

COUNCIL FOR EDUCATION POLICY, RESEARCH AND IMPROVEMENT

Education Funding

Introduction

Attached are the following papers, which give a brief overview of education funding and provide suggested policy questions that may need to be addressed:

- Public Schools Operating Funds
- University Operating Funds
- Community Colleges Operating Funds
- Workforce Education Operating Funds
- Fixed Capital Outlay

These papers are not all-inclusive. Topics not covered at this time include, among others, funding for: private postsecondary institutions; choice programs for students in K-12 (McKay Scholarships, Corporate Income Tax Scholarships, Opportunity Scholarships, and charter schools); school readiness programs; student financial aid; and the Department of Education's administrative functions.

Current Situation

As reflected in the following chart, the Legislature must weigh competing interests and priorities when developing the budget for education:

A Balancing Act

Education	v.	Health, Criminal Justice, Social Services, General Government
Needs	v.	Availability of State Revenue
State Needs	v.	Local Needs
Needs of One Educational Delivery System	v.	Needs of Other Educational Delivery Systems
Needs	v.	Wants
Growth	v.	Quality
Stability	v.	Performance Funding
Equity	v.	Performance Funding
Student contributions (tuition and fees)	v.	Taxpayer Contributions (taxes)
Student Expectations	v.	Taxpayer Expectations
Local Control	v.	State-level Control (State Board of Education, Governor and/or Legislature)
Local Accountability	v.	State-level Accountability

The Budgeting Process

Legislative Budget Request:

The State Board of Education (SBE) is statutorily charged with the responsibility of preparing and submitting a coordinated K-20 annual legislative budget request (LBR) to the Governor and Legislature on or before the date established by the Governor and Legislature. The LBR is to clearly define the needs of entities and programs assigned to the Department of Education.

Sections 1001.64 and 1001.74, F.S., direct the boards of trustees of each community college and each state university to submit a budget request to the SBE for approval in accordance with guidelines established by the SBE. There is no statutory requirement for school boards to provide budget requests to the SBE.

Appropriations Process:

The Governor reviews the LBR and recommends to the Legislature issues and amounts to be funded; final funding decisions, however, are made by the Legislature. After the Governor exercises his veto authority and/or approves the budget, the State Board of Education allocates funds to institutions or districts in accordance with the General Appropriations Act (GAA).

Operating Budgets:

Pursuant to s. 1011.01, F.S., each school board, community college board of trustees, and state university board of trustees is required to submit to the Commissioner of Education an annual operating budget for review (Section 1011.30 includes the term "and approval" for community college budgets).

Prior to submitting the budget to the SBE, each school board must hold public hearings to adopt tentative and final budgets. In addition, each school board must provide a full-page advertisement in the newspaper with the largest circulation in the district. Section 1011.03, F.S., describes very specific data and graphs that must be included in the advertisement. Statutes do not prescribe similar requirements for community college and state university boards of trustees.

Expenditure Data:

Section 1011.90, F.S., requires state universities to continue submitting an expenditure analysis reflecting total expenditures from all sources used for the general operation of the university. The expenditure analysis is to be in the same format as the one submitted prior to the devolution of authority to the local boards.

Each community college board of trustees is statutorily required to account for expenditures in the manner prescribed by the Department of Education (s. 1001.64, F.S.).

Each school board is required to account for the expenditure of all funds on a school-by-school basis and on a district-aggregate basis in accordance with the manual developed by the Department of Education or as provided by law (s. 1010.2, F.S.).

Audits:

School boards, community colleges, universities, and other entities under the supervision of the State Board of Education are subject to the audit requirements in ss. 11.45 and 218.39, F. S. Those requirements are explained below:

Section 11.45, F.S., directs the Auditor General to annually conduct financial audits of all universities and community colleges, and of all school districts with populations less than 150,000. In addition, operational audits of universities are to be conducted at least every 2 years. Operational audits are defined as:

...a financial-related audit whose purpose is to evaluate management's performance in administering assigned responsibilities in accordance with applicable laws, administrative rules, and other guidelines and to determine the extent to which the internal control, as designed and placed in operation, promotes and encourages the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of financial records and reports, and safeguarding of assets.

School boards, community colleges, and universities may also have independent audits performed in addition to those performed by the Auditor General. The statutes also specify that if school boards and community college boards hire internal auditors, they must report directly to the boards (or a board's designee, in the case of school boards). The statutes contain no references to internal auditors for university boards of trustees.

Section 218.39, F.S., specifies that a school board, charter school, or charter technical career center must have a financial audit completed by an independent certified public accountant, if it has not been notified by the first day of the fiscal year that a financial audit will be performed by the Auditor General.

The Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA), with the assistance of the Office of the Auditor General, is charged with the responsibility of developing and implementing a system for reviewing the financial management practices of school districts. It is the intent of the Legislature for each district to be reviewed on a recurring 5-year cycle. Section 1008.35, F.S., specifies that:

The best financial management practices, at a minimum, must instill public confidence by addressing the school district's use of resources, identifying ways that the district could save funds, and improving districts' performance accountability systems, including public accountability. To achieve these objectives, best practices shall be developed for, but need not be limited to, the following areas:

- (a) Management structures.
- (b) Performance accountability.
- (c) Efficient delivery of educational services, including instructional materials.
- (d) Administrative and instructional technology.
- (e) Personnel systems and benefits management.
- (f) Facilities construction.
- (g) Facilities maintenance.
- (h) Student transportation.
- (i) Food service operations.
- (j) Cost control systems, including asset management, risk management, financial management, purchasing, internal auditing, and financial auditing.

In areas for which the commissioner has not adopted best practices, OPPAGA may develop additional best financial management practices, with input from a broad range of stakeholders. OPPAGA shall present any additional best practices to the

commissioner for review and adoption. Revised best financial management practices adopted by the commissioner must be used in the next year's scheduled school district reviews conducted according to this section.

Similar programs do not exist for community colleges or state universities.

COUNCIL FOR EDUCATION POLICY, RESEARCH AND IMPROVEMENT

Public Schools Funding for Operations

Background

School districts receive funding from the state, federal government, and local sources. Operating funds are provided primarily through the Florida Education Finance Program (FEFP), but funds are also provided for specific purposes, such as to purchase instructional materials or provide transportation to students.

Current Situation

FEFP

In 1973, the Florida Legislature enacted the FEFP to equalize funding, guaranteeing to each student "the availability of programs and services appropriate to his or her educational needs which are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors."¹ As explained by the Department of Education:

To provide equalization of education opportunity, the FEFP formula recognizes: (1) varying local property tax bases; (2) varying education program costs; (3) varying costs of living; and (4) varying costs for equivalent educational programs due to sparsity and dispersion of student population.

The key feature of the FEFP is to base financial support for education upon the individual student participating in a particular educational program rather than upon the numbers of teachers or classrooms.²

The Legislature annually determines program cost factors that reflect the relative cost of delivering educational services to 2.5 million students in grades K-12.

1. Basic Programs	
a. K-3 Basic	1.005
b. 4-8 Basic	1.000
c. 9-12 Basic	1.122
2. Programs for Exceptional Students	
a. Support Level 4	3.948
b. Support Level 5	5.591
3. English for Speakers of Other Languages	1.275
4. Programs for Grades 7-12 Voc Ed	1.186

¹ Intent language in Section 236.012(1), F.S.. The Legislature made an effort to remove all intent language from the new school code that will go into effect January 7. As a part of that effort, the FEFP intent language will not appear in the new school code.

² Florida Department of Education, "2001-02 Funding for Florida School Districts: Statistical Report," August 2001, p. 1.

Of the \$13.1 billion in the FEFP, \$9.8 billion (or 75%) is distributed through base funding (FTE * cost factors * Base Student Allocation * District Cost Differential). Also included within the FEFP, though, are specific appropriations, which are distributed using different methodologies. Examples of these appropriations include:

Safe Schools: Proviso in the 2002-03 General Appropriations Act (GAA) specifies that \$70.35 million is provided for: (1) after-school programs for middle school students; (2) other improvements to enhance the learning environment, including implementation of conflict resolution strategies; (3) alternative school programs for adjudicated youth; and (4) other improvements to make the school a safe place to learn. Funds are distributed using a methodology unique to that program: Each district receives \$30,000, then the remaining funds are distributed based on the latest official Florida Crime Index provided by the Department of Law Enforcement (2/3 of the remaining allocation) and the district's share of the state's total unweighted student enrollment (1/3 of the allocation).

Supplemental Academic Instruction: The 2002-03 GAA provides \$653.9 million to provide instruction "at appropriate times throughout the school year to help students gain at least a year of knowledge for each year in school and to help students not be left behind." Proviso specifies that strategies used may include, but not be limited to: modified curriculum, reading instruction, after school instruction, tutoring, mentoring, class size reduction, extended school year, and intensive skills development in summer school.

Exceptional Student Education (ESE) Guarantee: Exceptional student education services that are less intensive than the two levels listed above for weighted funding (Support Levels 4 and 5) are funded through the ESE Guaranteed Allocation. The 2002-03 GAA provides \$949.1 million to fund additional services needed beyond the amount funded through the basic FTE calculation.

Categorical Funds

In addition to funds provided in the FEFP appropriation category, the Legislature provides funds in other GAA appropriation categories for various purposes. Examples of these categories are: Instructional Materials, Public School Technology, Student Transportation, Teacher Training, and Florida Teachers Lead. The new school code provides that in FY 2002-03 school boards may transfer funds from specified categories to the general operating budget, if the school board adopts a resolution stating that the categorical funds are urgently needed to maintain board-specified academic classroom instruction.

Minimum Guarantee

Section 1011.62, F.S., specifies that the Legislature "may annually in the General Appropriations Act determine a percentage increase in funds per K-12 unweighted FTE as a minimum guarantee to each school district." In the 2002-03 GAA, the Legislature ensured that every district received at least a 1% increase per unweighted FTE.

Other Special Appropriations

The Legislature also provides funds that are not automatically distributed to all school districts. Each of these appropriations is for a specific purpose and the distribution methodologies vary according to the purpose. Examples include: Lottery Discretionary/School Recognition;

Excellent Teaching Program; Assistance to Low Performing Schools; Extended School Year; and Florida Virtual High School.

Source of Funds

Schools districts receive funding from the state (General Revenue, Lottery, and Principal State School Trust Fund), from the federal government, and from local sources (almost entirely from property taxes). According to DOE, in 2000-01, school districts received 50.17 % of their financial support from state sources, 40.03% from local sources, and 8.8% from federal sources.

Every district that participates in the FEFP must levy the millage set for its required local effort (RLE) from property taxes. The Legislature set the amount of \$4,901,526,326 as the unadjusted RLE for FY 2002-03. On July 16, 2002, the Commissioner of Education certified the required millage for each district. The state average was 5.808 mills.

In addition to the RLE, the districts have the option of levying a maximum discretionary operating millage for FY 2002-03 for .51 mills. Districts may make an additional levy, not to exceed .25 mills that will raise an amount not to exceed \$50 per FTE. In some districts, the additional .25 mills raises less than \$50 per FTE. When that happens, the state provides a supplement that, when combined with the amount raised by the .25 mills, will ensure that the district will receive a total of \$50 per FTE.

Public School Funding to Encourage Articulated Acceleration

In s. 1007.27, F.S., the Legislature provides several mechanisms to shorten the time necessary for a student to obtain a high school diploma and a postsecondary degree, "broaden the scope of curricular options available to students, or increase the depth of study available for a particular subject." That section of statutes also indicates that articulated acceleration mechanisms shall include, but not be limited to: dual enrollment, early admission, advanced placement, credit by examination, the International Baccalaureate Program, and the Advanced International Certificate of Education Program. It also specifies that credit earned through the Florida Virtual School is to provide additional opportunities for early graduation and acceleration.

The following explains how each of the mechanisms is encouraged through funding incentives:

Dual Enrollment: High school students enrolled in a postsecondary course creditable toward a career and technical certificate or an associate or baccalaureate degree may be included in FTE calculations for both public schools and public postsecondary institutions. Since both public schools and universities receive funding on an FTE-basis, this calculation provides an incentive to allow students to dual-enroll. The community college benefit is not as direct a correlation because that system does not receive workload funding on an FTE basis. Some of the overall funds they receive, however, are distributed on an FTE basis, so from that standpoint, community colleges with dual enrollment receive a larger portion of the allocation than they would have received if they had had no dually-enrolled students. The total allocation to the system would not increase, though, as it would in the other two delivery systems.

Early Admission: Secondary students may enroll in eligible postsecondary institutions on a full-time basis in courses that are creditable toward the high school diploma and the associate or baccalaureate degree. Since early admission is considered a form of dual-enrollment, these students are also counted as FTE at the high school and at the postsecondary institution.

Advanced Placement (AP): School districts report an additional .24 FTE to each of the students in AP classes who earn a score of three or higher on each College Board Advanced Placement Subject examination, provided they had taken the AP class during the prior year. Postsecondary credit is limited to students who score a minimum of 3, on a 5-point scale, on the exam.

International Baccalaureate Program (IB): School districts report an additional .24 FTE for each student enrolled in an IB course who receives a score of four or higher on a subject examination. The State Board of Education establishes the cutoff scores and IB exams, which will be used to grant postsecondary credit. Also, for each student who receives an IB diploma, another .3 FTE is to be calculated.

Advanced International Certificate of Education Program (AICE): School districts report an additional .24 FTE if an AICE student scores 2 or higher on a subject examination. The State Board of Education will establish rules, which specify the cutoff scores, and AICE examinations, which will be used to grant postsecondary credit at community colleges and universities. A value of 0.12 full-time equivalent student membership is calculated for each student enrolled in a half-credit AICE course who receives a score of 1 or higher on a subject examination. An additional 0.3 FTE is calculated for each student who receives an AICE diploma.

Florida Virtual School: The Legislature provided \$7 million in the 2002-03 GAA for the Virtual School to provide on-line courses to students. According to proviso in the GAA, the first priority for use of the funds is increased availability of and access to AP and college preparatory courses for students in "D" and "F" schools (these students are given priority for courses). The courses are to be offered on a year-round schedule and must be available to student who want to take summer school courses. First and second priorities for summer school courses are students needing courses to meet graduation requirements and students needing courses for promotion.

Teachers

Salary Increases: School boards give salary increases from funds provided within the overall FEFP; the Legislature does not earmark specified amounts for increases in school district salaries and benefits. The Legislature did provide funding for liability insurance and death benefits in the 2002-03 GAA.

Performance Pay: Section 1012.22, F.S., requires each district school board to adopt a performance-pay policy for school administrators and instructional personnel, beginning with the 2002-03 fiscal year. The policy will be subject to collective bargaining, but the adopted salary schedule must allow school administrators and instructional personnel to earn a 5% supplement to their salary for outstanding performance.

Professional Development: In the 2002-03 GAA, the Legislature provided \$36 million for in-service training of instructional personnel. These funds are allocated directly to the districts on an unweighted FTE basis.

In addition to the funds that go to the districts, the Legislature provided \$133.1 million to the Department of Education for professional development. Some of these funds are earmarked for particular programs, such as the Schultz Center for Teaching and Leadership and the Panhandle Area Education Consortium Staff Academy. Proviso specifies an amount that DOE is to use to

contract with the School Boards Association (\$317,008) and the Florida Association of District School Superintendents (\$290,400) for training.

Proviso also specifies that DOE is to use professional development funds to contract for the development and implementation of a principal and assistant principal training program. The State Board of Education is to approve the plan.

Florida Teacher Lead Program: The 2002-03 GAA provides \$15.8 million for stipends to teachers to allow them to purchase classroom materials and supplies for students. Funds are distributed to each district based on unweighted FTE.

Excellent Teaching Program: The 2002-03 GAA provides \$48.7 million for those teachers who qualify for National Board for Professional Teaching Standards (NBPTS) certification, and for bonuses for those NBPTS teachers who provide mentoring and related services.

Master Teacher Trainers in Reading: The Legislature provided \$4.7 million for a pilot program to develop Master Teacher Trainers in Reading for teachers in the primary grades, and reading in the content areas for teachers in the secondary grades. The Florida Literacy and Reading Excellence Center at UCF are developing the pilot program.

Teacher Bonuses for Certain Articulated Acceleration Mechanisms: Section 1011.62(1) requires districts to give bonuses to teachers whose students perform at a specified level for Advanced Placement courses, International Baccalaureate courses, and Advanced International Certificate of Education courses.

Matching Grants

The Legislature provided \$700,000 as challenge grants to public school district education foundations for programs that serve low performing students. The amount of each grant is to be equal to the cash received by the foundation seeking state funds.

Rewarding School Performance

From each district's portion of lottery funds received, funds are to be used to fund awards relating to the Florida School Recognition Program. School performance grade category designations are to be used to determine the schools that will receive awards. The school's staff and school advisory council will determine the use of the awards, which must be nonrecurring bonuses to faculty and staff or nonrecurring expenditures for educational equipment or materials or temporary personnel to assist in maintaining and improving student performance. The amount allocated for the School Recognition Program for 2002-03 is \$122.8 million.

School Improvement Plans

Of the district discretionary lottery funds, at least \$10 per unweighted FTE is to be given to the School Advisory Council, to be used at the council's discretion; a portion of the funds are to be used for implementing the school improvement plan, which must include measurable performance indicators.

Issues

Policy questions, which may need to be addressed, include:

Performance Funding: Statutes require the State Board of Education to develop proposals for performance-based funding, using measures established by the Legislature. December 1, 2003, is the due date for proposals for public schools. According to Section 1008.31, F.S., "The proposals must provide that at least 10 percent of the state funds appropriated for the K-20 education system are conditional upon meeting or exceeding established performance standards." Questions that need to be addressed are:

- Is it possible to have performance funding at this magnitude while providing equalized funding?
- Will putting 10% of total funding at risk affect the ability of schools to fulfill their mission?
- Who should set the performance standards –the school boards, the State Board of Education, or the Legislature?
- What happens to the 10% that is conditional upon performance – does it revert back to the state's General Revenue or should it be redirected for other purposes? If it should be redirected, who should do so – the State Board, the local school board, or the Legislature?

Coordination and Collaboration

- Are additional financial incentives needed to encourage coordination and collaboration between delivery systems? For what programs or activities are incentives needed?

"Dollars to the Classroom"

In 2001, the Legislature enacted the "Dollars to the Classroom Act." This act, now primarily in Section 1011.64, F.S., indicates that the Legislature may require districts that fail to meet minimum academic performance standards to transfer funds into classroom instruction from other areas of the operating budget. In the 2002-03 GAA, the Legislature specifies for districts the minimum academic performance standards and minimum classroom expenditure requirements. According to proviso, districts that do not meet the standards "must increase expenditures for classroom instruction over the percentage expended by 1% for each academic performance standard not met." Districts that are required to transfer funds into the classroom must include prescribed wording of a statement in the published notice of the proposed budget. The statement explains that the district did not meet the performance standards and is required to increase expenditures of classroom instruction by a specified amount; the statement also must list the activities that will be funded and the amount budgeted for the activities. At the end of the year, if a district has not fully complied with the transfer of funds into the classroom, it must adopt a statement at a public hearing, which explains why the requirements of this law have not been met.

- What is the appropriate balance between local flexibility and state control? Does this particular approach reduce a district's ability to emphasize programs outside the classroom that may help performance inside the classroom, such as after-school tutoring and counseling for at-risk students?
- Should similar requirements be mandated for community colleges and universities that do not meet performance standards?

Teachers

- Should greater flexibility be provided to districts for the employment and compensation of teachers within the existing state budgeting and allocation procedures and collective bargaining laws? If so, how?

COUNCIL FOR EDUCATION POLICY, RESEARCH AND IMPROVMENT

University Funding Highlights of Selected Policies

Background

After the Legislature has passed the General Appropriations Act (GAA), and the Governor has approved it, the State Board of Education allocates funds to institutions in accordance with the GAA. For most issues, funds are appropriated directly to each institution. In prior years, the appropriations were made at the system level, with the former Board of Regents being responsible for allocating the funds to the institutions. With the implementation of the new governance structure, though, the Legislature is treating the universities in a manner consistent with the community colleges: funds are being appropriated directly to them in most cases. Such direct appropriations require no allocation decisions by the State Board of Education.

Universities have control over funds that are not a part of the appropriations process. Auxiliary enterprises, for example, are self-supporting business activities that require no General Revenue support. Auxiliaries include housing, bookstores, food services, intercollegiate activities, and student activities programs. In addition, Contracts, Grants and Donations are outside the appropriations process. Included in this category are grants and donations, sponsored research contracts, Department of Education funds for lab schools, and other activities for which funds may be deposited outside the State Treasury.

Current Situation

In FY 2002-03, most trust funds for universities, including student fee trust funds, were removed from the appropriations process; they are no longer appropriated in the General Appropriations Act. The only sources of funding for universities in the GAA are now General Revenue, Educational Enhancement Trust Fund (Lottery), Phosphate Research Trust Fund, and the Major Gifts Trust Fund.

In both the Legislative Budget Request (LBR) and the appropriations process, each institution begins with its base from the prior year. The base is adjusted to reflect reductions and increases for specific issues. The amount of funds for some of these issues is determined through formulas, such as those for enrollment workload and the operation and maintenance of new buildings. Other issues are considered "stand-alone" and do not require the use of formulas. The Legislature usually includes language ("proviso") in the GAA to provide direction regarding the expenditure of funds.

Planned Enrollment: Each year, the LBR includes a request for enrollment growth. The basis for the growth begins with the calculated plan adopted by the Enrollment Estimating Conference. This plan includes, for example, projections for transfer students and First-Time-in-College students. To this, the State Board adds any additional growth the Board feels is necessary. The Florida Statutes require that the State Board adopt a "coordinated 5-year plan for postsecondary enrollment." Although such a plan has not been adopted at this point, it is presumed that the 5-year plan will be used in the future for the development of LBR issues related to enrollment growth.

The Legislature, in the General Appropriations Act, determines the number of student Full-Time-Equivalents (FTEs), including new FTEs, to be funded in the subsequent year. For FY 2001-02,

the Legislature funded a total of 148,810 FTEs. For FY 2002-03, the systemwide FTEs funded are as follows:

	GAA
Lower	57,906
Upper	73,858
Graduate	27,518
Total	159,282

The GAA allocated these FTEs by university, but each university is allowed to shift enrollment by level, contingent upon the shift being revenue-neutral and not increasing the number of lower level FTEs above the funded enrollment plan.

The GAA also directs each university to place a priority on expanding access to nursing degree programs and submit a report to the Florida Board of Education (FBOE) on how it plans to increase the number of nursing graduates. FBOE then submits a consolidated report and recommendations to the Governor and Legislature by January 3, 2003.

Enrollment Workload Formula: The funding for enrollment growth is based on planned enrollment for the subsequent year. With growth in the student body comes the need for additional faculty and various support services. To determine the level of that need, the formula simply calculates the cost-per- planned FTE using the most recent direct expenditure data (updated to reflect current year appropriations), and then multiplies that cost by the enrollment planned for each university for the upcoming year. The result is the amount requested in the LBR for enrollment workload.

For instruction, and for each of the support functions (academic advising, academic administration, research, public service, university support, student services, and library/audio visual operations), the formula divides the direct expenditures from the most recent expenditure analysis by planned enrollment to determine a systemwide average expenditure per planned FTE, in addition to each university's average expenditure per planned FTE.

In requesting enrollment funding, the Florida Board of Education uses each university's cost-per-planned FTE to determine the amount requested for that institution. At times, the Legislature has used this approach, but at other times, the Legislature has used the systemwide average to calculate the amount to be received by each institution. The Legislature has also used a combination of the two approaches. For example, for FY 2001-02 and 2002-03, the Legislature used each university's own cost for instruction, but used systemwide fixed amounts for each university's support costs.

Also, the formula is not a marginal cost model. It generates the same funding per FTE for increases as it does for the base. At times, the Legislature has funded less than the amount generated by the formula, especially for support functions, in an attempt to recognize only these marginal costs. This was the case in FY 2002-03, when the Legislature funded 100% of each institution's instructional costs and 100% of the SUS average for academic advising and library activities, but only 42% of the system average for student services, university support, academic administration and research,.

In the FY 2002-03 GAA, proviso specifies that enrollment funds are based upon the following systemwide average funding per student: Lower level - \$5,049; Upper level - \$7,797; Graduate

I Level - \$12,537; and Graduate II Level - \$18,549. As stated above, these amounts would vary by institution.

Tuition Increases: The GAA specifies the level of tuition to be charged for FY 2002-03:

Level	GAA
Matriculation Fee per credit hour: Undergraduate Graduate Law	\$ 58.45 (5 % increase) \$140.64 (5 % increase) \$159.84 (5 % increase)
Matriculation Fee - annual Medicine Vet Medicine Dental	\$11,477.29 (5 % increase) \$ 8,383.36 (5 % increase) \$ 9,980.29 (5 % increase)
Flexibility with Matriculation Fee	No additional increases for undergraduate matriculation fees Boards of Trustees may increase fees for other levels by up to 5%.
Out-of-State Fee per credit hour: Undergraduate Graduate Law Out-of-State Fee – annual Medicine Vet Medicine Dental	\$275.45 (10% increase) \$426.55 (10% increase) \$444.30 (10% increase) \$21,915.96 (10% increase) \$16,008.16 (10% increase) \$19,057.32 (10% increase)
Flexibility with Out-of-State Fee	Boards of Trustees may exceed out-of-state fees by up to 10% for any level of instruction.

The Legislature also provides funds to be used for specific purposes. Sometimes these purposes are just listed in proviso, with their titles reflecting their purpose. At other times, proviso gives detailed directions for their use. The following are examples of issues specifically funded by the Legislature for FY 2002-03:

Branches and Centers: The GAA provides \$16,300,000 to increase the number of courses and/or programs being offered on the branch campuses and centers in the following counties:

FSU – Bay	\$ 753,300
UCF – Brevard	\$ 2,224,250
USF – Polk	\$ 2,052,200
FAU – Indian River/St. Lucie/Martin	\$ 1,698,800
UCF – Volusia	\$ 1,904,950
UWF – Okaloosa	\$ 990,450
UCF – Lake	\$ 800,000

USF – St. Pete	\$ 3,775,800
USF – Sarasota/Manatee	\$ 2,100,250

In addition to the funds listed above for branches and centers, proviso in the GAA permits university boards of trustees to expand access on branch campuses using funds provided for local initiatives. The Florida Board of Education, or the State Board of Education, must certify the number of full degree programs to be offered. The State Board must also approve the operating budgets for each of the branch campuses and centers.

Targeted Baccalaureate Degrees for Colleges: For FY 2001-02, the Legislature provided \$6 million (later reduced to \$3.9 million during Special Session C) for increasing access to baccalaureate degree programs through the use of community colleges. Of that amount, \$1 million was earmarked for St. Petersburg College, and the remaining for other colleges.

For FY 2002-03, the GAA provides \$500,000 to Miami-Dade Community College in an appropriation category entitled, "College and University Centers." The Governor vetoed the proviso which specified that these funds were to be used to support efforts to obtain accreditation from the Southern Association of Colleges and Universities (SACS) when he vetoed the \$500,000 appropriated to Daytona Beach Community College for this purpose. The result is that Miami-Dade's funds are not restricted to the pursuit of SACS accreditation.

Another \$3 million is appropriated to St. Petersburg College to provide baccalaureate degrees.

Challenge Grants – Major Gifts: For FY 2001-02, the Legislature provided a total of \$22.2 million to match private donations to universities for projects consistent with the mission of the university. For FY 2002-03, the GAA provides the recurring amount of \$12.4 million, with proviso authorizing the university boards of trustees to use funds they received for local initiatives to match challenge grants.

Local Initiatives: The Legislature provided \$34.5 million for FY 2002-03 for priorities as determined by the university Boards of Trustees, including expansion of access to degree programs on the branch campuses and matching challenge grant programs.

Issues

Overall policy questions which may need to be addressed include:

- What is the appropriate balance between student expectations and taxpayer expectations? For example, should state taxpayers pay for an unlimited number of credit hours/degrees a student accumulates, for whatever classes/degrees the student desires?
- What is the best way to fund universities to ensure that workforce needs of the state are being met?
- What is the appropriate balance between local control of funds/accountability for expenditures and state control of funds/accountability for expenditures?
- Are funding incentives needed to encourage greater articulation between community colleges and universities?

Incremental Funding: Each year, universities receive the amount of funds they received in the prior year, adjusted for nonrecurring issues. Amounts are then calculated for “cost to continue,” which consists primarily of increases in salaries and benefits. Funding is then added to that base for new and improved issues, such as enrollment growth, or deducted from the base for budget cuts. Questions which need to be answered are:

- Should an incremental funding approach continue to be used? Do the benefits of an incremental funding approach, such as stability and local flexibility, outweigh the benefits of other approaches, such as performance funding or zero-based funding?

Equity: Periodically, various universities have raised concerns about “equity funding,” and have requested the Legislature to provide additional funds to ensure that every institution receive its “fair share.” Allocation and appropriations formulas are reviewed and revised from time to time, but the issue inevitably is raised again as soon as any institution feels it is receiving relatively fewer funds than it feels it is due.

The latest equity concerns were raised during the 2002 Legislative session, resulting in proviso in the General Appropriations Act directing that two university equity studies be conducted. The State Board of Education’s study is due January 15, 2003, while CEPRI’s is due January 1, 2003. Questions to be answered in that study include:

- How should equity funding be defined?
- What methodology should be used to assess equity?
- Do inequities currently exist? If so, why?
- What should be the relationship between funding for equity and funding for performance?
- Will local decision-making, such as local tuition decisions, affect funding inequities? If so, how should this effect be treated?

Performance funding: Statutes require the State Board of Education to develop proposals for performance-based funding, using measures established by the Legislature. December 1, 2002, is the due date for proposals for the state universities. According to Section 1008.31, F. S., “The proposals must provide that at least 10 percent of the state funds appropriated for the K-20 education system are conditional upon meeting or exceeding established performance standards.” Assuming the 10 percent is calculated from operating funds (excluding fixed capital outlay), then 10% would equal \$200 million for the system. Questions that need to be addressed are:

- Will putting 10% of total funding at risk affect the ability of institutions to fulfill their various missions?
- Who should set the performance standards – each institution’s Board of Trustees, the State Board of Education, or the Legislature?
- What happens to the 10%, if an institution does not perform well – does it revert back to the state’s General Revenue or should it be redirected for other purposes? If it should be redirected, who should do so – the State Board, the local Board of Trustees, or the Legislature?

Funding Enrollment Growth: Policies for funding planned enrollment change frequently. Sometimes over-enrollment has been funded; sometimes it has not. Questions which need to be answered are:

- Is there a need to continue having – and funding - *planned* enrollment in the university system, especially if over-enrollment is to be funded?

Enrollment Formula: The formula used by both the Legislature and the State Board of Education is based on certain components of the Expenditure Analysis, which calculates each university's direct and indirect costs for various activities. These dollar amounts are then used to calculate an amount per FTE to be used in the formula for funding enrollment workload. The total amount per FTE is a derived number that could be changed if a different methodology were used to produce the Expenditure Analysis. In addition, the amount per FTE appropriated by the Legislature changes regularly, based on its decision each year to fund components of the formula at the system average, at a percentage of the system average, or at a different level per institution. The main questions to be answered are:

- Is the methodology used in the Expenditure Analysis an accurate reflection of the costs of activities at the universities? Do costs need to be captured in a different manner (for example to be more useful in conducting equity analyses or highlighting the effects of particular policies)?
- How should the Legislature determine the appropriate level to fund enrollment workload?

COUNCIL FOR EDUCATION POLICY, RESEARCH AND IMPROVEMENT

Community Colleges Operating Funds

Background

The Secretary of Education gives the community college system an allocation to use for issues included in the system's Legislative Budget Request (LBR). The Division of Community Colleges, with input from the colleges, then distributes that allocation between the Community College Program Fund, Performance Funding, and Workforce in the LBR. The Legislature takes the LBR into consideration while determining the amount of funds it will appropriate to the colleges.

After the Legislature has passed the General Appropriations Act (GAA), and the Governor has approved it, the State Board of Education allocates funds to institutions in accordance with the GAA. For most issues, funds are appropriated directly to each institution in a lump sum. Such direct appropriations require no allocation decisions by the State Board of Education and give each community college flexibility in setting priorities and meeting local needs.

In addition to appropriated funds, community colleges have control over funds that are not a part of the appropriations process, such as student fees and self-supporting business activities.

Current Situation

CCPF:

The primary funding mechanism for operating funds is the Community College Program Fund (CCPF). This fund supports the Associate in Arts (A.A) and College Preparatory programs (i.e., remedial courses for non-vocational programs). The 2002-03 General Appropriations Act (GAA) transferred Workforce dollars from the Workforce Development Education Fund into the CCPF, but separately provided the workforce allocation to each college in proviso.

Formula: The community colleges "open-door" policy has provided challenges to developing a formula that meets enrollment needs, while funding an equitable and adequate base for each college. The CCPF formula has changed over the years in its quest to meet these needs. The most recent formula developed by the Department of Education, in conjunction with representatives from the community colleges, is considered a resource formula, i.e., a formula that reflects the funding needs of the colleges. DOE staff indicate that the formula is an allocation model, developed to allocate funds appropriated to the colleges, rather than to request funds in the LBR. It takes into consideration each institution's mix of students, as well as other factors, such as library needs, student services, technology, plant maintenance, etc.

This formula has been incorporated into the Florida Statutes, but has not been fully utilized in the appropriations process. For 2002-03, the House and Senate used different approaches to calculating the distribution of CCPF funds to community colleges, although both utilized DOE's formula to some extent. The Budget Conference Committee just split the House and Senate differences in funding for each institution; therefore, no formula for the CCPF was agreed upon in the budget process.

Performance Funding:

Each year since 1994, the community college system has been appropriated some level of funds based on performance. The measures have been refined over the years, and the amount of funds appropriated has varied each year. Funding distributions are currently based on the following outputs:

- Each colleges pro-rata share of (a) the number of AA degree graduates and (b) the number of dual enrollment credit hours generated divided by 60 (the credit hour requirements for an AA degree)
- Each college's pro-rata share of the number of AA graduates who: (a) required remediation based on College Placement test results (one point for each subject area requiring remediation); (b) qualified as economically disadvantaged under federal guidelines; (c) were reported as disabled using federal guidelines; (d) is an African-American male; or (e) tested into English for Non-Speakers or English as a Second Language. Colleges receive one point for each special category met by the student.
- Each college's pro-rata share of the number of completers or partial completers who were placed in jobs or transferred to the State University System (SUS).
- Each college's pro-rata share of the number of AA graduates who completed their degree with 72 credit hours or less.
- Each college's pro-rata share of the number of students passing the highest level college preparatory course in each subject area.

Tuition:

The GAA specifies the level of tuition to be charged for FY 2002-03:

Matriculation Fee per credit hour:

Advanced and Professional (university parallel)	\$40.26
Postsecondary Vocational (college level vocational)	\$40.26
College Preparatory	\$40.26
Vocational certificate	\$41.40
Adult education (for those who have a high school diploma)	\$20.40

Out-of-State Fee per credit hour:

Advanced and Professional (university parallel)	\$120.84
Postsecondary Vocational (college level vocational)	\$120.84
College Preparatory	\$120.84
Vocational certificate	\$165.60
Adult education (for those who have a high school diploma)	\$81.60

Flexibility with Matriculation Fee: Boards of Trustees may adopt a fee schedule between 10% below and 15% above the standard fees.

Postsecondary adult vocational courses are indexed to 25% of the cost of instruction. Because of the reduction in workforce funding, no increase will occur this year.

Challenge Grants:

The community college system has a challenge grant program similar to the one in the universities. Section 1011.85, F.S., establishes the matching ratios for the Dr. Philip Benjamin Matching Grant Program. For donations that are designated for scholarships, student loans, or need-based grants, funds are matched on a one-to-one basis, while all other funds are allocated on the basis of \$4 of state funds for each \$6 of local or private funds (a minimum of \$4,500 must be raised from private sources.) This program has usually received funding in the past, but the Legislature used a different approach for the 2002-03 fiscal year: rather than a direction appropriation for the program, proviso for the \$8.4 million appropriated for Information Technology Enhancement Grants permits a college's board of trustees to allocate a portion of those funds to meet a need for non-recurring expenses, including matching private (cash) donations.

Other Categoricals:

In addition to funds that are appropriated directly to all the colleges, the 2002-03 GAA provides funds that are for specific purposes and are allocated in a different manner, such as for the Community College Library Automation System and for Distance Learning.

Issues

Overall policy questions which may need to be answered include:

- What is the appropriate balance between student expectations and taxpayer expectations? For example, should state taxpayers pay for an unlimited number of credit hours/degrees a student accumulates, for whatever classes/degrees the student desires?
- What is the best way to fund community colleges to ensure that workforce needs of the state are being met?
- What is the appropriate balance between local control of funds/accountability for expenditures and state control of funds/accountability for expenditures?

Performance funding: For the past several years, community colleges have received performance dollars based on their pro-rata share of outputs and outcomes. Every

institution has received performance funds each year under this process. That may change under the performance-based funding process that has been specified in section 1008.31, F.S. This section requires the State Board of Education to develop proposals for performance-based funding, using measures established by the Legislature. December 1, 2004, is the due date for proposals for community colleges. According to s. 1008.31, F.S., "The proposals must provide that at least 10 percent of the state funds appropriated for the K-20 education system are conditional upon meeting or exceeding established performance standards." Questions that need to be addressed are:

- Will putting 10% of total funding at risk affect the ability of institutions to fulfill their missions?
- Should local funds be taken into consideration when calculating the 10%?
- Who should set the performance standards – each institution's Board of Trustees, the State Board of Education, or the Legislature?
- What happens to the 10%, if an institution does not perform well – does it revert back to the state's General Revenue or should it be redirected for other purposes? If it should be redirected, who should do so – the State Board, the local Board of Trustees, or the Legislature?

COUNCIL FOR EDUCATION POLICY, RESEARCH AND IMPROVEMENT

Workforce Education Funding

Background

The purpose of the Workforce Development Education Program is to help students attain those skills that enable them to become or remain economically self-sufficient. The program provides training designed to meet local and state workforce needs and to help Florida compete in a global economy by building a broadly based, highly skilled, more productive workforce. The 28 community colleges and 58 of the 67 district school boards in Florida carry out program service delivery. In Fiscal Year 2000-01, school district programs served 643,901 students and community colleges served 360,588 students in workforce programs.

Workforce development education includes three types of programs categories: career and technical education programs, adult general education programs, and continuing education programs. Career and technical education programs prepare individuals for entry into a specific occupation by completing an associate in science degree, a college credit certificate, an adult vocational certificate, or an apprenticeship program. Adult general education programs provide courses for individuals who need literacy, basic education, and English language training to improve job performance and/or to move into higher paying jobs. Continuing education programs are courses designed to improve skills for individuals who are already employed.

Chapter 97-307, Laws of Florida (SB 1688), created the Workforce Development Education Fund to provide a new way of funding for Workforce Development Programs (adult vocational and adult general education) and to provide a "level playing field" between the school district and community college in terms of funding and delivering workforce development training. The new formula had its basis in performance. This act also required the following for workforce development programs: common definitions, standard program lengths, a common database, common cost calculations, and a common fee structure for both systems.

Development Education Funding Formula Process

The Workforce Development Education Funding Formula (WDEFF) is a unique funding process because it places considerable resources for postsecondary vocational and adult general education programs at risk. Fifteen percent of funding for these workforce programs is based on the performance of school districts and community colleges in producing high numbers of program completers and job placements through the workforce formula. The remaining 85 percent of funding is based on the prior year's funding levels.

Following is a brief step-by-step summary of how the WDEF process has worked:

1. Initially, the amount of funds were designated, based on expenditure reports, in the following major program groups: Vocational Certificates, Adult General Education, Associate in Science degrees, and Continuing Workforce Education.
2. The statewide performance incentive amount for each major program group was then established by taking 15% from the funding of each major program group except continuing workforce education. Continuing workforce education category is not based on performance and is therefore not included in the funding formula.

3. The number of performance points for each fund category is then calculated.
 - a. Count the number of completions in each school district and/or community college, multiply by weights for targeted populations. In addition, depending on the fund category multiply the completions by weights for program length, relative effort, or completion. These become the completion points for each school district/community college.
 - b. Count the number of placements in each school district and/or community college, multiply by weights for established job placement levels. These become the placements points.
4. The completion points and placement points are added to arrive at the total points for each fund category.
5. The total points for each category are divided into the performance amount for each category to derive a price per performance point.
6. The price per point in each category is multiplied by the points earned by each school district/community college in each category. This results in the performance-funding amount earned.
7. Within each fund category for each school district/community college, the performance amount earned is added to the base-funding amount (85% of the prior year's appropriation) for the total for each major program group.
8. The fund category totals are then added to the set aside continuing workforce education amount to arrive at a total workforce allocation for each school district or community college.

Current Situation

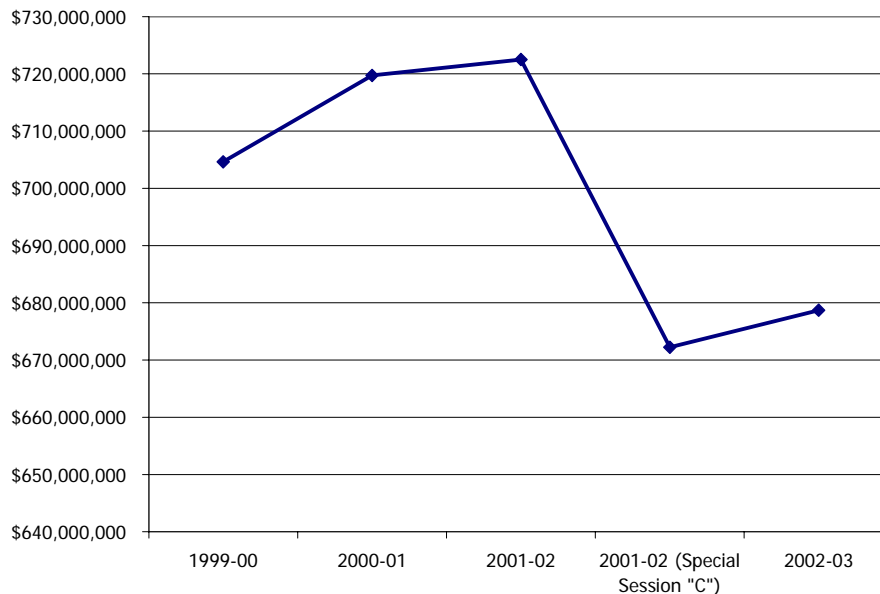
In calculating the Workforce Development Education Fund for 2002-03, the Legislature did not apply the performance requirements through the formula as outlined in Section 239.115, F.S. Because the budget cuts in Special Session "C" were taken on a straight percentage basis, the increases in funds were applied proportionately to each institution. The 2002 Legislature provided \$7.3 million in recurring funds to replace the non-recurring funds provided to reduce the impact of Special Session "C" reductions. These funds were also prorated based on each institutions' total funding.

In addition, the Legislature transferred workforce funds that had been listed for community colleges into Specific Appropriation 161, along with the appropriations for the Community College Program Fund (CCPF). The amount appropriated for workforce education within in the CCPF was \$297,241,341. Therefore, the 2002-03 state appropriation to the workforce development education fund of \$381,459,332 reflects the funding for school district workforce programs alone, not community colleges. The school districts and community colleges are restricted from using these funds for any other purpose than workforce development education programs.

**2002-03 State Appropriations for Workforce Education
Workforce Development Education Fund**

Workforce Education Funds (Funding for Local School Districts)	\$381,459,332
Workforce Education Funds (Funding for Community Colleges – Within the CCPF)	\$297,241,341
Total for School District and Community College Workforce Education Funding	\$678,700,673

**Total Appropriations for the Workforce Development Education Fund
1999-00 to 2002-03**



The chart above demonstrates that funding for workforce education has decreased from pre-2001 Legislative Special Session "C" levels. The 2002-03 appropriation for the WDEF, though an increase over the special session, is significantly less than previous funding levels.

Other Workforce Education Appropriations (Mainly from Federal Funds)

Workforce Education Grant Programs	
• Adult Basic Education (Federal Flow-Through Funds)	\$23,457,545
• Adult Handicapped Funds (State General Revenue)	\$18,508,431
• Vocational Formula Funds	\$77,144,852
Total Workforce Grant Programs	\$119,110,828

Workforce education programs also received a limited amount of funding outside the formula funding process. However, the programs (listed in the chart above) are mainly tied to federal funds and not disbursed in the same way as the Workforce Development Education Fund.

Issues

The Workforce Development Education Funding Formula is unprecedented in the nation in the degree to which funding is made dependent on performance. The formula appears to have stimulated institutions to eliminate programs that are not in demand in the economy and to add and expand programs that are needed. However, the formula has been subject to numerous reviews and policy questions remain regarding the program.

Overall Funding

- Is the funding of workforce education programs adequate to meet the needs of Florida's citizenry and economic development?

A skilled workforce is a primary determinant of the state's ability to respond to the demands of the economy of the 21st century. Workforce programs are essential in meeting this demand given that, for projected occupational needs through 2009, 80% of the fastest growing jobs require postsecondary education and most of these require postsecondary vocational education. However, as noted above, funding levels for workforce education have decreased substantially following the 2001 Special Session "C" and have not returned to or near pre-special session levels. If it is recognized that workforce education is critical to the current and future economic development of the state, should a higher priority be placed on workforce education in the budget process?

Responsiveness of the Formula

- How responsive is the workforce development education funding formula process to emerging business needs and new program development?
- Should a procedure be in place to facilitate community colleges and school districts starting new programs by using existing workforce funds without placing performance earnings at risk?

There is a significant delay between when a program is implemented and when it generates revenue that can reward success. With performance dollars dependent on the past program completions and job placements, it is increasingly difficult to provide start-up funding for new programs. In the past, grants such as the Capitalization Incentive Grant, have been used to respond to emerging economic needs in local areas. However, the funding for these grants were one-time, non-recurring making the sustenance of these programs difficult without sacrificing funding in other program areas. In fiscal year 2002-03, these grants did not receive any funding.

Measurement and Weighting

- What are the consequences of altering the performance measures of the formula?

Since the Workforce Development Education Fund formula was first applied in 1999-00, community college and school district data systems have adapted to new data collection requirements of the formula. During this transition period, reporting of performance data has become more timely and accurate. However, due to data improvements over-time and the

changes in how certain program completions are calculated (e.g., counting partial completions in the vocational certificate programs through occupational completion points "OCPs") it is difficult to compare changes in performances over time. For example, fiscal year 2001-02 provided the first year in which performance data for adult vocational certificate programs have been measured consistently for two years so that performance comparisons to prior years can be made. On the one hand, it is important to review the validity of the weighting factors used to measure performance. On the other hand, it is equally important to develop consistent measures so that changes in performance can be measured and awarded consistently over time.

- Does the weighting of placements accurately reward a successful outcome?

Institutions receive points through the formula for the job placements of their students in three different levels distinguished by wages. The higher the placement (the highest level (Level III) is for jobs with a wage of \$9/hour or higher) the heavier the placement is weighted in the formula. Concerns have been raised over the threshold used to define a "high-wage" placement and over the time frame used to make this judgment of job placement. The high-wage threshold is determined by the Workforce Estimating Conference (WEC). The WEC opted to change the Fiscal Year 2002-03 high wage entry-level job earnings threshold to \$10.05/hour, with an average wage of \$13.86/hour. Increasing the wage threshold for these placements in the funding formula will follow.

According to Section 239.101(4), F.S. "the purpose of career education is to enable students to attain those skills that enable them to become or to remain economically self-sufficient. Consequently, the Legislature finds that vocational programs which lead to minimum wage employment should be minimized and should be conducted only with specific justification." The current funding formula weights any kind of job placement, even minimum wage placements. In keeping with the intent of the statute, is it necessary to reconsider this funding incentive and focus only on those placements that provide wages that are adequate for economic self-sufficiency?

Additionally, others have raised concerns that the emphasis on immediate job placements provides a disadvantage to those programs that lead to occupations where salaries have more potential than others of increasing over a career, or where self-employment is typical. Such occupations may not be accurately represented by the follow-up process as providing graduates with the opportunity of securing good jobs. However, accounting for these "delayed-placements" in the formula would increase the lag-time in the rewarding of funds through formula. The delay between outcomes and rewards has already been highlighted above. Any increase in that delay potentially blurs the connection between program success and reward, hindering the effectiveness of the workforce formula funding process.

Workload

- Should a mechanism be put in place to allow for funding adjustments due to shifts in enrollment, without changing the performance-driven nature of the workforce education funding process?

In the workforce education funding process, 85 percent of an institution's funding for workforce education is based on prior year's funding. As the formula is implemented each year, an institution's prior year's funding becomes more of a reflection of performance rather than enrollment (as funding was previously allocated). A potential problem with this process is that without accounting for enrollment shifts, the funding process may lead institutions with sudden

enrollment growths to face budget shortfalls in workforce education. With the funding dependent on the performance of past completers and placements, an institution may be faced with funding difficulties given a sudden increase in enrollment. Is it necessary, then, to account for additional workload due to increased enrollments in the base funding allocation for workforce education?

COUNCIL FOR EDUCATION POLICY, RESEARCH AND IMPROVEMENT

Fixed Capital Outlay

Current Situation

Funds for fixed capital outlay projects come from several sources, but not all sources are available to each delivery system, as the following chart shows:

Fund Source	Level	K-12	CC	Univ
Public Education Capital Outlay (PECO)	State	X	X	X
Cash (primarily General Revenue, Lottery)	State	X	X	X
Capital Outlay & Debt Service (CO&DS)	State	X	X	
Student Capital Improvement Fees	State		X	X
Student Building Fees	State			X
2 Mills (non-voted)	Local	X		
Voted Millage (2-year limit)	Local	X		
Bond Referendum	Local	X		
Race Track Funds	Local	X		
School Board Operating Funds	Local	X		
Penny Sales Tax (shared with county)	Local	X		
Sales Surtax	Local	X		
Impact Fees	Local	X		

PECO

PECO, considered the state's major program for funding facilities, is established by the state constitution; funds are used for construction and maintenance. In addition to the three delivery systems, PECO funds are used for the School for the Deaf and Blind, public broadcasting, and any other educational facilities program defined by the Legislature.

Revenue source: The revenue source for PECO is the Gross Receipts Tax, a tax of 2.5% on utilities gross receipts. Appropriations are funded from cash collections from this tax and from proceeds derived from the sale of bonds supported by the tax revenues.

The amount of funds available for PECO is anticipated to drastically decline for the next two years, and then slightly increase through 2010-11. The following chart reflects the amounts projected by the Revenue Estimating Conference in March 2002:

Fiscal Year	PECO Appropriations	Gross Receipt Tax Collections
2001-02	1,175.2	775.0
2002-03	807.0 *	760.5
2003-04	384.0	788.4
2004-05	177.3	816.8
2005-06	498.7	845.9
2006-07	515.5	875.8
2007-08	533.5	907.1
2008-09	551.7	939.3
2009-10	603.1	972.0
2010-11	647.6	1,005.8

* Reflects actual appropriation, which was less than projection

While the Gross Receipts Tax is a relatively stable tax source and has continued to grow, the amount available for appropriation has fluctuated substantially over the years. The primary reason is that most of the funding for PECO comes from the sale of bonds; changes in the bond sales cause the fluctuation.¹

Distribution: Allocations for the School for the Deaf and Blind and public broadcasting projects are made “off the top,” with the remainder of the funds divided between the three delivery systems based on the percentage of funds appropriated for the five prior years.

Of the funds allocated for public schools, an allocation is first made to developmental research schools (lab schools), the special facilities program for certain small districts, and cooperative funding for vocational education facilities.

Lottery Bond Programs

From September 1998 through September 2002, over \$2 billion of proceeds from the sale of lottery bonds have been distributed to public schools as a result of the programs created during the 1997 Special Session on capital outlay:

Classrooms First: School districts receive and use these funds to construct, renovate, remodel, repair, or maintain educational facilities.

Effort Index: School districts use these funds to construct, renovate, remodel, repair, or maintain educational facilities, but to participate in the grant program, a district must first meet criteria related to local funding efforts for capital outlay.

School Infrastructure Thrift Program: This program was designed to award funds to districts that construct “functional, frugal” schools.

Joint Use Facilities

Section 1013.52, F.S., provides a process by which two or more boards may establish a common educational facility. The process includes:

¹ Economic and Demographic Research, Florida Legislature, “Florida Budget Forecasts/PECO Flow of Funds,” <http://www.state.fl.us/edr/Coferences/PECO/peco.htm>, 9/26/02.

- The boards must jointly request the Commissioner of Education to assess program need and the need to build a new facility
- The boards must adopt and submit to the Commissioner a joint resolution that includes specified assurances
- The boards must submit funding requests involving universities and community colleges to the Commissioner for approval (projects must appear on the 3-year capital outlay priority lists of both institutions)
- DOE must include 25% of the cost in the department's legislative budget request
- The boards must include in their joint resolution a commitment to finance all remaining funds to complete the planning construction, and equipping of the facility.
- Proposals must document the new campus or facility has been reviewed by the State Board of Education and requested for authorization by the Legislature

Facilities Matching Grants Program:

Community colleges and state universities have facilities matching grants programs. Both programs require the institutions to raise ½ the cost of the facility from private sources; the state will provide funds for the other half. The community college funds are to be used for high priority instructional and community-related facilities, while the university funds are to be used for high priority instructional and research-related facilities.

Small School Requirement:

Section 1013.43, F.S., specifies that:

Beginning July 1, 2003, all plans for new educational facilities to be constructed within a school district and reflected in the 5-year school district facilities work plan shall be plans for small schools in order to promote increased learning and more effective use of school facilities.

The statutes define a small school as:

- An elementary school with no more than 500 students
- A middle school with no more than 700 students
- A high school with no more than 900 students
- A school serving grades K-8 with no more 700 students
- A school serving grades K-12 with no more than 900 students

In addition, a school on a single campus, which operates as a school-within-a-school, is to be considered a small school.

Charter Schools:

Florida statutes require the Department of Education to request capital outlay funding for charter schools in its annual legislative budget request. If the Legislature appropriates funds for this purpose, the Commissioner allocates them to eligible charter schools based on a formula that is specified in statutes, unless other specified in the General Appropriations Act. Prior to releasing the funds, though, the Commission must ensure that the district school board and the charter school governing board have entered into a written agreement that specifies, among other things, that all equipment and property purchased with public education funds revert to the ownership of the school board.

Statutes specify the uses of charter school capital outlay funds, which include:

- Purchase of real property
- Construction, renovation, repair, and maintenance of school facilities

- Purchase, lease-purchase, or lease of permanent or relocatable school facilities
- Purchase of vehicles to transport students to and from the charter school.

For FY 2002-03, the Legislature appropriated \$27.7 million of PECO funds for charter school capital outlay; according to DOE, this amount funded approximately 50% of the full requirement generated by the statutory formula.

Performance Evaluation:

DOE: Section 1013.04, F.S., requires the Office of Educational Facilities and SMART Schools Clearinghouse within DOE to develop and adopt measures for evaluating the performance and productivity of school district facilities work programs. The measures are to assess performance in the following areas:

- Frugal production of high-quality projects
- Efficient finance and administration
- Optimal school and classroom size and utilization rate
- Safety
- Core facility space needs and cost-effective capacity improvements that consider demographic projections
- Level of district local effort

In addition, the office is to establish annual performance objectives and standards that can be used to evaluate district performance and productivity.

OPPAGA: The Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA), with the assistance of the Office of the Auditor General, is charged with the responsibility of developing and implementing a system for reviewing the financial management practices of school districts. Among the areas for which best practices must be developed and reviewed are facilities construction and facilities maintenance. If a school district is found not to conform to best financial management practices, the report issued by OPPAGA must contain an action plan detailing how the district could meet the best practices within 2 years. The school board then decides whether or not to implement the action plan.

Issues

Policy questions, which may need to be answered, include:

- Are sufficient funds available to institutions to fulfill their missions, especially in light of the projected decline in PECO funds? If not, are there creative solutions that could be encouraged through incentives?
- Are there unnecessary obstacles to accessing funds (statutory restrictions, restrictive DOE rules and regulations)?
- Should OPPAGA be required to implement a best financial management practices program for community colleges and universities, now that one is being implemented for public schools?