The Finance Council has reached unanimous agreement on the top four budget issues facing Florida’s school districts. It is our hope that the Commissioner of Education, Governor, State Board of Education, and Florida Legislature will give the Council’s priorities and recommendations serious consideration as the FY2015-16 state budget is developed.
About the Council - The Florida School Finance Council serves as an advisory committee to the Commissioner of Education on school funding and business issues. The Council is comprised of 18 members representing small, medium and large school districts and 3 ex-officio members. All representatives are active finance officers responsible for the financial operations of their respective school districts. The Council represents a diverse mix of school districts across the state in terms of size, student demographics, population density, and region.

Purpose of this Paper - Florida school finance officers have been instrumental in guiding their districts through the great recession and ensuring the efficient use of scarce resources. As Florida’s economy continues to slowly improve, it is important to recognize the needs of the state’s K-12 public school children that must be met to provide an adequate education. The Finance Council has reached unanimous agreement on the top four budget issues facing Florida’s public schools. These recommendations stand to benefit both traditional and charter public schools. It is our hope that the Commissioner of Education, Governor, State Board of Education, and Florida Legislature will give the Council’s priorities and recommendations serious consideration as the FY2015-16 state budget is developed. Our top four priorities are summarized below and supported by fact.

1. **Total student funding** has yet to reach pre-recession levels. The funding gap widens significantly when considering the impact of inflation.
2. **Funding for Exceptional Student Education** has fallen significantly while schools face an unprecedented demand for student services.
3. **Diminished capital funding** caused by a recession driven 25% reduction to local school board capital improvement taxing authority has resulted in an alarming backlog of deferred maintenance across the state and compromised local efforts to meet escalating online testing and classroom technology demands.
4. Florida’s “Low 300” unfunded mandate to provide an extended school day at the states lowest elementary schools in terms of reading scores further depletes resources. Additional categorical funding is needed to cover the operating costs associated with this program mandate.
This position paper will provide a justification for each priority and offer recommendations to address each critical need.

**PRIORITY 1 - TOTAL STUDENT FUNDING**

![Feep Funding per Student (UFTE)](image)

**K-12 Student Funding Remains Well Below Pre-Recession Levels**

As illustrated in the chart above, total funding per student (UFTE) through the Florida Education Finance Program (FEFP) has yet to return to pre-recession levels. At the start of the 2007-08 school year (FY2008), funding per unweighted FTE was $7,305.79. The state budget recently approved for the upcoming 2014-15 school year (FY2015) provides $6,937.23 per unweighted FTE. This represents $368.56 or 5.04% less per student to operate public schools seven years later. When considering the impact state wide for more than 2.7 million students, this represents an annual shortfall of just over $1 billion dollars.

**Schools Required to Provide Additional Services Despite Funding Reduction**

During this same time period, school districts have been required to comply with increased requirements:

- Implement **New Teacher and School Administrator Evaluation Instruments**.
- Attempt to outfit schools with technology needed to implement Florida’s transition to computer-based testing for statewide assessments.
- Provider teachers professional development to implement Florida Standards.
- Purchase new instructional materials to align with new Florida Standards and digital content requirements.
- Assume the cost of dual enrollment courses provided to high school students through state colleges and universities.
- Increase school security measures in response to tragic events on school campuses across the country.
- Comply with state Class Size Reduction requirements.

*Impact of Inflation has further Eroded School Funding*

Over the past eight years, school districts have had to contend with inflation and rising costs. The chart below compares actual funding per student (UFTE) versus the funding necessary to maintain 2007-08 funding adjusted for inflation as calculated by the Bureau of Labor Statistics Consumer Price Index (CPI).
Inflation since approval of the original 2007-08 state budget has risen 15.6%. As a result, funding of $8,219.04 per student (UFTE) is needed to fully restore FEFP to pre-recession levels. The aggregate funding gap for all 2.7 million students is nearly $3.5 billion dollars.

This does not even consider the impact of FTE recalibration approved by the 2013 Legislature that has reduced unweighted FTE funded in FY2014 and beyond. The true financial impact of FTE recalibration is difficult to calculate at this point as state reporting catches up with legislative action and is reconciled to reflect actual virtual education completion experience for 2013-14. Recalibration of FTE has also had an adverse effect on funding for ELL and ESE students. Districts now receive less weighted FTE for ELL and ESE students as a result of recalibration.

**Florida’s K-12 Education Spending Trails Nation**

Based on the most recent U.S. Census data, Florida’s public schools rank 42nd in the nation in spending per student.

![Public School Expenditures per Student by State (FY2011-12)](chart)

**RECOMMENDATION 1** - Increase Base Student Allocation (BSA) for FY2015-16 by $368.56 or more to truly restore funding to 2007-08 level.
PRIORITY 2 – EXCEPTIONAL STUDENT FUNDING

Over the years, the Florida Legislature has made several significant changes to the Exceptional Education Student (ESE) funding component of the FEFP that have led to reduced funding for the state’s most needy students. In 1997-98, the Florida Legislature collapsed ESE Cost Factors from 15 to 5 Programs as shown below:

Cost factors represent a multiplier of basic student (grade 4-8) funding to adjust for the increased costs associated with meeting the needs of the ESE student. Also for 1997-98, the State eliminated Mainstream with Assistance Cost Factors. Part of this change eliminated part-time reporting for ESE services. ESE students are now reported within new programs 100% of the time. These changes resulted in a loss of weighted FTE and revenue for ESE programs.

For the 2000-01 school year, the Legislature created the ESE Guaranteed categorical allocation and collapsed ESE programs from 5 to 2 cost factors.
ESE Program Cost Factors for our students in need of the greatest services have continued to decline over the years as indicated in the table below:

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To gauge impact, consider restoration of program 254 and 255 cost factors to the FY2000 level would generate an additional $70.2 million for our neediest students statewide in FY2015 based on current FTE projections. The Finance Council intends to study FTE program cost factors in the months ahead to identify the root causes behind the counterintuitive downward trend.

**ESE Guaranteed Allocation has Not Kept Pace with Growth & Rising Costs**

The ESE Guaranteed categorical allocation is no longer calculated based on the current IEP and matrix levels for students reported in levels 251 to 253. Further,
the categorical funding has not kept pace with student growth over the years as shown in the chart on the preceding page.

The original FY2000-01 ESE Guaranteed allocation of $938.7 million served 437,823.21 UFTE (level 251-253) and provided $2,143.98 per UFTE. Funding peaked in FY2007-08 with an allocation of $2,220.56 per student. The FY2014-15 total allocation of $950.8 million must serve 499,919.54 UFTE (level 251-253) and provides $1,901.87 per UFTE.

- The ESE Guaranteed Allocation funding has fallen $318.69 per student or 14.35% since 2007-08.

While state funding has fallen, costs associated with serving ESE students continue to rise (staffing demands, salaries, benefits, contracted services, psychological services, etc…). Given exponential growth in the number of autistic students and other disorders, there is a pressing need to increase ESE funding. School districts have continued to commit additional resources at the local level to fund student Individual Education Plans (IEPs), comply with Federal Maintenance of Effort requirements, and avoid litigation. Adequate state ESE funding is needed to ensure the needs of all students are met.

RECOMMENDATION 2 – Restore ESE Guaranteed Categorical allocation to pre-recession level of $2,220.56 per student or greater.

PRIORITY 3 – ADEQUATE CAPITAL FUNDS TO MEET MAINTENANCE & TECHNOLOGY DEMANDS

School districts have been hard hit by the reduction in local capital outlay taxing authority and decline in property values. In response to the great recession, the 2008 and 2009 Florida Legislature reduced the capital millage authority of local school boards by 25%. This was done to offset an increase to the Required Local Effort levy to avoid additional operating budget cuts. Initially, school districts were able to defer capital purchases and tap local capital reserves. But over time, the substantial loss of capital revenue has crippled the ability of school districts to meet school facility maintenance, classroom technology, and bus fleet demands.
The chart above indicates the revenue no longer available to school districts due to the Legislature’s millage reductions. The cumulative impact over the past seven years is $4.6 billion. This figure grows to $8.7 billion if you consider the revenue lost due to the decline in state property values.

Prior to the legislative reductions to local taxing authority, 2.00 mills provided up to $3.5 billion to fund capital needs across the state. PECO funds for school maintenance have also declined significantly in recent years. This revenue source is unable to support the needs of traditional and charter schools. While traditional schools were included in the distribution of PECO funds for the first time in three years through the FY2014-15 budget, the $50 million allocation only begins to scratch the surface of the pent-up maintenance demands. Absent the identification of a new revenue stream for school capital needs, Florida must revisit the reductions to local capital outlay taxing made in 2008 and 2009. These cuts were palatable as a short-term measure to help navigate the recession. But left in place, will do irreparable harm to public schools over the long term.

As indicated in the chart below, capital revenues will not return to pre-recession levels until 2025 absent a legislative remedy.
Schools will Deteriorate and Ultimately Cost Taxpayers More if Unaddressed

Florida school districts comprise over 425 million square feet of facilities. **Schools represent a public asset of $85 billion** based on an average cost of construction of $200 per square foot. As of June 30, 2013, the average age of Florida permanent school facilities was 28 years old. Preventative maintenance, repairs, and the upkeep or replacement of building systems (i.e. HVAC, lighting) is critical to ensure these public schools reach their useful life. Failure to do so will eventually lead to the premature replacement of failed buildings at an increased cost to taxpayers. **For every $1 of deferred preventative maintenance, the ultimate cost of premature failure is estimated at $4.** Equally important, the deterioration of schools negatively impacts the core mission of student achievement. Research indicates that both teachers and students perform better in schools with good indoor air quality, lighting, and acoustics. Teacher job satisfaction and retention has also been linked to the condition of the facility. Student attitudes and morale were found to be more positive in new or renovated facilities. Through their research, the Council of Great City Schools estimates well managed school districts should spend 1.5% to 2.0% of the current replacement value of school facilities each year for maintenance. Applying this recommendation to Florida’s 425 million square feet of school facilities and suggests **an annual commitment of $1.275 to $1.7 billion per year is needed for**
school maintenance. The 0.50 mill reduction to local capital taxing authority reduced potential capital funding for Florida’s 67 school districts by $717.3 million for FY2015. Although the remaining 1.50 mill capital authority generates over $2.1 billion, approximately 50% of these funds are committed to existing debt service payments associated with school construction needed to meet enrollment growth and class size reduction. This leaves school districts unable to fully fund maintenance, technology, equipment, and school bus replacement demands.

**Schools Lack Technology Needed for State Online Testing Requirements**

The state’s online assessment and computer-based testing requirements necessitate additional computers or devices for the students, improvements to school district information technology infrastructure, and require additional bandwidth. The loss of capital outlay taxing authority has greatly compromised the capacity of school districts to meet the increased demand for technology. Although the FY2015 budget included $40 million in Digital Classrooms categorical funding, this represents a fraction of the true need. Considering the current enrollment of more than 2.7 million students, this represents less than $15 per student.

According to Gartner Research, on average Fortune 500 companies spend 3.5% of their budget on Information Technology. The total state K-12 budget through the FEFP is currently $18.9 billion. As such, a 3.5% earmark for IT would require $661.5 million per year.

**Aging State Bus Fleet Requires Capital Dollars**

Florida’s school bus fleet contains 18,406 buses at an average age of 10.63 years. Best business practice calls for a twelve year replacement cycle. Replacing 1/12 of Florida’s school buses requires the purchase of 1,534 buses each year at an estimated total cost of $168.7 million. School buses continue to age and maintenance costs escalate as districts are unable to keep up with replacement schedules.
The chart below compares the revenue generated by 1.50 mills for capital outlay to major budget demands including maintenance, information technology, and school buses. Although school districts face additional capital costs, these major categories alone greatly exceed the revenue generated by the current 1.50 mill levy. Restoring the local capital outlay authority back to 2.00 mills would go a long way to bridging the gap between true need and available revenue.

RECOMMENDATION 3 – Restore 0.50 mill capital outlay taxing authority to local school boards. This will allow School Board’s to levy the tax rate needed to help meet the school maintenance and technology needs of their community.

PRIORITY 4 – Funding and Flexibility to Improve “Low 300” Elementary Schools

The state mandate to provide an additional hour of reading instruction beyond the regular school day at the state’s lowest 300 elementary schools in terms of reading test scores was not accompanied by additional funding. This represents a substantial financial impact to districts with schools on the list. **Teachers must be paid to teach this additional hour and the cost for 300 schools is expected to reach $150 million for 2014-15.** While Supplemental Academic Instruction (SAI)
and Reading Instruction categorical funds may be used for this purpose, the Legislature has not significantly increased these categoricals to fund the mandate. All school districts, regardless if they have elementary schools included on the “Low 300” list, have students in need of SAI and Reading Instruction supplemental services.

**RECOMMENDATION 4 – Establish new categorical to fully fund “Low 300” extended instructional day mandate.** This categorical should be above and beyond current SAI and Reading categorical funding.

**For more information or questions, please contact:**

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Constitution of the State of Florida – Article IX, Section 1

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 education and for the establishment, maintenance, and operation of institutions of higher learning and other public education programs that the needs of the people may require.