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Fitch: Florida School Funding Shifting Toward Local Taxes.

Fitch Ratings-New York-26 June 2014: Florida's shift toward greater dependence on local taxes and modest increase in per-pupil funding are neutral for the state's local school district credit quality, Fitch Ratings says. The move away from reliance on state appropriations is included in the state's 2015 budget.

The budget raises the state's per student funding total only modestly, to $6,937 or 2.6%. Total school funding grows a slightly stronger 3.1%. Per student funding has grown consistently since fiscal 2012 but remains below the fiscal 2008 peak. It will likely take years of more sizable funding growth to keep up with current cost pressures and restore downsized operations and reserves from past budget cuts.

The Florida Education Finance Program (FEFP), the primary mechanism to finance operating costs of Florida K-12 schools, is funded through a combination of state appropriations and local funding. The latter derives exclusively from property taxes levied by each individual school district.

Local school property taxes aggregating to $8.2 billion are budgeted to generate about $400 million or 70% of the $575 million increase in FEFP funding. The state's $10.6 billion contribution still represents the majority of FEFP funding but the gap is narrowing. The local funding boost is facilitated by a 5.4% uptick in aggregate school district taxable values while the average school property tax rate holds steady at last year's 5.9 mills.

Fitch expects the growth in the tax base to enhance school districts' ability to fund needs subsidized through property taxes that are not factored into the FEFP, such as capital projects, facility maintenance, and debt service.

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Additional information is available on www.fitchratings.com.

The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article, which may include hyperlinks to companies and current ratings, can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

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