

TECHNICAL ASSISTANCE PAPER

UPDATED FUNDING AND FINANCIAL MANAGEMENT OF FLORIDA'S PUBLIC CHARTER SCHOOLS - SUMMARY

The following document is an updated summary of technical assistance paper, No. 2006-03, describing the funding of Florida's public charter schools and related budget issues. You are encouraged to read TAP 2006-03 for a more detailed treatment of the issues.

Contact Information:
Karen Hines-Henry
850-245-0502
karen.hines@fldoe.org



Independent Education
and Parental Choice

November 2006

Increasing the Quantity and Improving the Quality of Educational Options

FUNDING AND FINANCIAL MANAGEMENT OF FLORIDA'S PUBLIC CHARTER SCHOOLS

OVERVIEW

The Florida charter school law requires that school districts provide charter schools with a proportional share of the state and local monies available to the county school district for daily operating costs. This includes the state monies received by the district from the Florida Education Finance Program (FEFP), which is the program created by the legislature for financing all public schools. Also included are monies provided by the legislature for specific purposes provided that the charter school meets the conditions for use of these monies. Charter schools also proportionally share local taxes that go to school districts for daily operating purposes. This includes the taxes required by state law as the local share of the FEFP and the taxes that county school boards are allowed by law to decide to raise for operating purposes.

No two school districts or charter schools are likely to have available the same amount per student. This is because the FEFP is calculated using a number of factors intended to provide equitable current operating funding by considering the needs of each school's students and the programs provided to meet those needs rather than providing an equal funding amount per student for each school. As described herein, the FEFP also addresses other differences between districts.

State and local charter school funding can be calculated by use of the Charter School Revenue Estimate Worksheet found on the Department of Education (DOE) website at <http://www.fldoe.org/fefp/chartinst.asp>. This worksheet can assist persons considering starting a charter school. It can also help existing charter schools manage their finances by calculating estimated revenue with revised estimates of the number of eligible full-time equivalent students.

Factors Used In FEFP Program Calculation

The number of full-time equivalent students (FTE) is determined by counts made on DOE specified weeks in October and February. To be counted, students must not have withdrawn prior to the count week and must be present at school at least one day of the count week or the preceding six school days. Full-time students earn 0.5 (one-half) FTE for each of the year's counts. The number of FTE students funded as determined by the counts during the specified weeks will be less than the number of students enrolled by a school during the school year. This is due to the normal movement of families between communities and within a community. There may be other causes for enrolled students to leave a school prior to the official counts.

The FTE used in funding a district and a charter school will vary during the year. The FTE in the funding formula begins with a projected FTE based primarily on student registrations. After the October count, the projection for the year is replaced with actual FTE for the reported count and a projection for the February count. Payments are adjusted to reflect revised funding for the year. After the February count, funding is again revised to the actual FTE for the year.

Program cost factors are established each year by the legislature. Program cost factors serve to assure that each program receives its equitable share of funds in relation to its relative cost per student. Experience indicates that the cost of a Kindergarten and Grades 1, 2, and 3 student's

education program is 1.8 % higher than the cost of the program for a student in Grades 4 through 8. To provide these additional dollars for primary grades students, program cost factors are set at 1.000 for the middle grades and 1.018 for the primary grades. Program cost factors are as follows:

(1) Basic Programs	
Kindergarten and Grades 1, 2, and 3	1.035
Grades 4, 5, 6, 7, and 8	1.000
Grades 9, 10, 11, and 12	1.088
(2) Programs for Exceptional Student Education (ESE)	
Kindergarten and Grades 1, 2, and 3 with ESE Services	1.035
Grades 4, 5, 6, 7, and 8 with ESE Services	1.000
Grades 9, 10, 11, and 12 with ESE Services	1.088
Support Level 4	3.734
Support Level 5	5.201
(3) Programs of English for Speakers of Other Languages(ESOL)	1.275
(4) Programs for Grades 9-12 Career Education	1.159

Classification of students in programs (2), (3), and (4) for FTE reporting requires: proper qualification of students, proper qualification of teachers (an appropriate teaching certification), and appropriate subject matter in accordance with State Board of Education rules. Proper qualification of an ESE student requires an Individual Education Plan (IEP). A matrix of services (a rating system for needed services) is required before reporting FTE in the higher support levels.

Weighted FTE (WFTE) is each student’s FTE multiplied by the program cost factor of the student’s program. Students, except ESE students, may be in more than one of the FEFP programs listed above and their FTE is measured as part FTE in each program based on instructional time. ESE students are deemed to be in their ESE programs all day. Other students may be in more than one program with partial WFTE computed for each program.

The Base Student Allocation (BSA) is established each year by the legislature (\$3,981.61 for the 2005-2006 school year).

The District Cost Differential (DCD) recognizes the relative cost of delivering education programs in each of the school districts of the state. DCD index factors established for the 2006-2007 school year range from a high of 1.0930 for Collier County to 0.9119 for Holmes County. Collier’s higher price level will be met by more FEFP dollars through calculation of FEFP base funding (weighted FTE x BSA x DCD index factor).

The Legislature provides the following additional monies within the FEFP to supplement the FEFP base funding.

The Exceptional Student Education Guaranteed Allocation funds ESE services for students whose level of service is less than Support Level 4 (see above list of program cost factors) as determined by the ESE matrix of services.

The Supplemental Academic Instruction program has as its first priority funding for supplemental intensive instruction, consistent with the Sunshine State Standards, including summer school and intensive English immersion instruction, primarily for students in grades 3 and 10 who scored a Level 1 on the FCAT reading or examinations.

The Special Teachers Are Rewarded (STAR) Performance Pay Plan is to assist districts with implementation of performance and differentiated pay for instructional personnel. District STAR plans are to be reviewed and approved by the State Board of Education. Charter schools are to be in the plans which must include evaluation based on the performance of students.

The Reading Program provides funding for a K-12 comprehensive, district-wide system of research-based reading instruction pursuant to a district's prioritization of need for all public schools of the district.

The Safe Schools program provides funding for activities that include: (1) after-school programs for middle school students; (2) other improvements to enhance the learning environment; (3) alternative school programs for adjudicated youth; and (4) other improvements to make the school a safe place to learn.

In addition to these programs, the FEFP includes; (1) a Declining Enrollment Supplement to partially offset a district-wide drop in FTE from the prior year. There is also a Sparsity Supplement to recognize the relatively higher operating cost of smaller districts through a sparsity index.

Also included in FEFP funding are two measures to reduce the differences among districts in their ability to levy local taxes for operating purposes. The Discretionary Tax Equalization measure provides that districts that levy the discretionary operating 0.510 mills and an additional 0.250 mills will receive a supplement if the additional 0.250 mills raise less than \$100 per FTE. The state provides the difference between the amount raised by the 0.250 tax and \$100. (The additional levy is capped at the portion of 0.25 mills that would raise \$100.) Similarly, through a provision known as the 0.51 Mills Discretionary Compression, if a school board's 0.510 mill levy provides funds per unweighted FTE that are less than the state average, the state provides an amount which, when added to the funds generated by the levy will equal the state average per FTE.

The amount provided for the FEFP by the legislature includes an amount in lieu of discretionary local tax revenue for Developmental Research Schools (lab schools including charter lab schools).

The Minimum Guarantee Adjustment guarantees each district a 1.0 percent increase in potential funding over the prior year funding on an unweighted FTE K-12 basis.

The legislature annually provides monies separately from the FEFP which it wants spent for various special purposes. These include: Discretionary Lottery including school recognition awards, Instructional Materials (textbooks and other materials that serve as a major tool of instruction), Library Media Materials, Science Lab Materials and Supplies, and Class Size Reduction (operating and capital outlay). Money is also provided through the Florida Teacher Lead program to be given to teachers for their individual purchase of classroom supplies and materials.

Changing Revenue Calculations

There are five state calculations of the FEFP each year: (1) The first calculation is completed after the annual legislative session determines the values and dollars of the FEFP. It includes an estimate of the coming year's FTE. (2) The second calculation is made in July based on the state's total property value for levying school taxes. This determines the tax rate set to raise the local share of

FEFP. (3) The third calculation is made in December based on the October count of FTE. (4) The fourth calculation is made in April based on the October and February counts of FTE. A final calculation is made in the following year based on reported corrections of FTE counts.

FEFP calculations change the cash flow to districts and charter schools. If a charter school has a projected WFTE of 100 and the October WFTE count is 75, the school's annual revenue will be adjusted to 75 percent of its planned income assuming the February estimate is adjusted to 75. Because cash flow prior to the third calculation has been based on 100 WFTE, payments to the charter for the remainder of the year will approximate 50 percent of the previous payments. Managing cash flow requires realistic estimates based on students who will begin the school year and stay in school and early recognition of changes that will require budget reductions.

The Charter School Revenue Estimate Worksheet found on the DOE website includes the latest state calculated data for each district. Charter schools need only enter the estimated FTE for each program to receive a forecast of revenue generated by each of the FEFP factors described and for the special purposes.

Administrative Services from Districts

The charter school law provides for school districts to render certain administrative services for charter schools. These services are: contract management; full-time equivalent student reporting; exceptional student education administration; test administration, including payment of the costs of state-required or district-required student assessments; information services, including equal access to student information systems that are used by public schools; and services related to eligibility and reporting requirements for the federal lunch program. For these services, a fee of up to 5% of the funding described in the preceding paragraphs is calculated; however, the amount calculated for over 500 students is retained by the school to only be used for capital outlay.

Food Service and Student Transportation

Food Service is a program of the United States Department of Agriculture (USDA) which is administered through DOE. Charter schools which enroll students who are eligible for free and reduced price meals are required to provide lunch (and breakfast in elementary schools). Meals must meet USDA meal pattern requirements. Based on economic status of each student's household, meals are free, reduced price, or full price. Meals served are reimbursed at USDA established prices following reporting to DOE.

State money for student transportation generally provides school districts with less than 60 percent of their costs. Charter schools must make up the difference between state funding and their costs with dollars from the FEFP and local tax sources. Transportation revenue is generated from a formula based on eligible students, as defined in law, transported on the October and February count dates. The formula includes additional funding for ESE students, the district's Florida Price Level Index, average bus occupancy, and the rurality of the county.

Federal Aid to Education

Operating monies may also be received through the state from the Federal government. Congress has decided to add money above the state and local amounts spent for specific students or programs

by schools. Monies from the No Child Left Behind and the Individuals with Disabilities Education Act must be allocated by districts to charter schools providing the services or programs described by these Federal laws.

Funding for Facilities

Unlike operating monies, facilities money for charter schools is not based on a proportionate share of monies available to each district school board. Most traditional school facilities have been financed through laws which set restrictions on use of the proceeds of bonds, loans, or specified taxes. Many charter school facilities are rented. The legislature has chosen to provide facilities money through a separate Charter School Capital Outlay Funding. This money can be used by eligible schools for: purchase of real property; construction of school facilities; purchase, lease purchase, or lease of permanent or relocatable school facilities; purchase of vehicles to transport students; and 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. Conversion charters are not funded by the Charter School Capital Outlay. The charter school and the district are to enter into a mutual management plan which provides for the school district to maintain the facility in the same manner as other schools of the district.

Budgeting for Revenues, Costs, and Reserves

The DOE Revenue Estimate Worksheet produces the estimated revenue side of the charter school's budget for operating costs. Its usefulness depends on the accuracy of predicted FTE students and the weights of their programs (WFTE). The cost side of the budget requires numerous estimates and a knowledge of local costs for needed services. The charter school's board should approve the annual budget and amendments for on-going changes to revenue and costs. Periodic financial reports showing budgeted amounts and to-date spending and obligations as approved by the board are to be provided to the sponsoring district school board. Budgeted spending should not equal estimated revenue because there needs to be a reserve for contingencies. Counts of students may not be as high as expected. Estimates of money to be realized from state and local sources may not be enough to fully fund the amount of the FEFP. Costs may be higher than expected (utilities costs, maintenance of building or equipment, personnel turnover).

Financial Accounting, Reporting, and Audits

The charter school law requires that each charter school provide financial information the same as other public schools. Charter schools are to maintain all financial records in accordance with the state's manual for school accounting (the Red Book). The charter school's board may elect to follow standards for not-for-profit organizations, but must reformat for reporting using the Red Book accounts. An annual report and a program cost report must be provided to the sponsoring district school board prior to the district's state reporting deadline of September 11 following the fiscal year end of June 30 each year.

The charter school law requires that each charter school provide an annual financial audit by an independent certified public accountant (CPA). Should the audit produce a finding that the charter school is in a state of financial emergency as defined by s. 218.503, Florida Statutes, the charter school must file a detailed financial recovery plan with its sponsor.