most states. Whatever the tax sources, spending levels would be the same in all districts under a Full State Assumption model of school finance, thereby assuring equity through uniformity.

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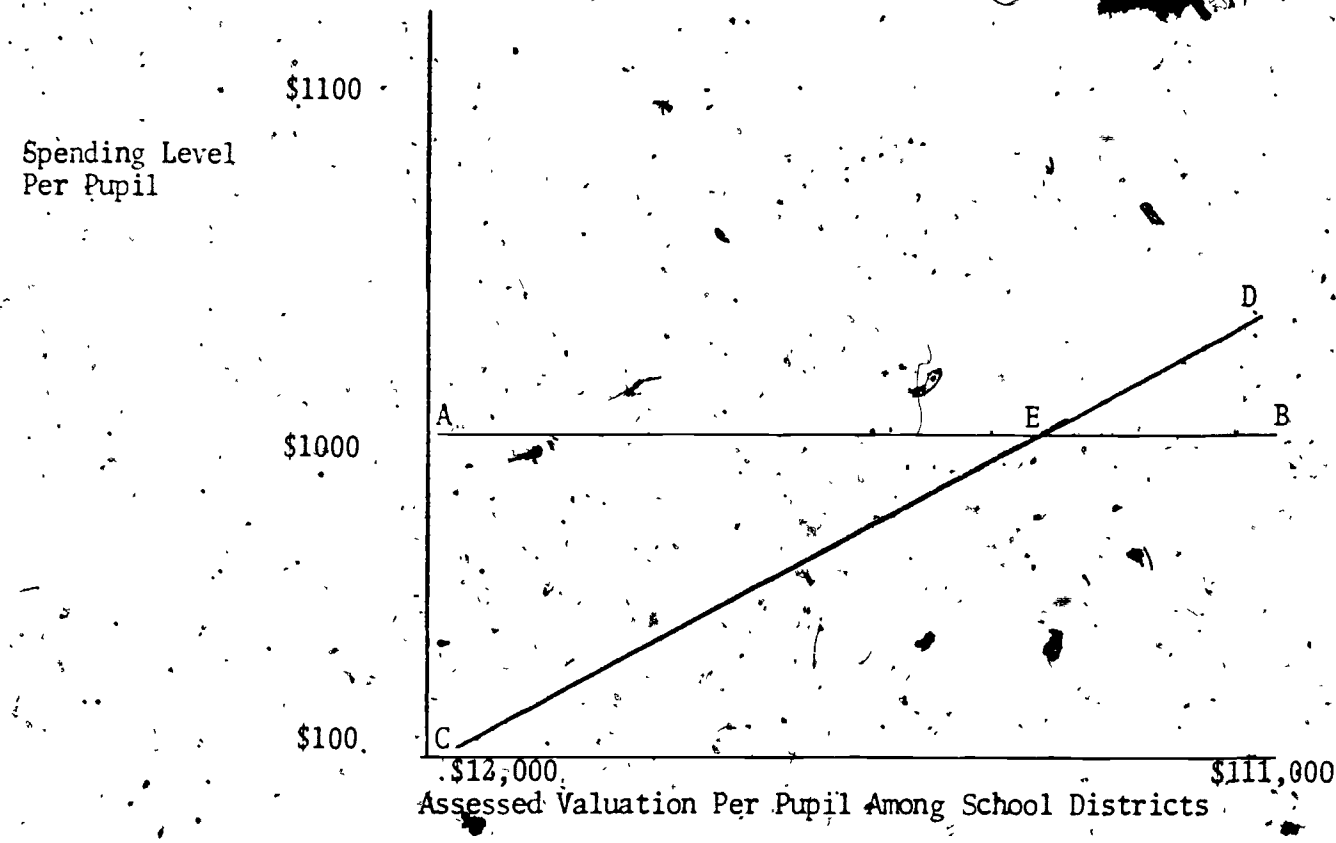
*Hawaii has FSA without property tax revenue. New Mexico comes close to FSA with property tax.

** Of course the excess revenue could be retained by the districts, but this would violate the principle of uniform spending, and, as we shall see in the next section, the principle of fiscal neutrality.

FIGURE 1

ILLUSTRATION OF A FULL STATE ASSUMPTION (FSA) MODEL OF SCHOOL FINANCE WHICH INCLUDES PROPERTY TAX AS A REVENUE SOURCE



Line A-B is the statewide uniform spending level in all school districts, $1100 per pupil.

Line C-E-D is the local property tax revenue per pupil from a uniform tax levy in all school districts.

Line E-D is the local property tax revenue per pupil above the statewide uniform spending level.

Equity through uniformity can be implemented in varying levels of sophistication, the simplest being uniform per pupil spending levels. More sophisticated ways include uniform spending levels per weighted pupil, which accounts for differences in spending levels associated with pupil characteristics, programs or state priorities; and adjustments which compensate for differences in the purchasing power of an education dollar among school districts.*

Some FSA proposals would allow districts, through their local property tax, to exceed the statewide uniform spending level by some amount, for example 10 percent. The problems with this leeway are threefold. First, it is likely that the richer districts would be the ones to opt for the add-on since a high relationship exists between the socio-economic status of a district and its value placed on education. Second, rich districts probably would tend to seek to widen the add-on range, and they might apply political pressure to this point of policy, rather than to the point of raising the statewide spending level, an action that presumably would help all districts. Third, even if poor districts were inclined to do so, they would have to tax themselves much harder, that is, levy more mills to reach a given leeway spending level, as compared to rich districts.

Some critics say that FSA would lead to elimination of "lighthouse districts," those rich districts which, with their relatively higher tax base, can afford some better educational services. The reverse of the argument is, of course, that poor districts do not have the choice of

*Florida's present state aid program includes weighted pupils for grade levels, pupil characteristics (exceptional students) and programs (vocational). Also, in use is a procedure for relating state aid to differences in the cost of living among districts.

becoming a lighthouse; they are constrained by a low tax base. Since the objective of a "lighthouse district" presumably is to increase education productivity, should not the state make that available to all districts, or at least to rich and poor districts alike.

Implementation of FSA could be phased in over a number of years. Lower spending districts, for example could be brought up to some uniform level, and higher spending districts, for political and practical reasons, probably would remain at their current level or perhaps be allowed slightly higher levels. Over time, however, the uniform spending level, as it was increased, would reach the level of high spending districts, and all districts would be spending at the same level.

Equity Through Fiscal Neutrality

Equity through fiscal neutrality caters to "liberterian" values, which espouse that individuals should control their own destiny. Under this philosophy, local choice regarding spending levels and tax rates would be promoted. By decentralizing decision making among school districts, people (through the school board or, if permitted, by direct vote) could reflect their values for education by the amount they choose to tax themselves. The uneven distribution among school districts of property tax bases would be neutralized under this approach through a state guarantee to all districts of equal per pupil revenues for equal property tax effort (rate).

The concept of fiscal neutrality can be implemented through a distribution system with a variety of names, including district power equalizing, percentage equalizing, local guarantee yield, and guaranteed tax base.

The latter term, guaranteed tax base (GTB), probably is most descriptive since the essence of fiscal neutrality is to guarantee all school districts the same or nearly the same tax base.

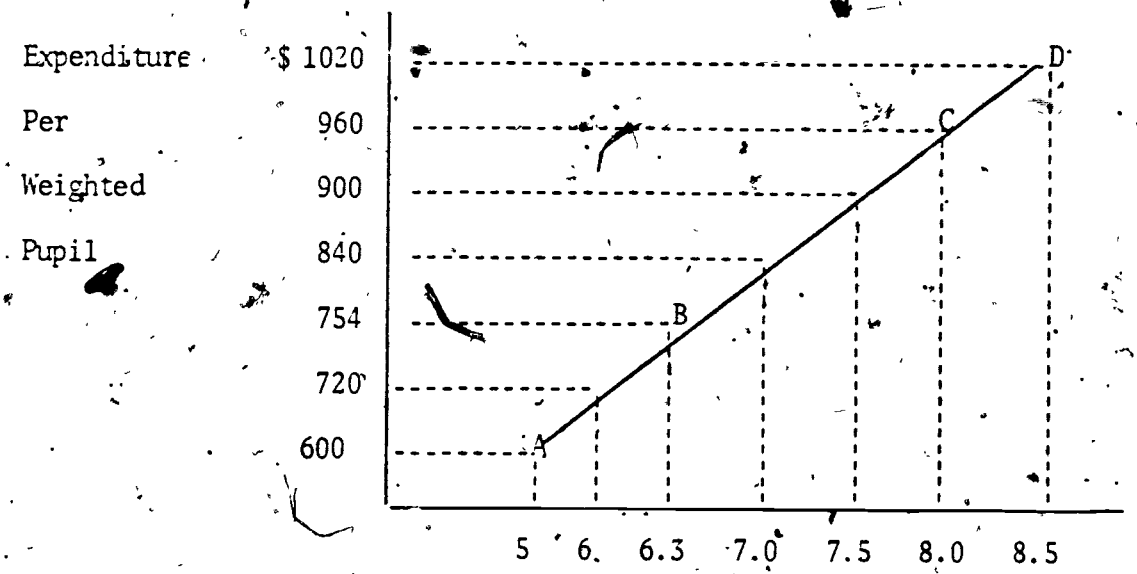
A simple GTB program is illustrated in Figure 2. If a state wished to adopt the principle of fiscal neutrality, it might use a schedule such as this one, although there could be many variations, such as changing the slope of line A-D. Districts would select from the schedule the per pupil expenditure desired, and levy the corresponding tax rate; if that tax rate in that school district did not produce the selected expenditure level, the state would make up the difference. For example, if a district wanted to spend $960 per pupil, it would have to levy 8.0 mills; if the 8.0 mills in that district produced, let's say, $500 per pupil, the state would make up the difference of $460. If the GTB schedule was such that a rich district could raise more per pupil at a given tax rate than the schedule allowed, the district could either keep the difference, or, under a "purist" form of GTB, remit the difference to the state for payment to other districts which are below the scheduled amount.*

With A GTB approach usually districts are allowed expenditure discretion only within certain boundaries. Minimum points, or dollar amounts and corresponding tax rates, typically are specified since the state has a basic responsibility to provide all students an education of at least a minimum quality. The minimum in Figure 2 might be point A, in which case all districts would have to spend at least $600 per pupil and levy at least five mills. While Florida does not use the GTB approach, one could see that the present Florida Education Finance Program has a minimum comparable to point B, where all districts must spend at least $754 per pupil and levy at least 6.3 mills.

*Wicsonsin had a law which would have been implemented the purist version of GTB in January, 1977. However, in November, 1976, the Wisconsin Supreme Court found that law (called "negative aid") to be unconstitutional.

F I G U R E 2

A SIMPLE GUARANTEED TAX BASE (GTB) SCHEDULE



Point A is the minimum expenditure and tax rate that all districts would be required to make.

Point B is the minimum expenditure and tax rate which is comparable to the Florida Education Finance Program.

Points C and D are possible maximum expenditure and tax rate levels.

For at least two reasons maximum expenditure levels and corresponding tax rates also are usually imposed. One is to inject more certainty regarding the total cost to the state. With mandated maximum amounts, such as $960 at 8 mills or $1020 at 8.5 mills, the state can better plan for its appropriation. The second reason is based on policy decisions with regard to cost-quality relationships. Above certain levels of expenditure quality may increase only slightly and further increases may be thought of as wasteful relative to the costs for such improvement.

In a world in which there are the dual aspirations of equity and local flexibility in deciding spending levels, the GTB approach has much to offer. It breaks the invidious link between spending levels and the educationally irrelevant variable of property tax wealth, yet is allows districts to decide the kind and cost of education they wish to offer. It permits districts to enjoy through lower tax rates the benefits of efficiency. And it allows districts freedom to experiment, to create so-called "lighthouse programs."

Opponents of the GTB approach point out that the local flexibility in determining spending levels will result in variations in education spending levels among school districts. Differences in expenditure levels may well be the result of differences in the income levels, age composition, or tax base composition of school districts since higher income groups tend to value education more than low income groups, younger people tend to be more supportive of education, and districts with more commercial and industrial property, compared to residential property, tend to have higher tax rates. Another drawback to GTB is the uncertainty about what districts will do, what will be their expenditure and tax levels, and what will be the state cost.

The Partial Approach to Equity: Foundation Program.

In the early 1900's states began to provide limited financial assistance to school districts. By the 1920's the states' responsibilities for providing their young people with at least a minimum education gained acceptance as researchers pointed out that some districts could not afford even that. Thus was the beginning of the movement of the most widely used school funding approach--the foundation program.* With a foundation program, a state establishes some per pupil (or other such unit) expenditure level which it guarantees to all school districts through a shared funding arrangement which includes state revenue and local property taxes. Under this scheme the state requires a local tax rate and if that tax rate can not produce the state-established "foundation" level of spending, the state makes up the difference.

At least two problems accompany this approach. First, the state-established foundation spending levels frequently are quite low; in fact they are so low the approach usually is labeled "minimum foundation." Over time even the minimum foundation levels tend to not keep pace with inflation and thereby become relatively smaller. Second, the portion of property tax rates not included in the foundation program, that is, above the required local tax rate, is a significant factor in determining the spending level of a district. Districts with a relatively high tax base can with the tax rates above the foundation program support spending levels considerably higher than the state-established foundation level whereas low tax base districts can not.

*Twenty-seven states in 1975 used a foundation program; eight more states used a foundation program plus a Guaranteed Tax Base.

And it is just this wealth-related spending disparity that was the key subject of court cases and most school finance reforms.

School Finance in Florida and the Alternatives for Increasing Equity

The present system of school finance in Florida is a foundation program. The state established "foundation" spending level is $754 per weighted pupil, and the required local effort is 6.3 mills; the maximum nonvoted tax rate that school boards can levy (and still participate in the foundation program) is 8.0 mills.* The difference between the required rate, 6.3 mills, and the maximum allowed, 8.0 mills, is the extent to which school funding in Florida is directly a function of the local district property tax base behind each pupil. Since the taxable property base behind each pupil ranges from a low of $12 per weighted pupil in the poorest school district to $111 per weighted pupil in the richest district, there exists a potential spending difference of $168 per weighted pupil. ($111-$12 x 1.7 mills=$168). Put another way, the state guarantees that all districts will spend $754 per weighted pupil, but one district (Gadsden) can exceed the minimum by only $20 per weighted pupil, while another district (Flagler) can exceed the minimum by $189 per weighted pupil. In short, due to differences in property wealth one district can spend $774 per weighted pupil while another district can spend $943 per weighted pupil, a difference of about 18 percent.** Moreover, this difference is dependent entirely on local district property wealth!

*School districts can, with a vote of the people, exceed the maximum of eight mills. Such excess millage must be voted on every two years. Palm Beach voted an additional 1.0 mill for operations and .6 mill for capital outlay for 1976-77 through 1978-79.

**A detailed analysis of the relationship among school district expenditures, tax rates, and property wealth will be done in a future paper.

At least three alternatives are available for making Florida's school finance system more equitable. One is to adopt a Full State Assumption (FSA) model. Another is to adopt a Guaranteed Tax Base (GTB) program. And the third is to place a GTB on top of the existing foundation program. Under all of the approaches a preliminary decision should be made about the relative proportion of revenue that will come from state sources and from the local property tax.

Under the FSA alternative, the present required local effort of 6.3 mills could be increased to the present maximum nonvoted millage allowed (8.0 mills), and the present foundation expenditure level of $754 could be increased to some educationally sound and politically acceptable higher level. If the policy should be to reduce the reliance of school funding on property taxes, another way to achieve the equity through uniformity objective is to lower the maximum nonvoted millage allowed down to the present local effort of 6.3 mills. Or at some place in between 6.3 and 8.0 mills, the local effort and maximum tax rate could be made equal. Or the local effort and maximum tax rate could be made equal at any point between zero and 6.3 mills.

Under the GTB alternative, the state could guarantee all school districts a certain tax base, and establish minimum and maximum millage levels. For example, the effective guarantee under Florida's foundation program is $120 per mill per weighted pupil ($754 per weighted pupil ÷ 6.3 mills=$120). This same guarantee level could be extended to the maximum tax rate allowed (8.0 mills), with each district selecting the expenditure level and tax rate from between those two points on a state GTB schedule. Other variations of the GTB are almost endless.

The third alternative for the equitable distribution of funds to school districts in Florida is the foundation program with a GTB add-on. Given Florida's present foundation program, a GTB could be established for the millage above the foundation rate (6.3 mills) and up to maximum rate allowed (8.0 mills). The GTB could be set at any level, but preferably above the wealth of the average school district. To eliminate all wealth related expenditure disparities, the GTB level should be equal to or higher than the tax base in the wealthiest district which is $111 per pupil per mill.

With the aid of a computer simulation now operating in the Department of Education almost any variation of each of these school finance policy alternatives can be readily computed. The simulation can produce reports which will show the impact of a proposed school finance approach on expenditures, tax rates and state aid for all school districts in Florida as well as the statewide cost. Futhermore, a host of decision variables for each alternative distribution system can be treated simultaneously. For example, a user can decide what should be the values for variables such as district spending levels, tax rates, pupil weights, district cost differentials, hold harmless, and whether to include other funds (such as impact aid, race track) as local revenue. By simply specifying the policy alternative and values for decision variables, a policy maker can have the information necessary to assess the fiscal impact of many different types of school funding formulas as well as compare those proposals to the existing Florida Education Finance Program.

APPENDIX A
FISCAL EFFECTS OF NONUNIFORM PROPERTY APPRAISALS
AMONG SCHOOL DISTRICTS

Property in Florida is appraised (i.e., the value is determined) by county level property appraisers who by Florida Constitution are elected, except the appraiser in Dade County who is appointed. Constitutionally all classes of property are required to be appraised at full cash value or 100 percent valuation, which has been interpreted by the courts to mean fair market value.

Central to any equitable system of state school aid which includes local property taxes is the use of comparable measures of school districts' ability to support schools or their property valuations per pupil. If all property appraisers in Florida did valuations comparably, Florida's state school aid program would work accurately (although it still would not conform to the criterion of an equitable distribution system), even if county valuations were not at the required 100 percent of fair market value. However, when valuation procedures and thus the ratio of actual property appraisals to appraisals determined by uniform procedures among all counties (generally this is called assessment or sales ratios) differ from county to county, there can be significant distortions in the operation of the state school aid formula.*

Table 1 compares the fiscal effect of differences in appraisal practices between two school districts on a state school aid system such as the one in Florida. District A and District B both have exactly the same property wealth--$15,000,000. District A assesses property at 100 percent, thus showing an appraisal of $15,000,000, which, when multiplied by the required tax rate of 6.3 mills shows a local ability to support schools of $945,000. District B, however, assesses property at 66 2/3

*Assessment ratios in 1975 varied from .65 to .97, indicating significant differences in property valuation methods among Florida school districts.

TABLE 1

COMPARISON OF THE FISCAL EFFECT ON STATE SCHOOL AID DUE TO DIFFERENCES IN APPRAISAL PRACTICES BETWEEN TWO SCHOOL DISTRICTS

	DISTRICT A	DISTRICT B
1. State-Established Spending Level ($754 x 2000 pupils)	$1,508,000	$1,508,000
2. Property Appraisal x Required Local Effort $15,000,000 x 6.3 mills=	954,000	
3. $10,000,000 x 6.3 mills=		630,000
State Aid: (1 minus 2)	563,000	
(1 minus 3)		878,000
4. Difference in State Aid due to Nonuniform Property Appraisal		+ 315,000

Assume:

Both District A and District B have $15,000,000 in actual property valuation. Property in District A is appraised at $15,000,000, which is 100 percent of actual value. Property in District B is appraised at $10,000,000, which is 66 2/3 percent of actual value.

Both districts have 2000 pupils.

The state-established spending level is $754 per pupil.

The Required Local Tax Rate (that is, the number of mills of tax equalized by the state) is 6.3 mills.

percent of its actual value, thus showing an appraisal of $10,000,000, and a local ability to support schools of $630,000. Looking at the local ability, District B appears poorer than District A.

In fact, both districts possess exactly the same property wealth, and the same ability to support school. But the state school aid formula operates to overcome differences in local ability to support schools, and provides more state aid to District B ($878,000) than to District A ($563,000). Thus District B is being rewarded 315,000 for assessing its property lower than it should.