

CONTENTS

Introduction	1
Education Funding 101	2
Bottom Line Questions	4
Recommendations	6



The Jacksonville Public Education Fund is an independent Local Education Fund dedicated to improving the quality of education so that all students graduate from Duval County Public Schools career and college-ready. Our three areas of work include high-quality research on best practices and student achievement, community engagement to elicit civic voice and action, and advocacy to improve policies and practices.

JPEF works to build collaborative partnerships with key education stakeholders throughout the Jacksonville community, across geographic, racial and political lines. JPEF is also a member of the Public Education Network, a national organization of Local Education Funds, through which it is able to leverage national best practices and funding sources to support reform efforts in Duval County.

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DEMYSTIFYING SCHOOL FUNDING:

Where it comes from, how it's spent and what we can do to improve.

INTRODUCTION

School funding has become an increasingly volatile issue in Florida and nationwide over the past year. In 2011, the state of Florida cut \$1.4 billion from public education as part of an effort to balance the budget during an economic downturn without increasing tax revenues. In Duval County, that translated to a \$91 million shortfall and several months of painful decisions in which everything from teacher pay to student transportation to arts and athletics were at risk of being eliminated or significantly reduced.

Current projections indicate that 2012 will be no easier. As the Legislature prepares to reconvene in January, the Office of Economic and Demographic Research estimates that the state could be facing another \$1-2 billion shortfall in tax revenues that would lead to another round of drastic reductions in state education funding.¹ By its own estimates,

Duval County is already expecting to face an additional \$63 million shortfall that will necessitate some tough decisions once again.²

In 2011, Duval County saw a \$91 million shortfall leading to several months of painful decisions in which many programs were at risk of being eliminated or significantly reduced.

As if the prospect of reducing educational or support services for our students was not an emotional enough issue already, the difficulty surrounding these decisions is often compounded by confusion and mistrust about how the budget process works and who exactly is responsible for the difficult decisions that need to be made.

On one side are those who say that the district is inadequately funded already, and that with every new cut the state is further in violation of what the Florida constitution refers to as its "paramount duty ... to make adequate provision ... for a uniform, safe, secure, and high quality system of free public schools." On the other side are those who claim the district has long been bloated and inefficient, and that there is plenty of fat to trim in bureaucracy and administration before reductions in funding should ever have an impact on student services. In the middle are most of us - wanting to support our students with the highest quality public education possible while feeling confident that the money we provide is not going to waste.

In this issue we will take a closer look at the process of school funding and attempt to demystify the details of where the money comes from, what it is spent on, and who should be held responsible for the changes needed to make the system work best for everyone.

EDUCATION FUNDING 101

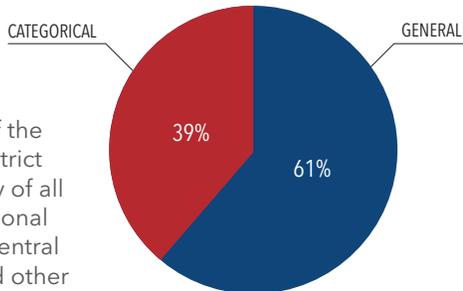
In order to have a clear understanding of how the budget works it is important to understand the difference between general funding and categorical funding.

General funding

is money that the district receives and, for the most part, has independent decision-making authority over how to spend. It is out of the general fund that the district pays for the vast majority of all teacher salaries, instructional services and materials, central and board expenses and other student support services.

PERCENTAGE BREAKDOWN OF 2011-2012 DCPS GENERAL FUNDS VS. CATEGORICAL FUNDS

FIG 1



Some funding, however, comes with strict limitations about how it can be spent. This money is known as **categorical funding** because it is held aside from the general fund in separate accounts to be used only for those purposes allowed by law for those funds. For example, some categorical funds received by the district can only be spent on things such as building and property improvements, food services, paying down debt, or implementing specific federally or state-mandated programs.

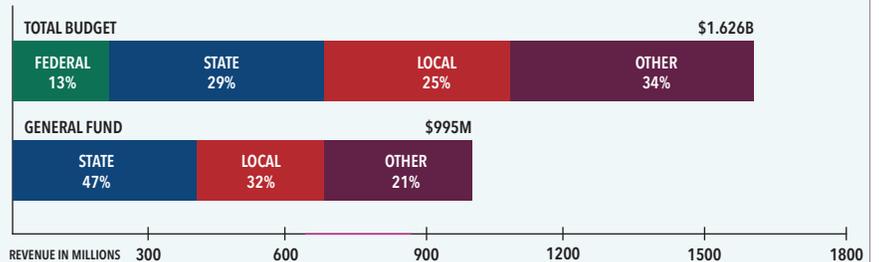
Over the next few sections, this concept will be critical in helping us understand the difference between how much total funding the district receives versus how much it actually has directly available to support instruction and student services.

WHERE DOES THE MONEY COME FROM?

School district revenues come primarily from three major sources: federal aid, state funding and local property taxes. The top half of Table 1, along with Figure 2, shows a breakdown of contributions from each source to Duval County's overall budget and available general funds for 2011-2012.

PERCENTAGE BREAKDOWN OF 2011-2012 DCPS TOTAL BUDGET & GENERAL FUND REVENUES BY SOURCE

FIG 2



FEDERAL REVENUE (TOTAL CONTRIBUTION: \$207 MILLION)

The significance of federal funding as a part of overall district revenues can fluctuate significantly from year to year depending on the funding cycles of various limited-term federal initiatives, such as *Race to the Top*. In 2011-2012, the district will receive about \$207 million from federal sources, accounting for about 13% of total funding.³ However the vast majority of those funds are restricted to categorical spending accounts.

Of the approximately \$207 million in revenues from federal sources in this year's budget, nearly 71% of it is specifically earmarked for implementing the requirements of the *Individuals with Disabilities Education Act, Title I*, and the *National School Lunch Act*. Another 15% is designated for supporting initiatives

TABLE 1		
REVENUES	TOTAL BUDGET	GENERAL FUND
Source		
Federal	\$207M	\$1M
State	\$473M	\$468M
Local	\$401M	\$322M
Other	\$545M	\$204M
TOTAL REVENUES	\$1.626B	\$995M
APPROPRIATIONS	TOTAL BUDGET	GENERAL FUND
Spending		
Instruction	\$693M	\$630M
Instructional Support Services	\$186M	\$90M
Facilities	\$171M	\$1M
Depreciation	\$125M	-----
Operations & Utilities	\$94M	\$93M
Central Support Services	\$69M	\$15M
School Administration	\$61M	\$61M
Food Services	\$59M	-----
Transportation	\$49M	\$43M
Restricted Fund Balances	\$42M	\$31M
Debt Repayment	\$40M	-----
Central Administration & Board	\$24M	\$21M
Instructional Materials	\$11M	\$10M
Community Services	\$1.5M	\$0.9M
TOTAL APPROPRIATIONS	\$1.626B	\$995M

meeting the requirements *Race to the Top* and other initiatives of the *American Recovery and Reinvestment Act*. Through the specific parameters of those programs, about 55% of overall funding received from federal sources is actually spent on instruction and instructional support services.² Only about 0.5% of all federal funds received in 2011-2012 are available as general funds for the district to spend entirely at its own discretion.

STATE REVENUE (TOTAL CONTRIBUTION: \$473 MILLION)

In 2011-2012, the district will receive about \$473 million in revenue from state sources, accounting for 29% of the overall budget this year, and about half of revenues into the general fund. Most of the money received from the state is administered through the *Florida Education Finance Program (FEFP)*.

FEFP administers the major portion of state support to all districts, including state budget appropriations. The amount of FEFP funding received by each district is based on the number of full-time students enrolled in the district adjusted for various factors such as numbers of students requiring exceptional education or English language learner support, as well as operational cost differences associated with varying price levels in different districts.

In total there are about 20 different potential adjustment factors taken into account when determining the amount of overall FEFP funding received by each district, though differences in percentages of students living in poverty between districts is not one of them.

This year, Duval County received about \$319 million in FEFP funding, accounting for about 20% of total funding and about a third of revenues for the general fund.

Aside from FEFP funds, some additional programs are also funded by the state through categorical funds, special allocations, and state lottery revenues. Over the past ten years, the percentage of state lottery funding going to support K-12 public schools has gone down from 60% in 2001 to 44% in 2011.⁴ Much of the money received from the lottery is earmarked for specific programs, such as school recognition programs and class-size reduction efforts. In 2011-2012, Duval County only received about \$370,000 in discretionary funds from the state lottery - or about 0.4% of its general funds.

LOCAL REVENUE (TOTAL CONTRIBUTION: \$401 MILLION)

Local revenue for school districts is generated almost entirely through property taxes. In 2011-2012, the district will receive about \$401 million in revenue from local property taxes, accounting for 25% of total funding and about a third of revenues for the general fund.

Property taxes are determined by local millage rates and can vary from district to district. To understand how millage rates translate into

actual dollars, a rate of 1 mill would mean \$1 in tax on every \$1,000 of taxable property value. For example, a millage rate of 5.00 would mean that the owner of a house valued at \$150,000 would owe \$5.00 on every \$1,000 of that value, or \$750 in total property taxes⁵ (\$150,000 value/ \$1,000 increments = 150, x \$5.00 each = \$750).

There are several different types of local property taxes for education funding, some of which are set at by the State Legislature and Commissioner of Education, others of which are under the authority of the local school board, and still more which are under the control of the voters in each district. Table 2 shows all the possible millage rate components for education funding, including who controls them, which components are already being charged in Duval County and where there is room to increase revenues in this area if desired.

Figure 3 displays the breakdown of current local property taxes collected for education in Duval County. As we can see, the major portion of local education property taxes comes from what is called the **Required Local Effort (RLE)**. The RLE is set by the Commissioner of Education and the Legislature at the state level, and dictates the minimum level of property taxes that districts must collect in order to also receive the state portion of their funding for education. Of total local property taxes collected this year, about \$283 million (70%) comes from the RLE.

BREAKDOWN OF 2011-2012 DCPS LOCAL TAX REVENUES BY MILLAGE TYPE

FIG 3

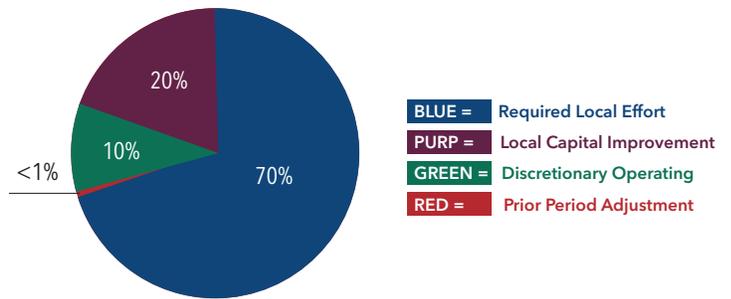
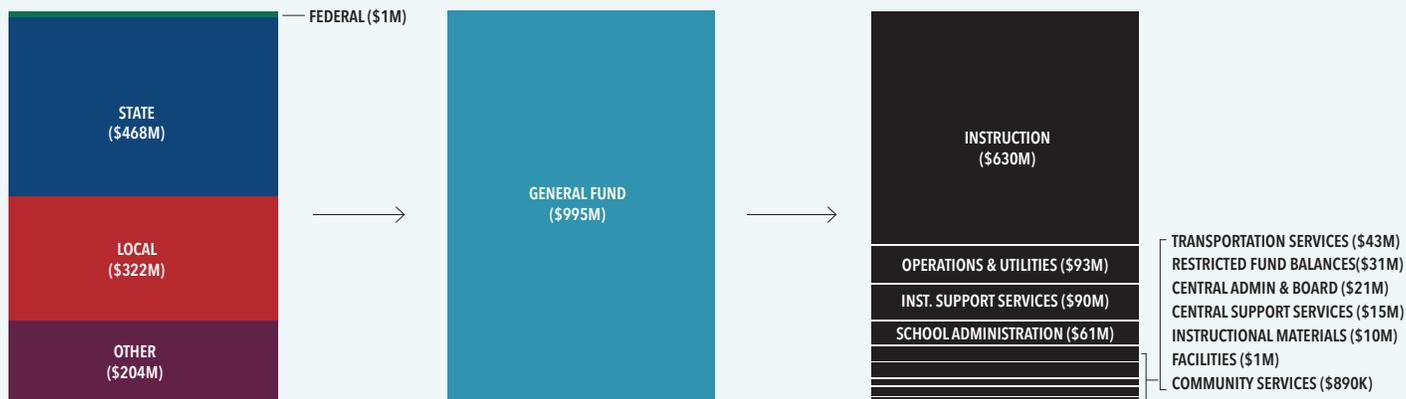


TABLE 2

AUTHORITY	TYPE OF MILLAGE	USED FOR	'11-'12 DCPS RATE	ROOM TO INCREASE?	MAX RATE
State (Commissioner)	Required Local Effort	Operations	5.285	-----	-----
	Prior period funding adjustment millage	Operations	0.020	-----	-----
Local (School Board)	Discretionary Spending	Operations	0.748	No	0.748
	Local Capital Improvement	Capital Improvements	1.500	No	1.500
	Discretionary Capital Improvement	Lease purchase payments or other critical fixed capital outlay needs	-----	Yes	0.250
Local (Voter Referendum Required)	Critical operating needs	Operations	-----	Yes*	0.250
	Critical capital outlay needs	Capital Improvements	-----	Yes*	0.250
	Additional operating	Not specified	-----	Yes	(Balance up to 10.000)
	Additional capital improvement	Not specified	-----	Yes	(Balance up to 10.000)
TOTAL MILLAGE FOR EDUCATION			7.553	Yes	10.000
ADDITIONAL POTENTIAL REVENUES					
Local (Voter Referendum Required)	Additional Debt Service Millage	Debt services	-----	Yes	Adjustable
	Local Sales Tax Option	Capital outlay / Other	-----	Yes	0.5¢

* Indicates millage options that can be levied one at a time but not together at the same time.



In addition to the RLE, Duval County also collects some additional mills in discretionary local taxes, including 0.748 mills for additional discretionary operating funds and 1.5 mills for local building and property improvements. Both of these are controlled by the local school board and are currently set at the maximum allowable rate by law, as is the case in nearly every other district in the state.⁶ Together these discretionary mills generate approximately \$120 million in additional local funds.

OTHER REVENUE (TOTAL CONTRIBUTION: \$545 MILLION)

Incoming federal aid, state support and local property tax revenues described above account for about 66% (\$1.081 billion) of Duval County’s total 2011-2012 operating budget. So what about the rest? The remaining balance consists largely of restricted funds and balance forwards from last year in categorical spending accounts.

The general fund contains about \$153 million in existing fund balance from last year, including planned savings, fund transfers and a minimum required balance the district is required by state law to keep available. The remainder of any balance forward or restricted funds is strictly limited in what it can be used for and is, for all intents and purposes, unavailable as offsetting funds to consider when looking at instructional and operational funding shortages in the general fund.

WHERE DOES THE MONEY GO?

Of the \$1.6 billion budget for 2011-2012, only about 61% (\$995 million) is available in the general fund. The other 39% (\$631 million) is restricted in categorical spending accounts for specified uses such as building or property investments, food services, implementation of federal programs, or debt repayment.

In Figure 4, we see how money available in the general fund is allocated this year. About 73% of all available general funds are spent on instruction or instructional support services and materials, including teacher salaries and benefits, professional development, curriculum development and instruction-related technology. The next few largest expenses include Operations and Utilities (10%), School-level Administration (6%) and Transportation Services (4%).

As noted earlier, a smaller percentage of categorical funding from certain accounts can also be used to support instruction,

professional development, administration or other direct operational costs. When spending from all accounts is considered, Duval County spends about 77% of its total budget on school-level instruction and operational costs, 18% on district-wide school support (such as transportation and central services) and about 6% central administration and board costs.⁷

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BOTTOM LINE QUESTIONS

DOES THE DISTRICT HAVE ENOUGH MONEY?

This is where the importance of understanding the difference between general and categorical funds comes into play. While the total budget is substantial, the district only has independent discretionary control over about 61% of it to put directly towards instructional needs and support as it sees fit. However, even that money is not as free as it is intended to be. The district often has to dip into their general funds to support programs known as unfunded mandates.

Unfunded mandates are programs that are required by state law, but for which the district is not allotted enough additional funding to cover the cost of running them. As such, the district is forced to tap into its own general funds to cover their costs at the expense of being able to use that money to support other programs. Among the most prominent unfunded mandates stretching the district’s budget right now, include:

Class size limits: In 2002, an amendment to the Florida constitution mandated that all core subject class sizes must be limited to 18 (K-3), 22(4-8), or 25 (9-12) students respectively. Helping districts meet this requirement will cost the state \$20

The district does not have enough money to adequately implement all of these unfunded mandates – on top of their primary effort to provide a “uniform, safe, secure, and high quality system of free public schools” for all students without having to sacrifice something elsewhere.

billion over the first 8 years and another \$4 billion each year after that, despite the fact that a growing body of research indicates that small, uniform reductions in class size alone has little or no effect on student achievement.⁸ In 2011-2012, Duval County received about \$142 million in class size reduction funds from the state to help meet that mandate but it will still not be enough to cover the entire cost. In order to hire enough teachers to be in full compliance, the district would have to spend approximately \$12 million above and beyond that out of its own general funds. Should it not be able to do so, the state-imposed penalty for failure to meet class-size limits could cost up to \$8 million.

Expansion of mandatory standardized testing: The expansion of standardized testing to include a pre- and post- test for every non-FCAT subject area course taught in the district will require the creation and administration of dozens of new tests at the district’s expense. In addition, a mandated shift in the implementation of existing exams from paper to online testing will require a significant investment in upgrading the district’s technology infrastructure and staff at their own expense. All in all, the district estimates that efforts to meet all of these new testing requirements will cost about \$6.4 million in the first year and \$2.3 million each additional year out of its general funds.

On average, the states found to be inadequately funding education in a six state study were already spending about \$700 more per pupil than Florida.

Expansion of school choice scholarship options: School choice scholarships allow qualifying students to choose to attend a school outside of their local zone if they believe it offers a better education or specific services they require. When they do, the per-pupil expenditure that would have been funded to their local school is then provided to their new school instead. However, not covered as these options continue to expand are related costs, such as: expanding transportation services to provide for the growing number of students attending schools outside their neighborhood, adding or reallocating staff to high demand schools with growing enrollment, or continuing to cover the fixed costs of the neighborhood schools which students are leaving and drawing expected funding away from. All of these must be absorbed by the district out of general funds. In total, the district

WHAT ABOUT THE REST OF THE MONEY?

General funding accounts for about 61% of Duval County’s 2011-2012 total budget, and is the primary source for supporting instruction and day to day operations of the district. But what about the other 39%? For a more detailed look at where all the categorical funds in the budget are going, along with additional online content and resources about school funding and the budget, visit www.JaxPEF.org and click on the Reports & Publications tab.

estimates that the expansion of school choice scholarship options over the next year will cost up to an additional \$5.8 million.

Altogether, the district estimates it will have to spend upwards of \$50 million out of its general fund this year to be in compliance with all unfunded mandates required by the state.²

Considering all of this, the answer to whether the district has enough money to adequately implement all of these unfunded mandates – on top of their primary effort to provide a “uniform, safe, secure, and high quality system of free public schools” for all students – would have to be no, not without having to sacrifice something elsewhere.

IS THE STATE DOING ITS PART TO ADEQUATELY FUND EDUCATION?

In 2008-2009 (the most recent year with currently available comparison data), Florida ranked 38th out of 51 states (including DC) in average total per-pupil spending.⁹ However when considering the percent of total per-pupil funding contributed by the state (34%), Florida ranked 48th – above only South Dakota, Illinois, and DC (which has no state revenue to receive). Conversely, Florida ranked 6th in percent of total per-pupil spending contributed by local resources (55%).

While relative comparisons are informative, they do not alone necessarily imply the conclusion that Florida is underfunding education at the state level. It could also simply be the case that others are overspending. In order to better understand the relative spending comparisons, we also need a better sense of how much a quality education should cost. While no specific research has been conducted to try to quantify this yet in Florida¹⁰, we can learn from cost studies conducted in other states.

According to a 2004 study examining funding structures in six different states to try to answer the question ‘What is the cost of adequate education funding?’, funding levels in each state were found to be inadequate and would likely need to be increased by about 30% to truly provide adequate educational funding for all students.¹¹ On average, the states found to be inadequately funding education in that study were already spending about \$700 more per pupil than Florida.

Given the additional funding cuts Florida has made to education since that time¹², along with the growing number of unfunded mandates mentioned above, the answer to whether the state is doing its part to adequately fund education at a level that matches its expectations for all schools would have to be no.



IS THE DISTRICT DOING ITS PART TO SPEND THE MONEY IT HAS RESPONSIBLY? ARE THERE WAYS THE DISTRICT COULD BE SPENDING MONEY MORE EFFECTIVELY?

According to a recent study of the district conducted by independent consulting group Education Resource Strategies (ERS), Duval County spends its budget as efficiently as any other district they have seen – despite also being one of the lowest funded districts of any they have studied. This means that the district spent proportionally less on central administration and board expenses, and proportionally more directly at the school level than any other district they had previously studied. For this the district should be applauded.

However, being a low-funded district also means needing to always be on the lookout for innovative alternatives to ensure the money being spent is having the maximum impact for students. To this end, ERS identified a number of restructuring opportunities the district could still implement that would free up additional funds to increase instructional support or guard existing programs against future cutbacks.

The largest potential area for restructuring is in combining a number of small, under-enrolled elementary schools. ERS identified 51 elementary schools with enrollments below 500 students, many of them operating in buildings designed to hold many more students. As students move out of a school, whether due to natural movement or expanded school choice options, the fixed cost of operating those buildings (electricity, maintenance, infrastructure) does not go down. As a result, the district ends up paying what ERS calls a “size premium” which effectively means it costs significantly more money per student to keep the building operational than it would a larger school operating at its intended enrollment size. ERS estimates the total extra cost for operating all these schools is about \$26 million per year, as opposed to what it would cost to operate fewer, larger, fully enrolled schools.

Another opportunity identified was in restructuring some school-level front office staff to reduce positions there and redeploy that money for additional instructional staff. Restructuring roles to reduce

Given the relatively low level of funding to work with and the results of the independent audit, the answer to whether the district is doing its part to spend the money it has responsibly would have to be yes – though with room for improvement.

non-instructional staff by just 25% district-wide would create a savings of about \$3.8 million that could be reinvested in increasing support and academic attention for students at those schools. Given the relatively low level of funding to work with and the results of the independent audit, the answer to whether the district is doing its part to spend the money it has responsibly would have to be yes – though with room for improvement.

There still remain several options the district could explore to make sure the money they are spending in the right place is also being spent in the right way. Doing so will become increasingly important for protecting programs such as art, music, P.E. and extracurricular athletics from additional funding cuts in the future.

RECOMMENDATIONS

The combined impact of decreased funding and increased legislative mandates over the past several years has left the district overextended in its efforts to provide a well-rounded, high quality public education that meets the needs of all students.

In order to protect our schools from further cuts that could soon begin to undermine basic educational quality in an irreparable way, the community and the district need to work together immediately

towards two goals: (1) stabilizing education funding at a level that matches fixed or increasing operational costs plus the cost of any additional mandates, and (2) increasing the effectiveness of current spending where possible and transparency about how all money is spent.

Specifically, we suggest the community and district each begin with the following actions towards those goals:

COMMUNITY:

Support the district by actively opposing any further reductions to education funding at the state level.

The majority of school funding resources, including FEFP support, state lottery support, and RLE property tax rates are controlled at the state level. The district cannot continue to sustain ongoing annual funding reductions and increased requirements without fundamentally sacrificing education quality.

Support the district by actively lobbying for revisions to unfunded mandates, including reconsideration of class size limits.

Research indicates that small, mandatory reductions in class size across the board has minimal effect on student achievement overall. Much more important is the ability to selectively reduce class sizes for those who need it the most, or to invest more in teacher quality for all students. The current legislation does not provide this type of flexibility because it overextends the district's resources by requiring staff to be added equally across all schools regardless of need.

Be willing to engage in an open-minded discussion about options for increasing local revenues if state funding reductions continue.

Table 2 showed a number of different millage increase options available at the local level, as well as an additional sales tax option. Florida Department of Revenue's Office of Tax Research estimates that a half-cent sales tax on certain goods and services would generate an additional estimated \$74 million for schools in Duval County in the next year¹³. And unlike property tax increases, which would be paid exclusively by county residents, a half-cent sales tax increase would raise money in part on the purchases of visitors and travelers passing through the district.

DISTRICT:

Consider consolidating small, under-utilized elementary schools and redirect the savings to instructional support. Operations & Utilities is the second largest cost area out of the general fund, due in part to continuing efforts to keep all schools operating in their traditional capacity despite dwindling enrollments. Of course, a number of factors besides just cost should be considered in any process of school consolidation - including student achievement, community feedback, and alternative building use opportunities - but ERS estimates that the district could expect to save approximately \$500,000 annually per school.

Explore restructuring school-level front office positions and resource classes where possible and redirect resources to instructional support. ERS estimates that Duval County secondary schools tend to have about twice the number of front office staff relative to schools in comparable districts. Restructuring these roles could save anywhere from \$3-7 million to be reinvested in increasing instructional staff.

Categorical funds: Money received by the district that can only be spent in ways specifically approved by the state or funding source.

General funds: Money received by the district that is not specifically restricted in how it can be spent. General funds are the district's primary source for funding all "day to day" instruction and operations costs.

Millage Rate: Rate used in calculating property taxes based upon the value of property.

Required Local Effort (RLE): Portion of the overall millage rate set by the Florida legislature as the minimum level of property taxes a district must collect in order to also receive state education funding.

Unfunded mandates: Programs that districts are required to implement by state law, but which do not come with enough additional funding to cover the cost of running them.

FOOTNOTES

- ¹ Financial News & Daily Record (2011) (<http://goo.gl/LRYbP>)
- ² Estimate as of Nov. 2011 (Duval County Public Schools, Budget Services Office)
- ³ Unless otherwise noted, all amounts cited from DCPS District Summary Budget 2011-2012. (<http://goo.gl/fbkwh>)
- ⁴ Florida Department of Education (<http://goo.gl/QoKzY>)
- ⁵ Example does not include other rate adjustments applied or additional city millage taxes.
- ⁶ Sarasota Herald-Tribune (2011) (<http://goo.gl/nVCpc>)
- ⁷ Education Resource Strategies. ERS Resource Mapping: School Funding. Presented to Duval County Public Schools, January 27, 2011.
- ⁸ Chingos, M.M. (2010). The impact of universal class-size reduction policy: Evidence from Florida's statewide mandate. (<http://goo.gl/PsP26>)
- ⁹ 2009 Annual Survey of Local Government Finances - School Systems. (<http://goo.gl/XtZtD>)
- ¹⁰ Rep Mike Weinstein (R-Orange Park) has filed a bill that would require OPPAGA to determine a minimum level of per-pupil funding the state must provide to meet its constitutional obligation to be adequately funding high quality schools. At the time of this publication, the bill remains under review. To follow it's progress, visit <http://goo.gl/xQ1J7>.
- ¹¹ Harris, D.N. (2004). Funding Florida's Schools: Adequacy, Costs, and the State Constitution. (<http://goo.gl/L5G1j>)
- ¹² Florida Center for Fiscal and Economic Policy. (2011). (<http://goo.gl/dAksj>)
- ¹³ Office of Economic and Demographic Research (<http://goo.gl/zOI03>)

For more information on this issue and what you can do to get involved or continue the conversation, please visit us at www.JaxPEF.org.

Special thanks to the Duval County Public Schools, Budget Services Department; Save Duval Schools

In this issue we will take a closer look at the process of school funding and attempt to demystify the details of where the money comes from, what it is spent on, and who should be held responsible for the changes needed to make the system work best for everyone.



IN BRIEF

A POLICY BRIEF OF THE JACKSONVILLE PUBLIC EDUCATION FUND

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