

FUNDING AND FINANCIAL MANAGEMENT OF FLORIDA'S PUBLIC CHARTER SCHOOLS

This manual describes the funding of Florida's public charter schools and related budget issues. Financial reporting and auditing requirements are also explained.

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Independent Education
and Parental Choice

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Improving K-12 Educational Choice Options

FUNDING AND FINANCIAL MANAGEMENT OF FLORIDA'S PUBLIC CHARTER SCHOOLS

This manual describes the funding of Florida's public charter schools. Additional topics include budgeting, financial reporting, audit requirements, and financial condition requirements for charter schools. This paper was originally developed to address the 2006 legislative provisions that included charter schools with local government agencies and school boards in the determination of whether the entity is in a state of financial emergency. The document has recently been updated to address the additional changes enacted by the 2009 Legislature. Several statutes were amended and a new statute was created to specifically address the determination of a deteriorating financial condition or financial emergency in a charter school. See further discussion in the final section of this document.

The recent statutory revisions that created additional accountability measures and reporting requirements emphasize the critical nature of the financial management functions addressed by this paper: conservative estimates of student enrollments for funding projections; realistic budgeting for costs and contingencies; monthly financial statements; and audit examination of financial statements including compliance with legal requirements.

FUNDING OVERVIEW

Current Operating Sources

State taxes, federal fiscal stabilization funds, local property taxes, and lottery proceeds fund charter schools in the same manner as traditional public schools for current operating costs. Charter schools receive a per student share of state and federal funding and local property taxes levied for operating purposes by the school district that sponsors the charter school. Section 1002.33(17)(b), F.S., specifies the operating funds for charter schools as:

1. Florida Education Finance Program (FEFP) funding including state, federal and local funds
2. A weighted FTE student share of the sponsor district's:
 - (a) Discretionary lottery funds
 - (b) Proceeds of local operating discretionary millage levies
3. State categorical funds when students or programs operated meet eligibility criteria in law or appropriations act proviso.

Local tax funding sources of charter schools are specified in the charter school law as: (1) FEFP required local effort millage levy and, (2) the school district's current operating discretionary millage levy. Charter schools share in these taxes on a weighted full-time equivalent basis. Local tax levies for capital improvement and voter approved levies for capital improvement and debt service are not included in charter school funding provided by law; however, see the following description of the Capital Improvement tax levy.

Charter school funding is illustrated by the Charter School Revenue Estimate Worksheet found on the Department of Education website at <http://www.fldoe.org/fefp/chartinst.asp>. An explanation of each item of the worksheet is provided herein.

The primary factor driving funding is the number of full-time equivalent (FTE) students in funded programs. Students must be in membership during the state prescribed periods for reporting membership. The grade level of students and special services provided to these students are the factors determining their weighted funding in the FEFP, which is the state, federal, and local funded program for current operating costs of public schools. In addition to determining FEFP Base Funding (see following graphic display of FEFP funding), weighted FTE is used to allocate state funding of other FEFP components, discretionary lottery funds, and local discretionary taxes. Participation in state appropriations for certain categorical purposes and special allocations depends upon students served or programs provided meeting the criteria of the categorical program.

In summary, the current operating funding of public schools as provided in law is designed to be equitable rather than equal among schools by considering the needs of the school's students and the programs provided to meet these needs.

Sharing of Federal Program Revenues

Federal entitlement programs such as No Child Left Behind and Individuals with Disabilities Education Act (IDEA) are to be allocated proportionally by districts to charter schools providing the services or programs. Through mutual agreement, this sharing can be accomplished by providing the dollar amounts or sharing program resources as negotiated by charter contract or other contractual agreement.

Facilities Funding Sources

While the funding provision for current operating costs of traditional district schools and charter schools are the same, separate funding is provided for facilities. Existing traditional school sites and buildings were largely purchased and constructed through referendum approved local bond issues and two state programs funded through state-wide referendums to amend the state constitution for dedicated revenue sources.

Capital Improvement Levy

Section 1011.71(2), F.S., authorizes school districts to levy amounts each year at a public hearing following newspaper advertisement of a list of projects that include survey recommended construction identified by a state specified survey of district needs. Additional facilities projects that are eligible for advertising and approval at the public meeting are projects for renovation, remodeling and repair of educational facilities that provide space for the instruction of students; the purchase, lease or lease-purchase of equipment, buildings, and materials directly related to instruction in such facilities; the purchase, lease-purchase, or lease of school buses; and enterprise resource software. Proceeds of this levy vary widely among districts because of the significant differences in property values of the counties. School boards may, at their discretion, include charter schools in the use of proceeds from this tax levy.

Constitutional Sources of Capital Outlay

Provision of state programs of capital outlay to school districts is authorized in two sections of the Florida Constitution.

Article XII, Section 9(d), provides a stated amount to each district annually from the proceeds of licensing motor vehicles. These monies are essentially committed to payment of bonds; the proceeds of which were used to build schools determined to be needed by a state specified survey and project priority process.

Article XII, Section 9(a)(2), provides the source of funding for the Public Education Capital Outlay and Debt Service (PECO) Program. The PECO constitutional amendment provides that school districts may share with universities and community colleges in the proceeds from gross receipts taxes in accordance with annual legislative allocation. PECO construction dollars are allocated to districts through a base year allocation and a growth allocation using capital outlay full-time equivalent students (disregards FTE of students that do not require housing by district). Section 1013.64, F.S., specifies that construction is to be survey recommended, states other restrictions, and the distribution process. Funding for remodeling, renovations, maintenance, repairs, and site improvements is also provided through PECO. These monies are allocated to districts based on need determined by the age and value of its buildings.

Charter School Capital Outlay

An appropriation from PECO also funds allocations of Charter School Capital Outlay Funding (Section 1013.62, F.S.). This section of law specifies eligibility criteria for distribution by the Commissioner of Education of any amount appropriated for charter school capital outlay purposes. To be eligible, a charter school must meet one of the following criteria:

- (a) Have been in operation for 3 or more years;
- (b) Be governed by a governing board established in the state for 3 or more years which operates both charter schools and conversion charter schools within the state;
- (c) Be an expanded feeder chain of a charter school within the same district that is currently receiving charter school capital outlay funds (a school that sends/receives majority of its students to/from another school as detailed in specific provisions within the charters of both schools and the grade level connection is direct);
- (d) Have been accredited by the Southern Association of Colleges and Schools.
- (e) Serve students in facilities that are provided by a business partner for a charter school-in-the-workplace.

The charter school must also meet all of the following criteria:

- (a) Have financial stability for future operation;
- (b) Have satisfactory student achievement based on state accountability standards applicable to the charter school;
- (c) Have received final approval from its sponsor for operation during the fiscal year of distribution; and
- (d) Serves students in facilities that are not provided by the charter school's sponsor.

The Legislature established the following priorities for distribution of the Charter School Capital Outlay appropriation: (1) Schools that received funding in the 2005-2006 fiscal year are to receive the same amount per capital outlay full-time equivalent (FTE) student up to the lesser of the actual number of capital outlay FTE students in the current year or the capital outlay FTE students in the 2005-2006 fiscal year. (2) After calculating the first priority, the second priority is to allocate excess funds remaining in a capital outlay FTE amount equal to the first priority calculation to eligible schools not included in the first priority and to schools in the first priority with growth in excess of the 2005-2006 capital outlay FTE. (3) Any excess funds are to be allocated to all eligible charter schools.

The funding for each eligible school is not to exceed one-fifteenth of the cost-per-student station specified in section 1013.64(6)(b), F.S. Projected numbers of students are adjusted to actual FTE reports. If the funds appropriated are not sufficient, the Commissioner of Education shall prorate the available funds among the eligible schools.

The amount for charter schools is determined by the Legislature each year through the General Appropriations Act 56,112,466.

These funds may only be used for the following purposes:

- (a) Purchase of real property;
- (b) Construction of school facilities;
- (c) Purchase, lease purchase, or lease of permanent or relocatable school facilities;
- (d) Purchase of vehicles to transport students to and from the charter school; and
- (e) Renovation, repair, and/or maintenance of school facilities that the charter school owns or is purchasing through a lease-purchase or long-term lease of 5 years or longer.

Most traditional public schools benefit from the district capital improvement levy, although the amount varies significantly based on the property tax base of the district (this tax source is not equalized among districts by the provision of state dollars) and a particular school's needs as prioritized by the school board. The amount a charter school receives from the Charter School Capital Outlay appropriation is dependent on its eligibility and the amount allocated per pupil.

Conversion Schools

A traditional school which converts to charter school status has the use of the facility without paying a rental or lease fee to the district school board. Conversion schools shall utilize facilities that comply with the State Requirements for Educational Facilities provided that the school district and the charter school have entered into a mutual management plan for the reasonable maintenance of such facilities. The mutual management plan shall contain a provision by which the district school board agrees to maintain charter school facilities in the same manner as its other public schools.

Leasing

Charter schools may use Charter School Capital Outlay to lease a facility that complies with building and fire codes as stated in the following section.

Conformity to Building and Fire Codes

The charter school law (s. 1002.33(18), F.S.) states that a charter school shall utilize facilities which comply with the Florida Building Code pursuant to Chapter 533, F.S., except for the State Requirements for Educational Facilities. Charter schools are not required to comply, but may choose to comply, with the State Requirements for Educational Facilities of the Florida Building Code adopted pursuant to section 1013.37, F.S. The local governing authority shall not adopt or impose local building requirements or restrictions that are more stringent than those found in the Florida Building Code. The agency having jurisdiction for inspection of a facility and issuance of a certificate of occupancy shall be the local municipality or, if in an unincorporated area, the county governing authority.

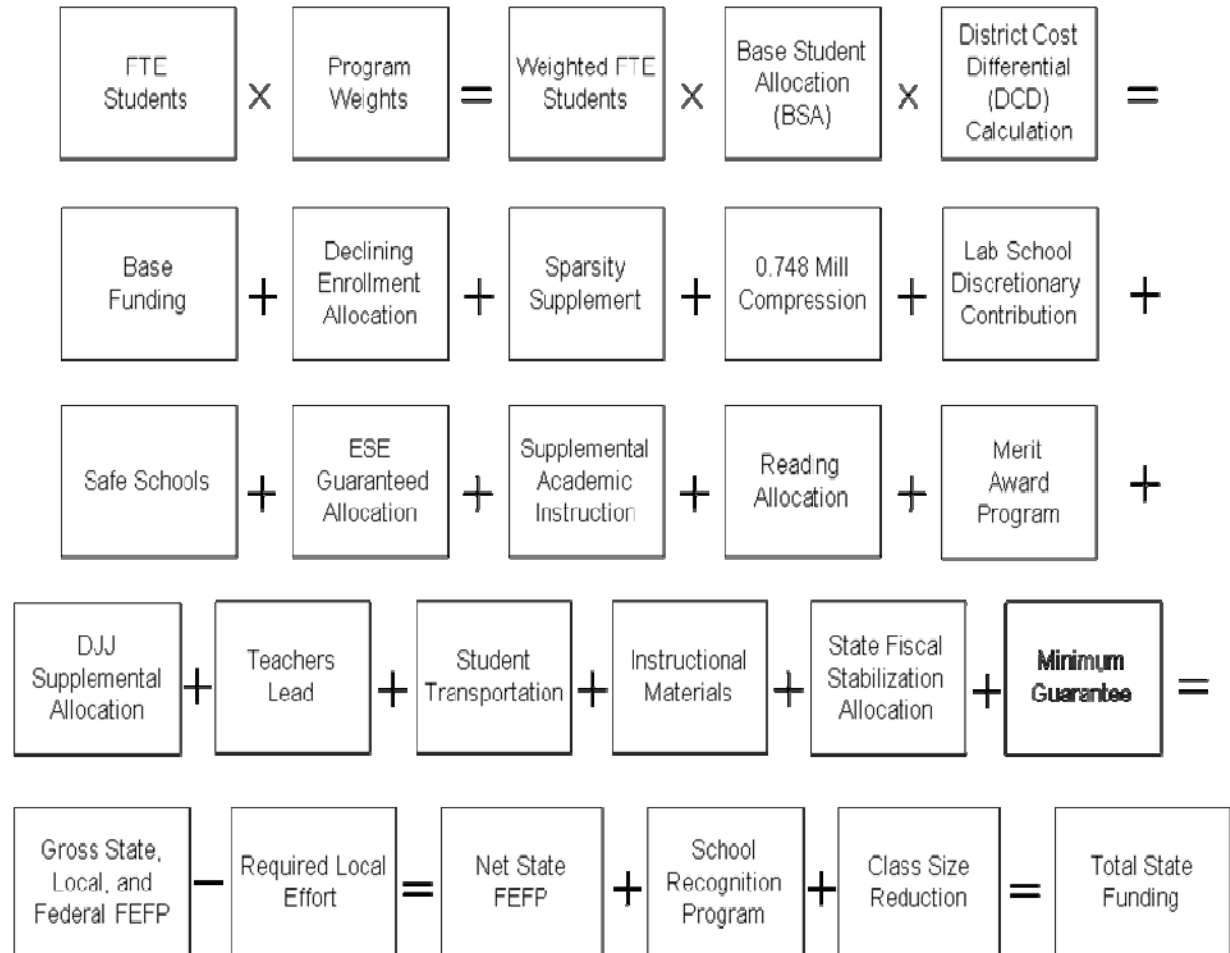
The charter school law further states that facilities shall comply with the Florida Fire Prevention Code, pursuant to section 633.025, F.S., as adopted by the authority in whose jurisdiction the facility is located.

Charter school facilities are exempt from assessments of fees for building permits, except as provided in section 553.80, F.S., and for building and occupational licenses, and from assessments of impact fees or service availability fees.

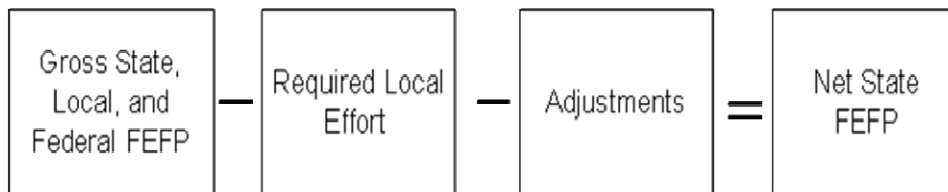
FEFP CALCULATION

FEFP Funding Formula Including Component Descriptors

Overview – The amount of GROSS STATE, LOCAL, AND FEDERAL FEFP DOLLARS for each school district is determined in the following manner.



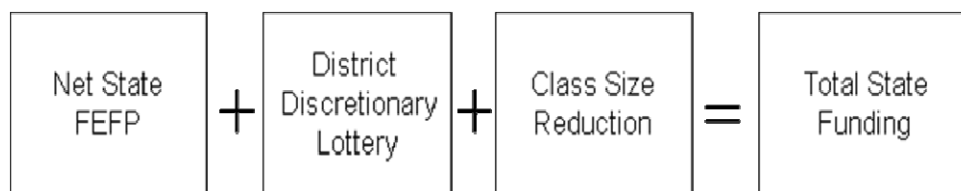
The Net State FEFP Allocation for the support of public school education is derived from Gross State and Local FEFP Dollars in the following manner:



The required local effort from property taxes is subtracted from the Gross State and Local FEFP dollars resulting in the Gross State FEFP. Adjustments, whether positive or negative, are then added to give the Net State FEFP Allocation.

Charter Schools receive the Gross State and Local FEFP with adjustments. This graphic depiction of the formula for state aid subtracts out local required effort dollars which come from local taxes rather than the state. The district’s funding of each charter school includes local taxes for required effort and local taxes which the district levies for discretionary operating revenue.

The Total State Allocation for the support of public school education is derived from the Net State FEFP Allocation in the following manner:



The District Discretionary Lottery Funds and Class Size Reduction are added to the Net State FEFP Allocation to obtain the Total State Finance Program.

The following sections describe each component of the funding formula.

FTE Students

The following is a synopsis of the definitions found in section 1011.61, F.S., and the “General Instructions” for reporting full-time equivalent (FTE) students for FEFP funding. The “General Instructions” are issued to each district each year by the DOE’s Office of Funding and Financial Reporting. The number of FTE students funded may be less than the number of students enrolled by the school during the course of the school year. This is due to the normal mobility of the population, but may also be impacted by unusual circumstances. FTE is measured twice during the year (survey weeks in October and February). Students in full-time membership earn 0.5 (one-half) FTE for each survey. Typically some students will withdraw prior to the survey weeks. Other students will enroll after a survey week. The FTE in the funding formula begins with an estimated FTE based on historical FTE counts. After the October survey, the estimate for the year is replaced with actual FTE for the survey and a projection for the February survey. After the February survey, actual FTE for the year is used in the determination of the final FEFP payments for the year. Differences with the amounts paid pursuant to the Fourth Calculation (actual October FTE and actual February FTE) and the Final Calculation using subsequent reported corrections to those survey reports are collected or paid in the following fiscal year through Adjustments (see subsequent sections headed “Adjustments” and “FEFP Calculation Schedule”).

If the number of WFTE students in membership in the October FTE survey is lower than the number supplied through the district to DOE for initial calculation of the FEFP, charter school expenditures must be reduced because subsequent payments will be reduced to reflect the lower WFTE and the overpayments received prior to the FEFP recalculation using actual October WFTE. (See the schedule of FEFP calculations below.)

A similar revenue reduction results from the estimated February count of WFTE exceeding the actual February report of WFTE. Charter schools should conservatively estimate their WFTE counts (number of students in each weighted program) well before the October and February surveys and should adjust spending based on this information.

An FTE for FEFP funding purposes is one student in membership in one or more FEFP programs for a school year of 180 days. The school calendar must provide at least 900 hours of instruction for students in grades 4-12 and at least 720 hours of instruction for students in Kindergarten through grade 3 or in an authorized prekindergarten exceptional education program.

These hours are the maximum hours funded for instruction for the school year. Funding for FTE membership in programs scheduled for more than 180 days is limited to juvenile justice schools and the Florida Virtual School. These hours serve as the base in the calculation of the fractional FTE earned by each program when a student is served by more than one FEFP program. For example, if a full-time grade 12 student at a standard school is in membership in a career education program one period per day for the year and in membership in the FEFP basic program for the remainder of the day, the calculation is as follows:

Career education program 50 minutes x 180 days ÷ 60 minutes	150 hours
Grade 12 student, standard school, Full-time membership 900 hours	1.0000 FTE
Career education FTE (150 hours ÷ 900 hours)	<u>0.1667</u> FTE
Basic FTE (1.0000 - 0.1667)	0.8333 FTE

In the above example, basic program FTE is the result of subtracting special program (career education) FTE from the maximum of 1.0000 FTE. This calculation also applies to special programs for English for Speakers of Other Languages (ESOL). Students receiving Exceptional Student Education (ESE) services pursuant to an Individual Education Plan are to be reported entirely in the ESE Educational Support Level determined by matrix rating of needed services or the applicable Basic Program with ESE services.

To calculate the full-time equivalent student membership, a student is considered in membership until he or she withdraws or until the eleventh consecutive school day of his or her absence. A student is eligible for full-time equivalent membership if both of the following conditions are satisfied:

1. The student is in program membership at least one day during the survey period in an approved course of study as defined in the Course Code Directory, excluding non-instructional activities as defined in State Board of Education Rules, and
2. The student is in attendance at least one day during the survey period or one of the six scheduled meetings preceding the survey period in which students were in attendance in school.

Note: Attendance records are official documents that must be available for review by the sponsoring district and by state auditors.

When the Florida Virtual School provides instruction, it may report FTE for courses taken online. School districts may report FTE only for courses in which the district traditional school or charter school provides the instruction. The Florida Virtual School may also report credit completed during the summer.

Full-time equivalent student membership in programs scheduled for more than 180 days is limited to Department of Juvenile Justice (DJJ) programs and the Florida Virtual School. Membership for DJJ programs shall be 250 instructional days distributed over 12 months. The district school board may decrease the minimum number of instructional days for DJJ programs by up to 10 days for residential and 20 days for non-residential facilities for teacher planning. Funding beyond the 180-day regular term for all other K-12 students shall be provided through the Supplemental Academic Instruction (SAI) allocation and other state, federal, and local fund sources with ample program flexibility for schools.

Exceptional education students not meeting the criteria for matrix of services Levels 4 and 5 will receive funding using the appropriate Basic Program weight for their grade level. Additional funding for these students is contained in the Exceptional Student Education Guaranteed Allocation component of the FEFP.

Dual enrollment is the enrollment of an eligible secondary student in a postsecondary course at a public or eligible nonpublic community college, university, or career center (s. 1007.271, F.S.). Credit must be earned at both institutions. The course must offer credit leading to a high school diploma and a career certificate, or an associate or baccalaureate degree. Career dual enrollment is to be available for secondary students seeking a degree or certificate from a complete job preparatory program, but is not to sustain student enrollment in isolated career courses. Early admission is a form of dual enrollment through which eligible secondary students enroll in an eligible postsecondary institution on a full-time basis in courses that are creditable toward the high school diploma and the associate or baccalaureate degree. Participation in the early admission program is to be limited to students who have completed a minimum of six semesters of full-time secondary enrollment, including studies undertaken in the ninth grade. Dual enrollment students earn the Grades 9-12 Basic Cost Factor at their regular school while dual enrolled elsewhere. Each of these forms of dual enrollment is included in the calculation of full-time equivalent students. Each semester of instruction that is eligible for high school and postsecondary credit shall be reported by school districts as 75 membership hours for FTE calculation.

Students in grades 6-8 enrolled in career education courses shall be counted as basic grades 6-8. Only students in grades 9-12 enrolled in career education courses will be eligible for the weighted funding.

The full-time equivalent membership of students in any course provided by a district to satisfy the one-half credit life management skills training graduation requirement defined by section 1003.43(1)(i), F.S., shall be reported as Basic, Grades 9-12; as Basic, Grades 9-12 with ESE services; or as ESE Support Levels 4 and 5. Students in grades 4-8 participating in a student-teacher adviser program conducted during homeroom shall be counted as a fraction of a

full-time equivalent student membership based on net hours in the program, with a maximum of 36 net hours in any fiscal year.

The Commissioner has the authority to establish for any school district or school an alternate period for a full-time equivalent student membership survey within nine weeks subsequent to the regular statewide survey period. Evidence must be submitted by the school district indicating that an abnormal fluctuation in student membership occurred at the time of the statewide survey period. The Commissioner must limit his consideration of "abnormal fluctuation" to changes of more than 25 percent in any school or 5 percent in any district between the full-time equivalent student membership at the time of the regular statewide survey (survey must be conducted and reported) and the alternate period. The "abnormal fluctuation" must be caused by factors such as major student boycotts; civil disturbances; in- or out-migration in agricultural, industrial, or federal installations or contractors; or providential causes beyond the control of the district school board. Consistent with the rules of the State Board of Education, district school boards are required to request alternate FTE surveys for DJJ programs experiencing fluctuations in student enrollment. A charter school impacted as indicated here should request an alternate survey through the district school board. The survey is to be requested of the Commissioner prior to the proposed alternate dates.

Classification for special program FTE requires: (1) proper qualification of students, (2) proper qualifications of teachers, and (3) appropriate subject matter in accordance with State Board of Education Rules. Proper qualification of an exceptional education student is an Individual Education Plan (IEP). A matrix of services is needed to establish that a charter school ESE student should be placed above Level 1 in the ESE Guaranteed funding. IEP's and matrix ratings must be done before FTE reporting surveys.

A student in cooperative education or other types of programs incorporating on-the-job training, including apprenticeship, shall not be counted for more than 25 hours per week in all programs.

Program Cost Factors

Program cost factors are established annually by the Legislature and can be found in the General Appropriations Act. Program cost factors serve to assure that each program receives its equitable share of funds in relation to its relative cost per student. Through the annual program cost report, districts have reported the expenditures for each FEFP program. In general, the cost per FTE student of each FEFP program has been used to produce an index of relative costs with the cost per FTE of Basic, Grades 4-8, established as the 1.000 base. Multiplying the FTE students for a program by its cost factor produces "weighted FTE."

To provide for the planned use of FEFP funds, the Legislature has established the following combination of programs during the 180-day regular school year (and summer school for DJJ programs and the Florida Virtual School):

<u>Group</u>	<u>Program Group Title</u>
1	Basic Education Programs
2	Exceptional Education for Support Levels 4 and 5 English for Speakers of Other Languages Grades 9-12 Career Education Programs

Program Group 2 has an enrollment ceiling (cap) that is established based on each district's estimates (as modified by legislative policy) of FTE in each FEFP program. District estimates are reviewed and approved by a state enrollment estimating conference. The appropriated FTE in each program is multiplied by the program's cost factor. The resulting weighted FTE, aggregated by program group, establishes the group cap. After actual FTE is reported, districts with Group 2 FTE in excess of the cap receive Basic Program funding.

Note: Charter school estimated FTE and actual FTE are included in the capping process.

An additional value of FTE, the value determined pursuant to section 1011.62(1), F.S., shall be reported by school districts for each of the students in Advanced Placement classes who earn a score of three or higher on each College Board Advanced Placement Subject examination, provided they had been taught in an Advanced Placement class in the prior year. Additional FTE is to be calculated for each student enrolled in an International Baccalaureate course who receives a score of four or higher on the subject examination. An Advanced International Certificate of Education student may also earn additional FTE if he or she receives a score of "E" or higher on a subject examination or if he or she is enrolled in a half-credit class and earns a score of "E" or higher on the subject examination. Additional FTE is to be calculated for each student who receives an International Baccalaureate or Advanced International Certificate of Education diploma. Section 1011.62(1), F.S., requires districts to distribute specified bonuses to classroom teachers of such programs based on student performance on applicable examinations. Finally, additional FTE student membership shall be calculated for each student who completes an industry-certified career or professional academy program per section 1003.492, F.S., and who is issued the highest level of industry certification and a high school diploma. These additional FTE values are reported following the school year and are included in the next year's FEFP funding.

Weighted FTE

The FTE of each program is multiplied by the cost factor of that program. This calculation "weights" the FTE to reflect the relative costs of the programs as represented by the program cost factors.

Base Student Allocation

The base student allocation is determined annually by the Legislature and can be found in the General Appropriations Act.

District Cost Differential

Section 1011.62(2), F.S., requires the Commissioner to annually compute district cost differentials (DCDs) by adding each district's Florida Price Level Index for the most recent three years and dividing the sum by three. The result is multiplied by 0.008, and 0.200 is added to the product to obtain the DCD. This serves to limit the factor's adjustment to 80 percent of the index (i.e., the approximate percentage of district salary costs to total operating costs). The three-year averaging reduces the immediate impact on districts of sudden changes in the index.

The DCDs are published annually in the *Funding for Florida School Districts* publication and can be found on the Office of Funding and Financial Reporting's Web site at <http://www.fldoe.org/fefp/>.

Declining Enrollment Supplement

The declining enrollment supplement is determined district-wide by comparing the unweighted FTE for the current year to the unweighted FTE of the prior year. In those districts where there is a decline in unweighted FTE, 25 percent of the decline is multiplied by the prior-year-calculated FEFP per unweighted FTE and added to the allocation of the district. For this purpose, the calculated FEFP is computed by multiplying the weighted FTE by the base student allocation and then by the district cost differential.

Sparsity Supplement

The FEFP recognizes the relatively higher operating cost of smaller districts due to sparse student population through a statutory formula in which the variable factor is a sparsity index. This index is computed by dividing the FTE of the district by the number of permanent senior high school centers (not to exceed three). By Appropriations Act proviso, participation is limited to districts of 20,000 or fewer FTE. Each eligible district's allocation is subject to an adjustment for relative wealth of the district. This adjustment is based on the per FTE value of the maximum discretionary levy in the district relative to the state average. If the district value per FTE exceeds the state average, then the sparsity entitlement is negatively adjusted by an amount equal to the district's FTE multiplied by the per FTE amount by which the district's maximum discretionary value per FTE exceeds the state average. This supplement is determined by the Legislature under the General Appropriations Act.

Discretionary Contribution

Developmental Research Schools (lab schools including charter lab schools) are established as separate school districts for purposes of FEFP funding. Section 1002.32(9), F.S., authorizes the calculation and allocation of funds for the lab schools in lieu of discretionary local tax revenue that is already allocated and used by the district in which the lab school is located. Funds for the discretionary contribution are appropriated from state funds in the General Appropriations Act.

Discretionary Tax Compression

Districts that levy the discretionary 0.748 mills will receive a supplement if the 0.748 mill levy provides funds that are less than the state average per unweighted FTE. The school district shall receive a supplement that, when added to the funds generated by the district's 0.748 mill levy, is equivalent to the state average per unweighted FTE.

Safe Schools

An amount of \$67,260,840 was appropriated for Safe Schools activities for the 2009-10 fiscal year. The funds are to be allocated so that each district is guaranteed a minimum of \$65,387. From the remaining appropriation, 67 percent shall be allocated based on the latest official Florida Crime Index provided by the Department of Law Enforcement, and 33 percent shall be allocated based on each district's share of the state's total unweighted student enrollment.

Safe Schools activities include: (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; (4) suicide prevention programs; and (5) other improvements to make the school a safe place to learn. Each district shall determine, based on a review of its existing programs and priorities, the amount of its total allocation to use for each authorized Safe Schools activity. Charter schools receive an FTE student share of the district's allocation.

Reading Program

Funds in the amount of \$101,923,720 for the Reading Program for the 2009-10 fiscal year are provided for a K-12 comprehensive, district-wide system of research-based reading instruction. The amount of \$87,182 shall be allocated to each district and the remaining balance shall be allocated based on each district's proportion of the state total K-12 base funding. Charter schools have the option to participate in the district's plan. Funding will be subject to the district's prioritization of need which includes all public schools of the district.

Supplemental Academic Instruction (SAI)

The Supplemental Academic Instruction (SAI) component of the FEFP formula provides funding of \$637,781,383 for the 2009-10 fiscal year. The primary purpose of this allocation is to provide supplemental intensive instruction, consistent with the Sunshine State Standards, including summer school and intensive English immersion instruction, for students in grades 3 and 10 who scored a Level I in FCAT reading or math. Each district's SAI allocation for the 2009-10 appropriation shall not be recalculated during the school year. Charter schools receive an FTE student share of the district's allocation.

Note: The three preceding allocations are restricted by the Legislature as to how these monies are to be spent. See the heading "Categorical Programs" relative to possible flexibility in expenditures. These are categorical sources within the FEFP.

Exceptional Student Education Guaranteed Allocation

Exceptional education services for students whose level of service is less than Support Levels 4 and 5 are funded through the ESE Guaranteed Allocation. The students generate FTE funding using the appropriate Basic Program weight for their grade level. This allocation provides for the additional services needed for these students. District allocations from the appropriation of \$981,724,365 for the 2009-10 fiscal year are not recalculated during the year. School districts that have provided education services in 2008-09 for exceptional students who are residents of other districts shall not discontinue providing such services without the prior approval of the Department of Education.

In accordance with section 1011.62(1)(e)2., F.S., a district's expenditure of funds from the guaranteed allocation for students in grades 9 through 12 who are gifted may not be greater than the amount expended during the 2006-07 fiscal year for gifted students in grades 9 through 12.

In order to determine a charter school's allocation, it is necessary to enter the grade and matrix level of each student on the DOE Revenue Estimate Worksheet. Charter schools need to work with the district ESE contact relative to matrix ratings for ESE students.

Merit Award Program (MAP)

Funding of \$20,000,000 is allocated for the Merit Award Program (MAP) for the 2009-10 fiscal year, to provide performance pay to instructional personnel as defined in section 1012.01(2)(a)-(d), F.S., and school-based administrators as defined in section 1012.01(3)(c), F.S. Merit awards are provided based on improved student achievement and must be at least five percent of the average teacher's salary for that school district not to exceed ten percent of the average teacher's salary for that school district. The allocation of funds was based on approved plans for participating districts and schools. Charter schools may submit an individual plan for their school, or participate in the district plan.

Instructional Materials

Funds in the amount of \$216,031,121 provide for core subject instructional materials, as well as library/media materials and science lab materials. The funding supports Florida's Next Generation Sunshine State Standards and a learning environment conducive to teaching and learning using appropriate educational materials. In 2000, the Florida Legislature (s. 1006.28-1006.43, F.S.) mandated a textbook or major tool of instruction for each student in all core subject areas. The funds are allocated to the districts based on the formula in section 1011.67, F.S. A charter school's share of Instructional Materials is computed by the DOE Charter School Revenue Estimate Worksheet.

Florida Teachers Lead

The Florida Teachers Lead appropriation provides an allocation to each school district based on the prorated total of each school district's share of the total K-12 unweighted FTE student enrollment. Pursuant to section 1012.71, F.S., the funds are to be used only to fund stipends to classroom teachers for the purchase of classroom instructional materials and supplies for use in teaching students. An appropriation of \$33,283,309 was allocated for Florida Teachers Lead in 2009-10.

Student Transportation

To provide the equitable distribution of funds for safe and efficient transportation services in school districts in support of student learning, \$428,931,491 was appropriated for Student Transportation in 2009-10. The formula for allocating the requested funds as outlined in section 1011.68, F.S., contains the following provisions in the state allocation for student transportation: 1) base funding for each district is established by the district's proportionate share of the total statewide students eligible for transportation; and, 2) indices are applied which modify the base funding amount to reward more efficient bus utilization, compensate for rural population density, and adjust funding based on the cost of living. The funds are to be distributed to districts based on the formula in section 1011.68, F.S. Charter schools may be eligible for transportation funding if they meet the requirements of Section 1011.68, F.S., and the **Student Transportation General Instructions 2009-2010**. A detailed description of Student Transportation funding may be found below.

Minimum Guarantee

The Minimum Guarantee Adjustment guarantees each district a 10 percent reduction per unweighted full-time equivalent student compared to the amount per unweighted full-time equivalent student funded in the 2008-2009 FEFP. The calculation includes state FEFP programs, major categorical funds, required local effort proceeds, discretionary tax equalization funds, and potential discretionary tax proceeds.

Required Local Effort

The district required local effort is subtracted from the state and local FEFP dollars. The amount of required local effort that each district must provide to participate in the FEFP is calculated as described in the following paragraphs.

A dollar amount for required local effort from ad valorem taxes for the current fiscal year is set by the Legislature in the Appropriations Act. Using the certified tax roll from the Department of Revenue, the Commissioner computes and certifies the required local effort millage rate for each district. For the current fiscal year FEFP calculation, each district's deduction for required local effort is the product of the certified mills times 95 percent of the taxable value for school purposes of the district. section 1011.62(4), F.S., directs the Commissioner to adjust required local effort millage rates if the millage would produce more than 90 percent of a district's total FEFP entitlement.

The amount produced by applying the average computed required local effort millage rate to the certified tax roll is adjusted by an equalization factor for each district in accordance with section 1011.62(4)(c), F.S. The purpose of this adjustment is to offset variations among districts in the level of assessment of property.

Developmental research schools have no taxing authority; therefore, state funds are used to provide the required local effort, as well as equivalent discretionary local revenue.

Adjustments

The Department of Education is authorized to make prior year adjustments in the allocation of funds to a district for adjudication of litigation, arithmetical errors, assessment roll change, full-time equivalent student membership errors, or allocation errors revealed in an audit report. Prior year adjustments include the difference between earned FTE and paid FTE. Districts and charter schools may find FTE errors after the February FTE survey. These should be corrected with amended FTE reports filed through the district which will adjust funding of the following year.

Note: Possible reclaim of funds in following year due to FTE amendments.

If state revenue collections are not adequate to fund the amount appropriated for the FEFP, or if the program calculates to an amount that exceeds the appropriation, a "holdback" amount will be allocated to districts in proportion to each district's relative share of state and local FEFP dollars as calculated through the minimum guarantee adjustment. This procedure preserves equalization in the distribution of available dollars.

Note: Possible reduction in funding due to insufficient state funds to fully pay FEFP. While such a reduction typically is a small percentage, the charter school should adjust its budgeted expenditures as needed when the FEFP calculation includes a prorated reduction for the sponsoring district.

The FEFP is a current year program. The state appropriation is based on district estimates of weighted FTE (WFTE), the state estimate of collections of sales and other taxes, and an estimate of aggregated district taxable property values.

District Discretionary Lottery and School Recognition Program Funds

An amount of \$129,914,030 was appropriated for school recognition funds and district discretionary lottery funds for the 2009-10 fiscal year to be expended in accordance with school district policies and procedures that define “enhancement” and the types of expenditures consistent with that definition. District discretionary lottery entitlements are calculated by prorating each district’s FEFP base funding entitlement (WFTE x BSA x DCD) to the amount of the appropriation. The discretionary lottery portion of the allocation is obtained by subtracting the school recognition awards from the total allocation.

School boards must allocate at least \$5 per unweighted FTE student to be used at the discretion of the School Advisory Committee or, in the absence of such a committee, at the discretion of the staff and parents of the school. A portion of the money should be used for implementing the school improvement plan as described in section 1001.42(18), F.S. The improvement plan shall be based on the needs of the statewide and district-wide school improvement plan. Also, see section 24.121(5)(c), F.S., relative to school advisory councils and expenditure of these funds.

The Florida School Recognition Program, authorized by section 1008.36, F.S., provides monetary awards to schools that earn an “A” grade or improve at least one performance grade from the previous year. The Legislature has provided for awards of \$75 per student for the 2009-10 school year through the Florida School Recognition Program. Florida School Recognition funds are to be used for nonrecurring bonuses to the faculty and staff, nonrecurring expenditures for educational equipment or materials, or for temporary personnel to assist the school in maintaining or improving student performance. The school's staff and Student Advisory Council (SAC) must decide to spend these funds on one or any combination of these three purposes. If the school’s staff and SAC cannot reach agreement by November 1, the awards must be equally distributed to all classroom teachers currently teaching in the school.

Note: Lottery appropriations are based on estimated proceeds. Uses of lottery funds are limited by law. The charter school board may act as the School Advisory Committee of the charter school. Distribution of funding is deferred by the state until other Lottery funded obligations are paid.

State Fiscal Stabilization Funds

State Fiscal Stabilization Funds are provided as part of the American Recovery and Reinvestment Act of 2009. These funds are intended to help stabilize local school district budgets to minimize reductions in education, particularly to retain teachers and to support the modernization, renovation, and repair of school facilities.

As with all funds provided through the American Recovery and Reinvestment Act of 2009, the U.S. Department of Education directs Florida school districts to spend State Fiscal Stabilization Funds in accordance with the following principles: (1) spend funds quickly to save and create jobs; (2) improve student achievement through school improvement and reform; (3) ensure transparency, reporting, and accountability; and (4) invest one-time ARRA funds thoughtfully in ways that do not result in unsustainable continuing commitments after the funding expires.

Categorical Program Funds

Categorical program funds are added to the FEFP allocation that is distributed to districts. As a result of the approved amendment to Article IX, Section 1, of the State Constitution, regarding class size reduction, additional operating and capital outlay funds were appropriated to assist districts in their efforts to reach the class size maximums. The class size reduction allocation factors for the 2009-10 fiscal year for the operating categorical program are as follows: \$1,311.73 (PreK-3), \$894.73 (4-8), and \$896.89 (9-12).

Categorical	2009-10 Appropriation
Class Size Reduction	\$2,845,578,849

Note: Categorical funds and special allocations can only be expended for the purpose of the appropriation unless specified conditions are met. Year-end balances may be carried forward to the subsequent fiscal years to be used for the purpose for which the appropriation was provided. Accounting records must evidence compliance.

FEFP CALCULATION SCHEDULE

The FEFP is calculated five times throughout the year to arrive at each year's final appropriation. These calculations are as follows:

- (1) First Calculation – This calculation is completed immediately after the annual legislative session. District allocations for July 10 are based on this calculation.
- (2) Second Calculation – This calculation is made upon receipt of the certified tax roll from the Department of Revenue as provided for in section 1011.62(4), F.S. Districts' allocations for July 26 through December 10 are based on this calculation.
- (3) Third Calculation – This calculation is made upon receipt of districts' October survey FTE reported in November. District allocations for December 26 through April 10 are based on this calculation. (Districts' current year July and October and prior year June FTE amounts are summed and a February estimate is made based on the previous year's trend of February and October surveys.)
- (4) Fourth Calculation – This calculation is made upon receipt of districts' February survey FTE and estimated June FTE surveys reported in March. District allocations for April 26 through June 26 are based on this calculation.
- (5) Final Calculation – This calculation is made upon receipt of districts' June survey FTE reported in July. Prior year adjustments in the following fiscal year are made, based on a comparison of this Final Calculation, to the Fourth Calculation.

With each calculation, districts are sent a detailed report of the input data and results. Districts are required to provide charter schools their calculated shares no later than 10 working days after the district receives a distribution of state or federal funds. An interest penalty is added if payment is not issued within 30 days.

Payments to districts are made as near as possible to the 10th and 26th of each month.

CASH FLOW TO CHARTER SCHOOLS

Calculations of funding can have a significant impact on cash flow to school districts and their charter schools based on realization of the estimates for the three funding variables of weighted FTE students, certified property rolls (aggregate of all districts), and collection of state taxes and lottery proceeds. Weighted FTE (WFTE) is the most important variable for a charter school. If a charter school has a projected WFTE of 100 and the October survey is 75 WFTE, the school's annual revenue will be adjusted to 75 percent of its planned budget. Cash flow for the remainder of the year would approximate 50 percent of cash flow for the first months of the year if WFTE did not increase in the February survey. The first check after each calculation is based on the new calculation for the year less the amount already paid. This could have serious implications for the students and staff of the school. Accordingly, the charter school should carefully appraise its anticipated opening enrollment and consider the likelihood of withdrawals during the school year.

Conservative estimates of WFTE students are critical. Initial payments are based on estimated WFTE. If the estimated WFTE is not realized by actual survey counts, subsequent payments during the year will be reduced to recover the overpayments.

Administrative Fee

Section 1002.33(20), F.S., prescribes services that a school district must provide to charter schools in exchange for withholding of an administrative fee from distributions to charter schools. The services shall include:

- (1) Contract management,
- (2) Full-time equivalent and data reporting,
- (3) Exceptional student education administration,
- (4) Test administration, including payment of the costs of state-required or district-required student assessments,
- (5) Information services, including equal access to student information systems that are used by public schools in the district, and
- (6) Services related to eligibility and reporting duties required to ensure that school lunch services under the federal lunch program, consistent with the needs of the charter school, are provided at the request of the charter school.

A total administrative fee for provision of such services shall be calculated based upon up to 5 percent of the available funds defined in section 1002.33(17), F.S., which are:

- (1) FEFP, state and local
- (2) District Discretionary Lottery
- (3) Discretionary Millage
- (4) Categorical funds including Student Transportation.

A sponsor may only withhold up to 5 percent for charter schools with an enrollment up to 500 students.

For charter schools with a population of 501 or more students, the difference between the total administrative fee calculation and the amount to be withheld may only be used for capital outlay purposes as specified in section 1013.62(2), F.S.

Federal Aid

School districts receive an annual entitlement from the Individuals with Disabilities Act (IDEA). These monies must be distributed to charter schools in the same manner as to traditional schools which provide services to exceptional education students except gifted program students. Districts must submit an application to DOE which specifies how IDEA dollars are to be spent in the district's traditional schools and charter schools.

School districts receive annual funding from the No Child Left Behind Act which includes the Title I program. These funds are used within each district by individual schools including charter schools (as required by Federal law) according to the statutory provisions of each program.

Federal dollars are advanced by DOE to districts on a weekly needs basis. The cash advance program is intended to meet program needs but not leave unneeded amounts in accounts at the state or district levels.

Food Service

Food Service is a program of the United States Department of Agriculture (USDA) which is administered through DOE. Section 1006.06, F.S., requires each district school board to adopt policies to provide for an appropriate food and nutrition program consistent with federal law and State Board of Education rule (see Rules 6A-7.040 through 6A-7.045, Florida Administrative Cod). Each district school board must implement breakfast programs in all elementary schools in which students are eligible for free and reduced price lunch meals. The charter school law (s. 1002.33(17), F.S.) does not provide an exemption from statutes pertaining to student health, safety, and welfare. Accordingly, charter schools must provide lunch (and breakfast in elementary schools) in schools which enroll students who are eligible for free and reduced price meals. While most of the funding is from USDA, the state supplements this funding and provides breakfast funding.

Meals must meet USDA meal pattern requirements. Based on economic status of the students' household, meals are free, reduced price, or full price to the student. Meals served are reimbursed at USDA established prices following reporting to DOE.

Charter schools may become a National School Lunch Program (NSLP) sponsor through application to DOE. If the charter becomes a sponsor it may prepare meals or may, through negotiation, purchase meals from the school district. Alternatively, the charter school may negotiate with the district to become a food service site on the district's agreement with DOE. In addition to the need for food preparation facilities and personnel, there are documentation and administrative issues relative to student eligibility (see item 6 under previous section "Administrative Fee"), meal requirements, and reimbursement. These issues have inclined charter schools to work through their sponsoring school districts rather than become an NSLP sponsor.

FUNDING OF STUDENT TRANSPORTATION

The student transportation funding formula provides funds to 67 school districts based on each district's pro rata share of eligible state transported students. The formula includes an enhancement for the transportation of disabled students requiring specialized transportation services. In addition to students transported by public school buses, the funding formula includes students transported to and from school on local general purpose transportation systems and students transported to and from school in private passenger cars and boats when the transportation is for isolated students or for students with disabilities as defined by State Board of Education Rule 6A-6.0301, F.A.C. Adjustments to each district's share of state transportation funds are made for cost of living differences, the percent of population outside of urban centers, and efficiency.

Students Eligible for Transportation Funding

Students in membership in kindergarten through grade 12 and in migrant and exceptional student programs below kindergarten are eligible for transportation funding if one of the following conditions is met:

- (1) The student lives two or more miles from the school.
- (2) The student is classified as a student with a disability under the Individuals with Disabilities Education Act (IDEA), regardless of distance (does not apply to gifted students). K-12 students identified with Specific Learning Disabilities (SLD), Speech Impaired (SI), or Language Impaired (LI) who live less than two miles from their assigned school are eligible only if transportation services are required by the student's Individual Educational Plan (IEP).
- (3) The student/parent or infant is enrolled in the Teenage Parent Program.
- (4) The student is enrolled in a state funded prekindergarten program (Individuals with Disabilities Education Act or Teenage Parent), regardless of distance from home to school.
- (5) The student is a vocational or exceptional student being transported from one school center to another where appropriate programs are provided. Dually enrolled students, as defined by section 1011.68, F.S., who attend a university, community college, or vocational technical center, are included.
- (6) The student meets the criteria for hazardous walking as stated in section 1006.23, F.S., including enrollment in elementary school.

Distributing Student Transportation Dollars

The two major components of the state transportation funding formula are the district's base allocation factor and the district's ESE allocation factor. These factors are determined in the following manner:

District Base Allocation Factor

Base Allocation Students

$$\begin{array}{|c|} \hline \text{Adjusted} \\ \text{July} \\ \text{Students} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Adjusted} \\ \text{October} \\ \text{Students} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Adjusted} \\ \text{February} \\ \text{Students} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Adjusted} \\ \text{June} \\ \text{Students} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total} \\ \text{Adjusted} \\ \text{Students} \\ \hline \end{array}$$

The adjusted student count is determined by applying an adjustment factor to the number of transported students equal to the number of days in term divided by 180 days.

$$\begin{array}{|c|} \hline \text{Total} \\ \text{Adjusted} \\ \text{Students} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Florida} \\ \text{Price} \\ \text{Level} \\ \text{Index} \\ \text{Factor} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Average Bus} \\ \text{Occupancy} \\ \text{Index Factor} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Rurality} \\ \text{Index} \\ \text{Factor} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{District} \\ \text{Base} \\ \text{Allocation} \\ \text{Factor} \\ \hline \end{array}$$

The district base allocation factor is determined by multiplying the district's total adjusted transported students by factors that make adjustments for the district's Florida Price Level Index (FPLI), the district's Average Bus Occupancy Index (ABO), and the district's Rurality Index. Each factor is designed to affect the base allocation by no more or less than ten percent.

District ESE Allocation Factor

Exceptional Allocation Students

$$\begin{array}{|c|} \hline \text{Adjusted} \\ \text{July ESE} \\ \text{Students} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Adjusted} \\ \text{October} \\ \text{ESE} \\ \text{Students} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Adjusted} \\ \text{February} \\ \text{ESE} \\ \text{Students} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Adjusted} \\ \text{June ESE} \\ \text{Students} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total} \\ \text{Adjusted} \\ \text{ESE} \\ \text{Students} \\ \hline \end{array}$$

The exceptional allocation student count is determined by applying an adjustment factor to the number of transported students equal to the number of days in term divided by 180 days.

$$\begin{array}{|c|} \hline \text{Total Adjusted ESE} \\ \text{Students} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Factor} \\ \text{of 1.8} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total Weighted Adjusted} \\ \text{ESE Students} \\ \hline \end{array}$$

The district's total weighted adjusted transported ESE students are determined by multiplying the district's total adjusted ESE students by a factor of 1.8.

$$\begin{array}{|c|} \hline \text{Total} \\ \text{Weighted} \\ \text{Adjusted} \\ \text{ESE} \\ \text{Students} \\ \hline \end{array}
 \times
 \begin{array}{|c|} \hline \text{Florida} \\ \text{Price} \\ \text{Level} \\ \text{Index} \\ \text{Factor} \\ \hline \end{array}
 \times
 \begin{array}{|c|} \hline \text{Average Bus} \\ \text{Occupancy} \\ \text{Index Factor} \\ \hline \end{array}
 \times
 \begin{array}{|c|} \hline \text{Rurality} \\ \text{Index} \\ \text{Factor} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{District ESE} \\ \text{Allocation} \\ \text{Factor} \\ \hline \end{array}$$

The district ESE allocation factor is determined by multiplying the district's total weighted adjusted transported ESE students by factors that make adjustments for the district's FPLI, the district's ABO, and the district's Rurality Index. Each factor is designed to affect the base allocation by no more or less than ten percent.

Using these major components, the amount of state transportation dollars for each school district is calculated as follows:

$$\begin{array}{|c|} \hline \text{District ESE} \\ \text{Allocation Factor} \\ \hline \end{array}
 \times
 \begin{array}{|c|} \hline \text{Prior Year State Average} \\ \text{Cost per Student} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{District ESE} \\ \text{Allocation} \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \text{Total State Transportation} \\ \text{Appropriation} \\ \hline \end{array}
 -
 \begin{array}{|c|} \hline \text{Total of All Districts} \\ \text{ESE Allocations} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{Total State Base} \\ \text{Allocation} \\ \hline \end{array}$$

The district's ESE transportation allocation is determined by multiplying the district's allocation factor by the prior year state average transportation cost per student. The sum of the districts' ESE allocations is then subtracted from the total state transportation appropriation to determine the total state base allocation.

$$\begin{array}{|c|} \hline \text{District Base} \\ \text{Allocation Factor} \\ \hline \end{array}
 \div
 \begin{array}{|c|} \hline \text{Total of All District Base} \\ \text{Allocation Factors} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{District Base} \\ \text{Proration Factor} \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \text{District Base Proration} \\ \text{Factor} \\ \hline \end{array}
 \times
 \begin{array}{|c|} \hline \text{Total State Base} \\ \text{Allocation} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{District Base} \\ \text{Allocation} \\ \hline \end{array}$$

The district's base proration factor is determined by dividing the district's base allocation factor by the total state base allocation factor. To determine the district base allocation, the total state base allocation is multiplied by the district base proration factor.

$$\begin{array}{|c|} \hline \text{District Base} \\ \text{Allocation} \\ \hline \end{array}
 +
 \begin{array}{|c|} \hline \text{District ESE} \\ \text{Allocation} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{Total District} \\ \text{Allocation} \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \text{Total District} \\ \text{Allocation} \\ \hline \end{array}
 +
 \begin{array}{|c|} \hline \text{Prior Year} \\ \text{Adjustments} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \text{District Net} \\ \text{Allocation} \\ \hline \end{array}$$

The total district allocation is determined by adding the district base allocation to the district ESE allocation. The district's net allocation is determined by adding any prior year adjustments, whether positive or negative.

Transportation Costs of Districts Exceed State Formula Revenue

Revenue generated by the foregoing formula generates less than 50 percent of districts' cost of student transportation. Districts supplement this cost with FEFP and discretionary tax proceeds. Charter schools may experience even more need to supplement formula revenue if it creates long routes with relatively few riders. If a charter school elects to operate a bus or buses, care should be taken to establish a workable transportation zone that considers the cost. The charter school should obtain DOE's manual for charter school transportation (email to request a copy is schtrans@fldoe.org) as a convenient reference for state and federal requirements for school buses and their operation. For example, 15 passenger vans are not legal for student transportation. Charter schools may seek cooperation with the district where routes may make it practical to include charter school students.

STUDENT TRANSPORTATION CALCULATION SCHEDULE

The transportation calculation is calculated four times throughout the year in order to establish each school district's transportation categorical allocation. These calculations are scheduled as follows:

- (1) First Calculation – This calculation is completed immediately after the annual legislative session. It is based on each school district's number of eligible students transported from the transportation surveys for July, preceding fiscal year; October, preceding fiscal year; and June, second preceding fiscal year. The October transported student count is used for the February count.
- (2) Second Calculation – This calculation is completed upon receipt of the transported student count for the October survey. It is based on each school district's number of eligible students transported from the transportation surveys for July, current fiscal year; October, current fiscal year; and June, preceding fiscal year. The October transported student count is used for the February count.
- (3) Third Calculation – This calculation is completed upon receipt of the transported student count for the February survey. It is based on each school district's number of eligible students transported from the transportation surveys for July, current fiscal year; October, current fiscal year; February, current fiscal year; and June, preceding fiscal year.
- (4) Final Calculation – This calculation is completed upon receipt of the transported student count for the June survey. It is based on each school district's number of eligible students transported from the transportation surveys for July, current fiscal year; October, current fiscal year; February, current fiscal year; and June, current fiscal year.

DEVELOPING A CHARTER SCHOOL BUDGET

A charter school's application should result from a business plan which complies with the principles and purposes of charter schools as set forth in the charter school law (s. 1002.33(2), F.S.). The application is required to contain an annual financial plan for each year requested by the charter for operation of the school for up to 5 years. For the protection of students who will attend the school, the charter school, and the sponsoring district, this plan must carefully consider the potential revenues and the types and level of costs that must be incurred to successfully create and continue the projected education program. The foregoing description of the funding program emphasized the dynamic nature of revenues for Florida public school districts. The program is based on various estimates which are adjusted to actual data as the school year unfolds. Careful estimates and the ability to absorb reductions through a reserve are keys in this process.

The DOE Revenue Estimate Worksheet produces the estimated revenue side of the charter school's annual budget. Its usefulness depends on the accuracy of predicted FTE students and the weights of their programs (WFTE). The Worksheet can be used at various points during the school year when new WFTE data is known. The sponsor district's data is available with each new DOE calculation of FEFP.

The expenditure side of the budget requires numerous estimates and knowledge of local costs for needed services for the planned school. Facility costs and student transportation costs have been identified as costs which can readily undermine the academic plan and cause the failure of charter schools. Personnel costs are the most significant on-going costs of a school regardless of the grade span. This cost increases with the grade level in that it takes more teachers at the middle school and high school levels for the same number of students that could be taught at the elementary school. It also requires varied certifications of the faculty. Ability to address the needs of exceptional education students is also a factor in assembling a faculty. Proper certification is a requirement, which, if not adhered to, may result in reclaiming of funding.

The charter school's board should approve the annual budget and amendments reflecting changes in revenues and expenditures. Monthly financial statements are to be provided to the sponsoring district as required by section 1002.33(9)(g), F.S. Rule 6A-1.0081, F.A.C., details the requirements for information that must be contained in the financial statement.

Appropriations (charter school board approved planned expenditures) of the charter school should be proposed in detail. The Red Book (the state required chart of accounts) presents expenditures in two dimensions: function or purpose of the expenditure and object or what was purchased. The following presentation includes the functions (bold titles) and objects that generally need to be considered in projecting a charter school budget. All of these items may not be needed for the budget of a particular charter school. There may also be needs not represented here.

Instruction

Salaries of classroom teachers, contract or hourly, and teacher aides
Retirement program costs for teachers and aides

Note: Florida Retirement System salary percentage is 8.69 for 2008-09.

Social Security (6.2% of salaries of above personnel and temporary substitute teachers)
Health Insurance
Workers Compensation Insurance
Unemployment Compensation
Contracted Professional Services – Speech Therapy, Occupational/Physical Therapy, Other
contracted instructional services
Computer repairs
Classroom supplies
Classroom equipment
Computer equipment for instruction
Software for instruction

Pupil Personnel Services

Salaries of counselor, school nurse, health assistant
Retirement for above personnel
Social Security
Health insurance
Workers Compensation
Unemployment Compensation
Contracted Professional Services – counseling and psychological, contracted nurse services

Media Services

Salaries of Media Specialist (Librarian)
Same objects associated with employment as listed in preceding functions
Library books
Audio-Visual Materials

Curriculum Development

Salaries of Curriculum Specialist
Same objects associated with employment as in preceding functions

Staff Development

Workshop Stipends
Social Security
Professional Services (workshops, consultants, training, etc.)
Travel (workshop registration, lodging, etc.)

Instruction-Related Technology

Technology Personnel
Systems Operation
Network Support Services
Hardware Maintenance
Computer Learning Labs
Instructional Networks

Board

Professional Services (Legal)
Insurance – Liability/Errors and Omissions/Crime, Officers and Directors
Travel – workshop registration, lodging, meals

General Administration

Professional Services – administrative salary and benefits or management fees
Administrative Fee

School Administration

Salaries and other objects associated with employment for principal, secretary, and other office personnel
Lease of copy machine, other office equipment
Postage
Printing
Office supplies
Office equipment
Computer equipment
Dues and Fees

Facilities Acquisition and Construction

Building lease
Purchase of buildings and fixed equipment
Land
Improvements other than building
Remodeling and renovations

Fiscal Services

Salaries and other objects associated with employment of accounting and bookkeeping personnel
Professional services – payroll, inventory control, accounting, and auditing

Food Services

Salaries and other objects associated with employment of lunchroom manager and workers
Materials and supplies
Food

Equipment
Substitute workers
Inspection fees

Central Services

Professional Services such as: planning, research, development, and evaluation; information services; statistical or data processing services; or internal services, if any are applicable.

Pupil Transportation Services

Salaries and objects associated with employment of drivers and any other related employees
Contracted Transportation services
Insurance for transportation function
Buses
Repairs and maintenance of buses
Gasoline/diesel fuel
Repair parts
Tires
Substitute drivers

Operation of Plant

Salaries and objects associated with employment of custodians, crossing guards, and security
Property insurance
Telephone service
Water and sewer charges
Garbage collection
Purchase services for custodial services, fire and security systems, carpet cleaning, and pest services
Natural gas
Electricity
Custodial supplies
Custodial equipment

Maintenance of Plant

Contracted repairs and maintenance
Supplies

Administrative Technology Services

Internal Technology Support
Technology Personnel
Systems Operation
Systems Planning and Analysis

Debt Service

Redemption of principal
Payment of interest

Fund Balance and Reserves

Fund Balance is the difference between assets and liabilities reported in a governmental fund. A positive fund balance is the result of fiscally successful past operations in which revenues exceeded expenditures. This evidences a viable entity that can be expected to successfully continue operations. To create or maintain a positive fund balance, budgeted expenditures should be less than estimated revenues by approximately 3 to 5% to build up an unreserved fund balance – as an amount that shows how the charter school is able to mitigate current and future risks and to ensure a stable, long-term financial plan. As explained in the earlier section on Cash Flow to Charter Schools, there are several revenue factors that are critical to realizing revenues which are projected at the beginning of the school year: WFTS may not be realized because the number of students in membership during FTE surveys is not as large as projected and may not be in the higher cost programs. State appropriations may not fully fund the FEFP because the actual local property tax rolls were not as high as estimated. State tax collections may not meet estimates. Lottery proceeds may not be as high as projected.

On the expenditure side of the budget, costs may be higher than estimated: utility costs may increase significantly; roofs may leak; air conditioning equipment may fail; and personnel turnover and substitute costs could inflate the salary budget. Budgeted expenditure items should reflect conservative best estimates. A reserve for contingencies is a prudent management policy in that it recognizes the possibilities implicit in estimating revenues and expenditures.

An increase in fund balance is also desirable in that extra resources may also be needed to prepare for the following school year.

A deficit fund balance may subject a charter school to review and oversight by the sponsor. See the final section of this manual related to charter school financial conditions.

A positive fund balance exists when the assets of a governmental fund exceed the fund's liabilities. On the other hand, a deficit fund balance can occur when the charter school has cash that was derived from a loan. The cash remaining from a loan is among the fund's assets; however, the unpaid balance of the loan is a liability of the fund.

FINANCIAL REPORTING

The charter school law (s. 1002.33(9)(g), F.S.) mandates that each charter school provide financial information comparable to other public schools. In order to provide comparable financial information, charter schools are to maintain all financial records which constitute their accounting system in accordance with the publication titled “Financial and Program Cost Accounting and Reporting for Florida Schools,” which is known as the Red Book. At the discretion of the charter school board, a charter school may elect to follow generally accepted accounting standards for not-for-profit organizations, but must reformat this information for reporting in accordance with section 1002.33(9)(g)2., F.S. Should a charter school propose reformatting, the “crosswalk” to the Red Book should be planned and committed to paper prior to the start of the fiscal year. This crosswalk plan should be reviewed with accounting personnel of the sponsoring school district or the school’s auditor.

The Legislature set the comparability requirement in law so that the data can be meaningfully analyzed by: (1) the Legislature, (2) the sponsoring school district, and (3) the public. Generally accepted accounting principles are conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. These principles require that the governmental accounting model is to be used for a non-profit entity whose primary purpose is to operate a charter school. This model provides for fund accounting. Florida charter schools are to account for state and local funded operating costs in a general fund. Federal project funding and expenditures are accounted for in a special revenue fund. Food services funding and expenditures are accounted for in another special revenue fund. Construction of facilities is accounted for in capital projects fund.

The Not-for-Profit accounting model is to be used for charter schools operated by not-for-profit entities that: (1) operate multiple charter schools, (2) carry on other functions in addition to the charter school, or (3) charter schools that are operated by a municipality. Section 1002.33(9)(g), F.S., requires the preparation of reports of comparable data crosswalked from the entity’s records.

The state required data in the Red Book account classifications to be reported through the sponsoring school district is as follows: (1) Statement of Net Assets: the school’s assets, liabilities, and net assets at June 30, and (2) Statement of Activities: the presentation of expenses, program revenues, general revenues, and net assets. This information is reported to the sponsoring school district for inclusion in the district’s annual financial statements. In addition, the year’s expenditures are to be reported by funded FEFP program in the same manner as traditional schools (the program cost report is a part of the district’s annual financial report). The format for the program cost report can be obtained from the sponsoring district or the DOE Office of Funding and Financial Reporting.

The program cost report displays costs by funded FEFP program. The format includes direct classroom costs (teacher salaries, aide salaries, substitute teacher salaries, text materials, and classroom supplies) and indirect costs. Indirect costs are the costs that are not directly identifiable with a single program but must be prorated across programs to report the full cost of each program. Such costs include utilities, administrative services, custodial services, and other indirect costs. The DOE forms provide instructions for proration of indirect costs and the allocation of direct costs when, for example, a teacher serves two programs.

This information is provided to the school district sponsor for incorporation in the state prescribed annual financial report required to be submitted to DOE no later than September 11 of each year (Rule 6A-1.0071, FAC).

The Red Book classification of expenditures is by function (purpose of expenditure) and object (what was purchased). For example, a teacher's salary is reported as an instructional function under a salaries object (or 5000/100 using the codes of the Red Book). Text books would be instructional supplies (5000/500). The salary of the school principal would be school administration salaries (7300/100). Electricity costs would be the operation of plant's energy services (7900/430). See Chapter 4 of the Red Book for a complete listing of functions and objects with definitions. The preceding section "Developing a Charter School Budget" illustrates a typical array of functions and objects that a charter school employs. The charter school accountant or auditor should thoroughly review the accounts of Chapter 4 of the Red Book.

AUDIT REQUIREMENTS

The charter school law (s. 1002.33(9)(j), F.S.) requires that each charter school provide an annual financial audit in accordance with section 218.39, F.S., the law that governs the annual financial audit report of charter schools. This audit must be conducted by an independent certified public accountant (CPA). Charter school contracts generally require the audit report within 90 days of the fiscal year end (June 30). Chapter 10.850 of the Rules of the Auditor General entitled Audits of Charter Schools and Similar Entities govern charter school audits. The rule specifies the scope of the audit to include:

- (a) An examination of financial statements to express an opinion on the fairness with which the charter school presents financial position, changes in financial position, and, where applicable, cash flows of each opinion unit in those financial statements in conformity with generally accepted accounting principles.
- (b) An examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.
- (c) An examination of any additional financial information necessary to comply with generally accepted accounting principles.

If the charter school is not organized as a separate legal entity (operated by a nonprofit organization that operates other charter schools or carries on other functions or is operated by a municipality or other public entity), special purpose financial statements for the charter school are to be prepared.

When applicable, the scope of the audit shall encompass the additional activities necessary to establish compliance with the Federal Single Audit Act.

The rule requires that auditors report on:

1. The financial statements.
 - (a) A statement as to whether the financial statements are presented in accordance with generally accepted accounting principles;
 - (b) Expression of opinions regarding the basic financial statements, or an assertion to the effect that an opinion cannot be expressed including the reasons therefor; and
 - (c) A statement that the audit was conducted in accordance with generally accepted auditing standards.
2. Internal controls and compliance.
 - (a) The scope of the auditor's testing of internal control over financial reporting;
 - (b) The scope of the auditor's testing of compliance with laws, regulations, contracts, and grant agreements; and
 - (c) The auditor's findings and recommendations resulting from those tests, including deficiencies in internal control that are considered to be reportable conditions; instances of fraud and illegal acts; and significant violations of provisions of contracts or grant agreements and abuse that are material to the financial statements.

Internal control (Item 2 above) is to be addressed in the charter document (s. 1002.33(7)(a)9., F.S.), which requires a description of internal audit procedures and establishment of controls to ensure that financial resources are properly managed.

An internal audit is distinguished from the independent audit in that the independent auditor's objective is the expression of an opinion on the school's financial statements while the internal auditor appraises control systems and checks designed to safeguard assets. The internal auditor seeks to eliminate conditions which may lead to the independent auditor having to report the deficiencies stated above in a post audit.

At the conclusion of the audit, the independent auditor is required to discuss the findings that will be included in the audit report with the charter school board chair, or provide the findings in writing if the officer is unavailable. In addition, the auditor must notify each member of the governing board for which deteriorating financial conditions exist that may cause a financial emergency condition to occur if actions are not taken. Deteriorating financial conditions and financial emergency conditions are discussed in detail in the next section.

After review of the auditor's comments, the board chair must prepare a written explanation or rebuttal to the audit findings within 30 days of delivery of the audit findings. The governing board then reviews and approves the audit report in accordance with s. 1002.33(9)(j)2., F.S.

The audit report will include a management letter which is a statement of the auditor's comments and recommendations.

The audit report and written response to the findings by the school's board are required to be filed with the Auditor General within 45 days after delivery of the audit report to the charter school's board. Each member of the charter school board receives a copy. Copies must also be filed with the sponsoring district and the Department of Education (s. 218.39(9), F.S.).

If a charter school fails to provide an audit, the school will be subject to expedited review by the sponsor and may be required to develop a corrective action plan.

The Auditor General issues an [annual report of significant findings and financial trends](#) disclosed in the annual charter school audit reports.

DETERMINATION OF A FINANCIAL EMERGENCY

The 2009 Legislature amended several statutes related to a charter school's financial condition including ss. 218.503 and 1002.33, F.S., and created s. 1002.345, F.S.

Section 1002.345, F.S., outlines the procedures for the determination of deteriorating financial conditions and financial emergencies for charter schools. According to s. 1002.345(1), F.S., a charter school shall be subject to expedited review by the sponsor if one of the following occurs:

1. Failure to provide for an audit required by s. 218.39, F.S.
2. Failure to comply with reporting requirements pursuant to s. 1002.33(9), F.S.
3. A deteriorating financial condition identified through an annual audit pursuant to s. 218.39(5), F.S., or a monthly financial statement pursuant to s. 1002.33(9)(g), F.S.
4. Notification that one or more of the conditions specified in s. 218.503(1), F.S., have occurred or will occur if action is not taken to assist the charter school.

The conditions specified in s. 218.503, F.S. (Item 4 above), include the following:

- (a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.
- (b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of lack of funds.
- (c) Failure to transfer at the appropriate time, due to lack of funds:
 1. Taxes withheld on the income of employees; or
 2. Employer and employee contributions for federal social security, pension, retirement, or benefit plan of an employee.
- (d) Failure for one pay period to pay, due to lack of funds:
 1. Wages and salaries owed to employees; or
 2. Retirement benefits owed to former employees.
- (e) An unreserved or total fund balance or retained earnings deficit, or unrestricted or total net assets deficit for which sufficient resources are not available.

A charter school subject to "expedited review" may be required to develop a corrective action plan with the sponsor and file it with the Commissioner of Education. In the case of Items 3 and 4, the Commissioner has the authority to determine if a financial recovery plan is needed in lieu of a corrective action plan to resolve the condition.

To aid charter schools in understanding the new financial condition legislation, we have created an [Interactive Worksheet](#) which includes a detailed explanation of each deteriorating financial and financial emergency condition, as well as instructions on reporting requirements and necessary corrective action procedures.

We have also developed a [Technical Assistance Paper](#) that aims to assist governing board members as they exercise continuing oversight over charter school operations. The document provides board members with suggestions related to developing sound financial practices and monitoring a charter school's financial condition.