



Florida School Finance Officers Association, Inc.

July 2, 2018

Pam Stewart
Commissioner of Education
Turlington Building, Suite 1514
325 West Gaines Street
Tallahassee, Florida 32399

Commissioner Stewart,

First, I would like to thank you for your support of the Finance Council and your willingness to consider our input on the preK-12 education budget. The Finance Council reached unanimous agreement on the top two major budget issues facing Florida's public schools for FY2020. The attached position paper provides a detailed justification for each priority and recommendation. These recommendations stand to benefit both traditional and charter public schools. It is our hope that you will give the Council's priorities and recommendations serious consideration as the FY2020 state budget is developed. Our top two priorities and recommendations are summarized below and supported by fact:

1. **Increase Teacher Salaries** in a meaningful sustainable manner that provides a livable wage commensurate with the role and responsibilities of this critical profession. Nearly 200,000 qualified teachers are needed to staff Florida's public school classrooms each year. **The success of our students and sheer ability to offer public education to Florida's children is dependent on attracting and retaining a workforce of teachers.** Further, research tells us effective teachers are the most important factor contributing to student achievement. Recognizing teachers are the essential element; the Finance Council recommends an investment in

significantly improved teacher salaries through a recurring allocation. This can be accomplished by redirecting the \$233 million appropriation for the Best and Brightest Scholarship Program and, most importantly, maintaining the current Required Local Effort (RLE) school ad valorem tax rate and leverage an increasing statewide property tax roll to generate additional revenue for this purpose.

2. **Adequately Fund Safety Measures** to cover the full cost of security and mental health professionals, as well as, campus hardening capital improvements. The long list of safety reforms included in the Marjory Stoneman Douglas High School Public Safety Act (SB 7026) require a substantial investment in order to be implemented with fidelity. Provisions must be made for both capital and operating school expenditures to help ensure every student is provided a safe learning environment as mandated by this historic piece of legislation.

Again, on behalf of the entire Finance Council, I would like thank you for this opportunity. It has been a pleasure working with Deputy Commissioner Linda Champion and her staff in this advisory role. I can be reached at (813) 794-2272 or by email at oswinson@pasco.k12.fl.us if you have any questions or require additional information.

Sincerely,



Olga Swinson, CPA, CGFM
Chairman, Florida School Finance Council

OS/eas
Attachment

cc: Linda Champion, Deputy Commissioner Division of Finance & Operations
Finance Council Members

Florida School Finance Council Budget Priorities & Recommendations

FY2020

7/2/2018

The Finance Council has reached unanimous agreement on the top two budget issues facing Florida's school districts. It is our hope that the Governor, Commissioner of Education, State Board of Education, and Florida Legislature will give the Council's priorities and recommendations serious consideration as the FY2020 state budget is developed.

About the Council - The Florida School Finance Council serves as an advisory committee to the Commissioner of Education on school funding and business issues. The Council is comprised of 18 members representing small, medium and large school districts and 3 ex-officio members. All representatives are active finance officers responsible for the financial operations of their respective school districts. The Council represents a diverse mix of school districts across the state in terms of size, student demographics, population density, and region.

Purpose of this Paper - Although Florida's economy continues to demonstrate steady growth with general revenue increasing by 4% or more each year, preK-12 education funding has been deprioritized with meager per student funding increases ranging from 1.0% to 1.39% in the past three years. The Finance Council recognizes these results fall below the State Board of Education's Legislative Budget Requests (LBRs) during the same period and appreciates the Board's recommendations to boost student funding by roughly 3% per year. The constraints obstructing funding for public school children are no longer economic realities brought on by the Great Recession, but political preferences that have far reaching negative consequences. Florida's failure to leverage steady economic growth to significantly improve preK-12 student funding will ultimately undermine the state's economy in the long run. The Finance Council hopes to partner with the State Board of Education (SBOE) on a legislative platform that demonstrates how investments in education provide far greater benefits, both societal and economic, than the ongoing tax reductions mandated by a shortsighted Legislature. To help right the course and address the needs of Florida's public school children in a sustainable manner, the Finance Council has identified its top two budget priorities and corresponding recommendations. These recommendations stand to benefit both traditional and charter public schools. It is our hope that the Governor, Commissioner of Education, State Board of Education, and Florida Legislature will give the Council's priorities and recommendations serious consideration as the FY2020 state budget is developed. Our top two priorities are summarized below and supported by fact.

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profession. Nearly 200,000 qualified teachers are needed to staff Florida's public school classrooms each year. **The success of our students and sheer ability to offer public education to Florida's children is dependent on attracting and retaining a workforce of teachers.** Further, research tells us effective teachers are the most important factor contributing to student achievement. Recognizing teachers are the essential element, the Finance Council recommends an investment in significantly improved teacher salaries through a recurring allocation. This can be accomplished by redirecting the \$233 million appropriation for the Best and Brightest Scholarship Program and, most importantly, maintaining the current Required Local Effort (RLE) school ad valorem tax rate and leverage an increasing statewide property tax roll to generate additional revenue for this purpose.

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This position paper will provide a justification for both priorities and offer recommendations to help the SBOE craft a Legislative Budget Request responsive to these critical needs.

PRIORITY 1 – Increase Teacher Salaries - With low student funding and teacher salaries, Florida is susceptible to the teacher compensation crises playing out in other parts of the country. Enrollment in college teacher certification programs is down and teacher attrition rates are up resulting in a shortage of qualified applicants in many subject areas.

Florida’s Critical Teacher Shortage – Students At Risk

For the upcoming 2018-19 school year, the Florida Department of Education (FDOE) has identified a critical teacher shortage in the following areas:

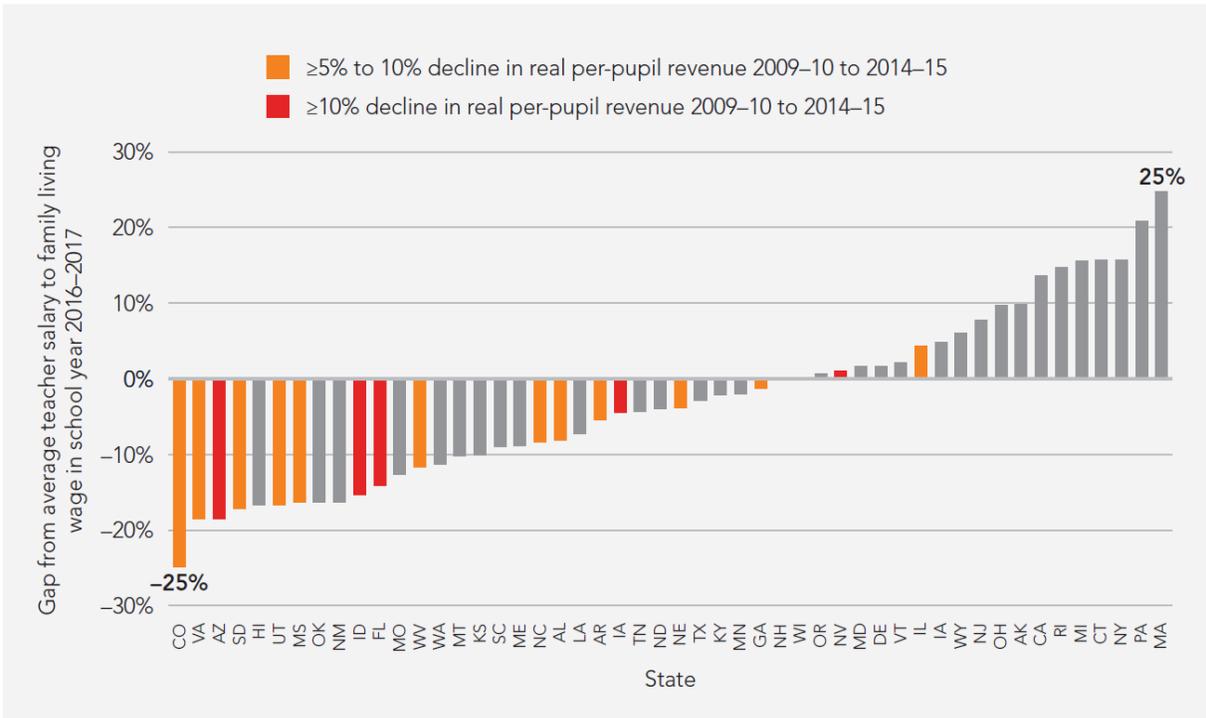
- Science-General
- English
- English for Speakers of Other Languages (ESOL)
- Exceptional Student Education (ESE)
- Mathematics
- Reading
- Science-Physical

Floridians should be concerned this list is comprised of core subject areas critical to the academic success of children. More revenue must be invested in salaries or we can expect the teacher shortage to worsen and debilitate our public schools. Education Resource Strategies (ERS) recent June 2018 report entitled “*Low Teacher Salaries 101*” found inflation-adjusted teacher salaries have declined in the majority of states and fail to cover the basic needs of a family given the cost of living. The research conducted by ERS found key metrics in Florida are cause for concern:

State	Real Per-Pupil Revenue: Change from 2009-10 to 2014-15	Real Average Teacher Salary: Change from 2009-10 to 2014-15	Real Avg. Teacher Salary: Change from 2009-10 to 2015-16	Gap of Avg. Teacher Salary 2016-17 to Family Living Wage	Gap of Avg. Teacher Salary 2016-17 to Family Living Wage (in \$ - adjusted for geography)	State/Local K-12 Revenue as % of State GDP 2014-15
Florida	-10.0%	-3.9%	-5.5%	-14.1%	-\$7,651	2.7%

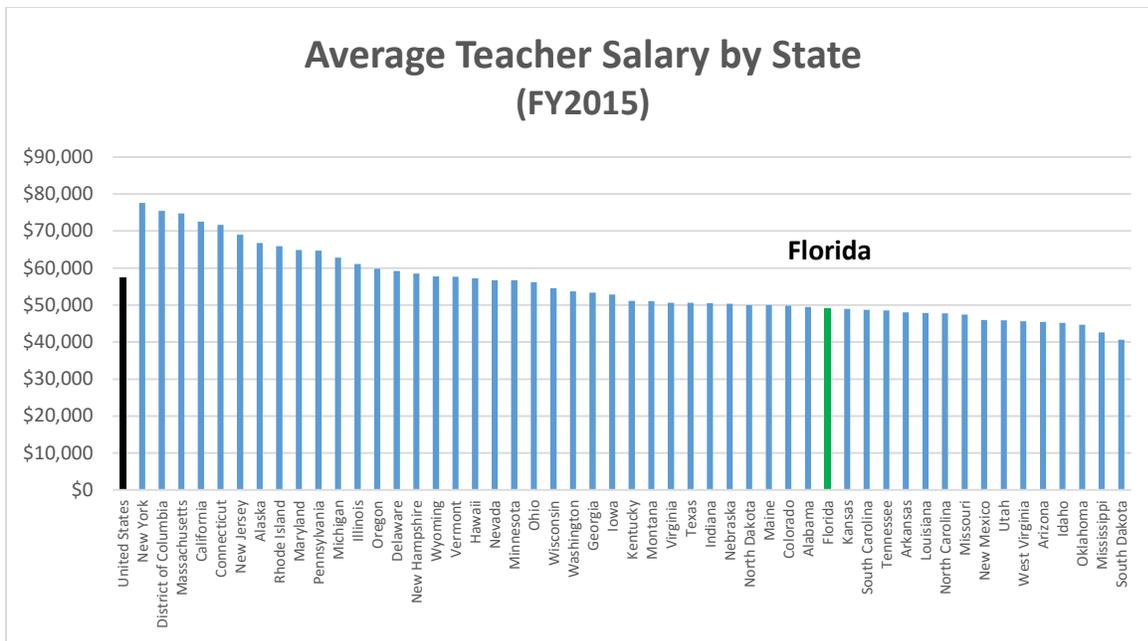
ERS found Florida’s average teacher salary in FY17 was 14.1% or \$7,651 below their calculated family living wage. This deficit leads to teacher shortages, more uncertified teachers, higher turnover, and a greater percentage of novice teachers in our classrooms. There is a direct correlation between the decline in real per-pupil funding and average teacher salaries. The following chart illustrates Florida’s 10% decline in real per-pupil revenue and gap in teacher salaries compared to a family living wage.

Gap between the average teacher salary and the family living wage in each state in the school year 2016–17



Source: ERS analysis using data from NCES Table 211.60. Estimated average annual salary of teachers in public elementary and secondary schools, by state: Selected years, 1969–70 through 2016–17; MIT Living Wage Calculator <http://livingwage.mit.edu/>; NCES Elementary and Secondary Information System, Revenue per pupil by source 1987–88 through 2013–14; NCES Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2014–15 (Fiscal Year 2015); NCES Table 106.70. Gross domestic product price index, Consumer Price Index, education price indexes, and federal budget composite deflator: Selected years, 1919 through 2015

Florida’s investment in education of 2.7% of the state’s Gross Domestic Product (GDP) is well below the national median of 3.3%. Considering Florida’s GDP was \$967.3 billion and ranked fourth in the United States in 2017, an annual investment increase of \$5.8 billion in K-12 education would be needed to bring our state to the median. To provide some context around the size of this investment, the FY19 K-12 education budget approved by the Legislature and Governor is \$21.1 billion. The Finance Council realizes a 27.5% increase in education funding is a heavy lift, but urges state leaders to commit to significantly raising Florida’s investment in public schools over time. Additional indicators validate the need for the SBOE, Governor and Legislature to act now.



Florida’s Average Teacher Salary Ranks 36th in the Nation

As indicated in the chart above, Florida continues to trail the country in teacher salaries. Based on data collected by the National Center for Education Statistics (NCES), Florida ranked 36th in average teacher salaries across the United States for FY2015 (most recent data available). Florida’s \$48,992 average salary trails the national average of \$57,379 by nearly 15% or \$8,387 per teacher. It is important to note the average Florida teacher had over 11 years of experience in FY2015 which means these degreed professionals can work over ten years and not reach an annual salary of \$50,000.

Florida is an Expensive State in Which to Live

Despite the average teacher salaries ranking in the bottom 15 among all states, it costs teachers more to live in Florida than in most around the country. According to US News and World Report Affordability Rankings, Florida ranks 37th out of 50 in “Best States for Affordability”; meaning there are only 13 states that are less affordable to live in the country than Florida. When focusing specifically on housing, by far the largest portion of a household’s monthly expenses, Florida is the 8th most expensive in the US. In fact, there are some portions of our state that are among the costliest places to live in the nation. When these factors are

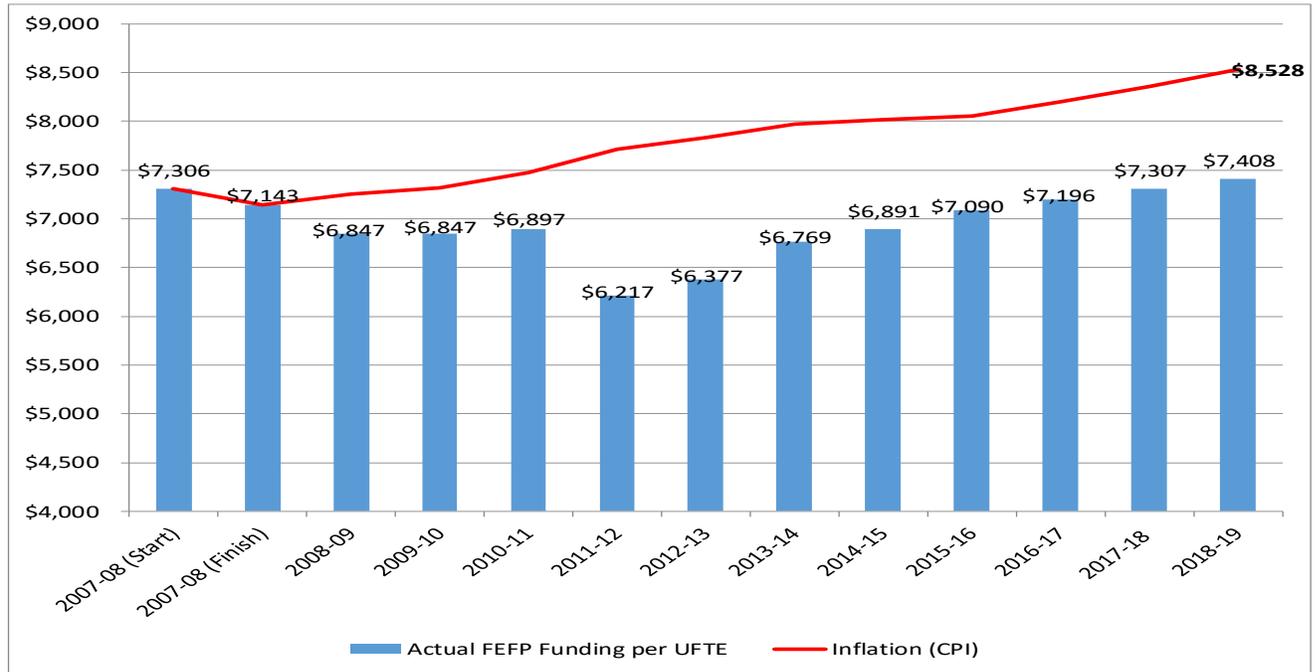
combined with a preK-12 funding level and average teacher salaries that are below the national average, what develops is a recipe for a potential severe teacher shortage amongst all our public schools.

There is a Better Way than “Best and Brightest” to Address Employee Salaries

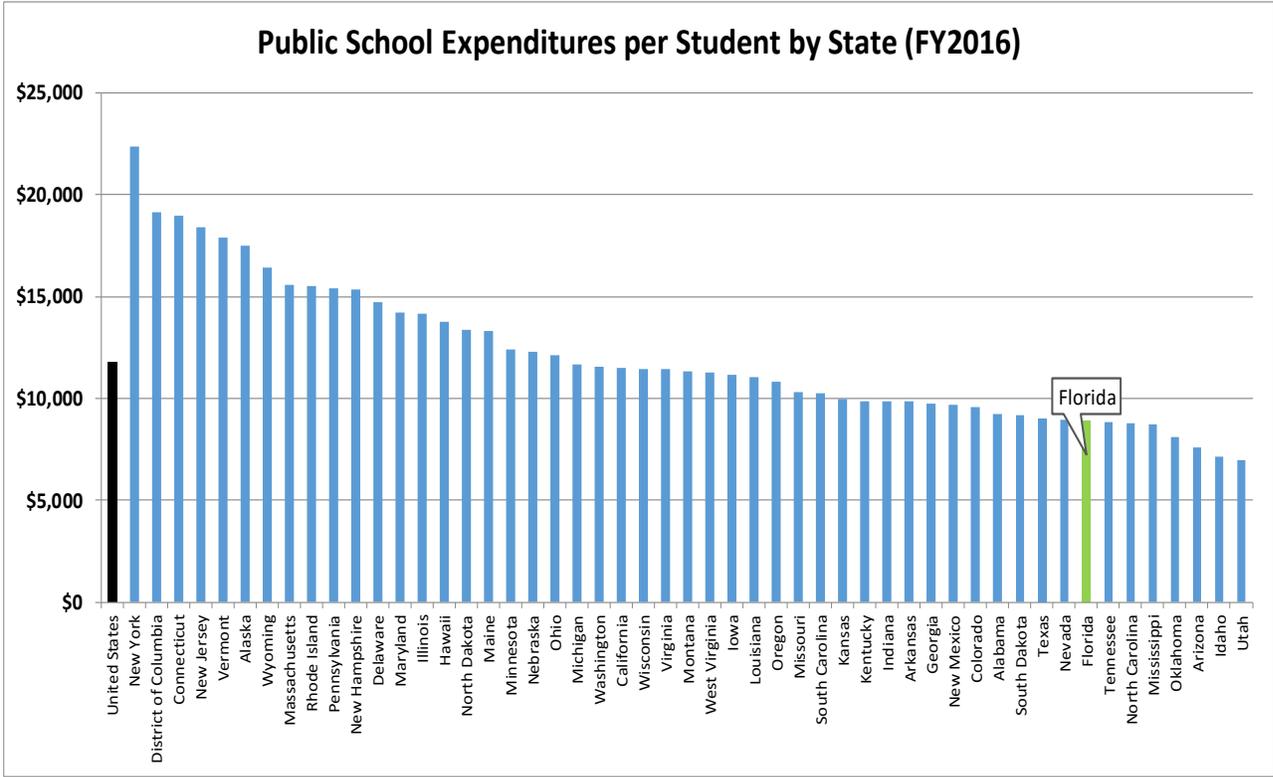
The “Best and Brightest” Program will provide \$233 million in teacher and school principal bonuses for FY19. While any increase to compensation is welcome, teachers would be better served by a recurring increase to their base salary rather than a one-time bonus. Bonuses do not count towards employees Florida Retirement System (FRS) pension and do not allow teachers to plan their finances from one year to the next. Further, “Best and Brightest” performance bonuses are somewhat redundant in that current Florida Statute (F.S. 1012.22) already differentiates between “effective” and “highly effective” employees and requires teacher and school administrator raises to be awarded based on performance. Also, with the “Best and Brightest” Program limited to “classroom teachers” as defined in F.S. 1012.01(2)(a), a large number of instructional personnel such as media specialists, guidance counselors, and resource teachers are excluded from this bonus program, along with assistant principals and other school support employees.

If a specific allocation aimed at salary increases is desired, than a better way to go is the approach Governor Rick Scott and the Legislature took during the 2013 regular session to create a \$480 million Teacher Salary Allocation categorical within the FEFP. This allocation provided teachers a recurring \$2,500 salary increase on average that counts towards employees’ ultimate retirement benefit. Future initiatives to improve teacher or school administrator compensation should be included within the BSA or FEFP and provide for a recurring increase in compensation that is FRS eligible. It is clear Florida has considerable room for improvement in the area of teacher compensation to position our state to successfully recruit and retain quality teachers in the foreseeable future.

Inflation Has Significantly Eroded School Funding



As illustrated in the chart above, funding for Florida’s school districts has never truly recovered from the recession. At the start of the 2007-08 school year, Florida provided \$7,306 per student on average through the Florida Education Finance Program Formula (FEFP). Eleven years later, funding per student has reached \$7,408. The impact of inflation over eleven years cannot be ignored when gauging the significance of Florida’s investment in PreK-12 education. With only \$102 more dollars per student to operate public schools after enduring eleven years of rising costs and inflation, it is disingenuous for state leaders to tout recent state preK-12 education budgets as “historic” or “record funding levels.” Average funding would need to be increased an additional \$1,120 or 15% to \$8,528 per student to offset the estimated impact of inflation as calculated by the Bureau of Labor Statistics Consumer Price Index (CPI) and return schools to pre-recession funding levels. **When considering the impact state-wide for nearly 2.9 million students, this represents an annual shortfall of over \$3.2 billion dollars.**



Florida’s K-12 Education Spending Ranks 44th in United States

Since the 2006-07 school year, Florida has fallen from 36th in the nation in spending per student to 44th as of the 2015-16 school year. Given the meager 1.39% or \$101.50 increase in funding per student for FY19 and continued roll back of the Required Local Effort (RLE), it’s likely Florida will move closer to the bottom of the rankings in the years ahead. It’s worth noting six of the eight highest-spending states were among the 10 highest-rated states for overall school quality in Education Week’s 2017 Quality Counts state-by-state report cards. Florida received a “D+” in school finance and a “C” in K-12 student achievement on its Education Week report card.

Continued Roll Back of RLE Not Sustainable Public Policy

Despite FY19 budget recommendations by the State Board of Education (SBOE), Governor, and Senate to maintain the RLE school tax rate, the Legislature ultimately followed the House’s lead to reduce the RLE to the “roll back rate” for the third consecutive year. This action represents a dangerous change in policy and left

unchanged threatens Florida's capacity to adequately fund preK-12 education in the future. The "roll back rate" reflects the rate that would generate the same property tax revenue on a dollar for dollar basis as approved for the prior year. In the past three years, the RLE has dropped from 4.984 mills to 4.091 mills. This 0.893 mill reduction in the name of "tax relief" has removed over \$1.7 billion dollars in annual general revenue that could have benefited Florida's children.

Florida preK-12 education is funded primarily by state sales tax (6%) revenue and local property taxes. Capping the RLE at the "roll back rate" will only put more pressure on state sales tax revenues to fund enrollment growth, rising costs, and teacher salary increases. To help put this in perspective, consider the state sales tax remains at 6% from year to year. The Legislature does not "roll back" sales tax to a lesser percentage when the price of goods or services rises. For example, if the cost of a new car increases from \$20,000 to \$22,000 the following year, the buyer still pays 6% sales tax at the time of purchase regardless of the rising cost from year to year.

Teaching Profession has Fallen Behind Other Public Service Careers

Another consequence of failing to maintain the RLE millage to allow for natural growth in revenue is that it demeans the teaching profession in relation to other careers of public service and will exacerbate an already precarious cost of living situation. Unlike school districts, all non-school district municipalities – which control their own millage rates – will continue to be able to take advantage of a growing economy, increasing their proceeds while not punishing tax payers with a higher millage rate. Those additional revenues will be used, and has been used the past several years, to increase salaries for all municipal employees, including firefighters, police officers, county bus drivers, and municipal staff. These additional salaries pump money into the local economy and drive up prices on everything from housing to goods and services. However, teachers (as well as all other school district employees), whose salaries are tied to revenue levers controlled by the Florida Legislature, will see increases that pale in comparison to their municipal peers and lose additional buying power every year. This will further exacerbate the teacher shortage that is beginning to border on crisis level.

School Tax Rates Historically Low

Millage Component	FY1998	FY2019	Variance
Required Local Effort (RLE)	6.509	4.091	-2.418
Discretionary	0.510	0.748	0.238
Add'l Discretionary	0.250	0.000	-0.250
Local Capital Outlay	2.000	1.500	-0.500
Total	9.269	6.339	-2.930

School tax rates are historically low. The table above compares current millage rates to those levied twenty years ago in FY1999. On average, the total school millage rate is down from 9.269 mills in FY1999 to just 6.339 mills for FY2019. This reduction of 2.930 mills represents a 31.61% decrease in school millage rates. At 6.339 mills, school districts are well below Florida’s Constitutional (Article VII, Section 9) ten mill cap applicable to all county, municipal, and school purposes.

More Funding is Required to Avoid Major Crisis

The Finance Council recognizes the investments needed to right Florida’s funding course Pre-K-12 public schools are huge and will have to be achieved over time. That said, considerable progress could be made for FY20 by truly prioritizing K-12 education in the upcoming legislative session by implementing a few practical funding recommendations:

1. **Maintain current Required Local Effort (RLE)** local school tax rate to help fund a meaningful increase to Base Student Allocation (BSA) as Florida’s tax base grows year to year. The Legislative Office of Economic and Demographic Research (EDR) forecast indicates \$514.5 million can be generated by simply maintaining the current RLE. These funds are badly needed to help increase funding for teacher salaries and cover rising costs.
2. **Redirect \$233 million Best and Brightest Scholarship Program** funds to BSA or dedicated teacher salary categorical within the FEFP.
3. **Utilize portion of projected increase in state general revenue** to further increase BSA for FY20. Pre-K-12 Education is projected to represent 25%

of the State’s General Revenue Fund for FY20. Therefore, a minimum 25% of the estimated \$1.27 billion in General Revenue growth or \$318.3 million should be allocated to the FEFP.

These three recommendations in aggregate would provide \$1.065 billion in Pre-K-12 Education funding for FY20. Setting aside roughly \$256 million to cover increased workload and enrollment, \$809 million would be available to increase the BSA which has remained relatively flat the past three years. Our proposed investment would increase the BSA \$281.84 to fund teacher salary increases.

	2014-15	2015-16	2016-17	2017-18	2018-19	Proposed 2019-20
BSA	\$4,031.77	\$4,154.45	\$4,160.71	\$4,203.95	\$4,204.42	\$4,486.26
<i>Increase Over Prior Year</i>		\$122.68	\$6.26	\$43.24	\$0.47	\$281.84
<i>% Increase Over Prior Year</i>		3.04%	0.15%	1.04%	0.01%	6.70%

This is not an exorbitant increase, but rather a first step in reasserting education as a state budget priority after 12 years of neglect. Further, all of these recommendations are fiscally responsible and can be implemented within the confines of Florida’s current economic conditions. Dedicating the proposed increase to the BSA could improve teacher compensation by roughly \$4,000 per teacher including benefits.

PRIORITY 2 – Adequately Fund Safety Measures

The 2018 Legislature raced to develop and approve the Marjory Stoneman Douglas High School Public Safety Act (SB 7026) in response to the horrific tragedy in Parkland on February 14, 2018. The Finance Council applauds their efforts to help make schools a safer place for students and staff and understands the urgency of their work. As school districts now work to implement the 105 pages of historic legislation, it is apparent additional operating and capital funds are needed. The true cost of these safety reforms far exceeds the appropriations provided for FY19.

Safety Personnel Costs Far Exceed Current Allocations

The Safe Schools Categorical was increased by \$97.5 million for FY19 in the wake of the tragedy and accompanied with a mandate to provide one or more “safe school officers” at each public school facility. Although the increase raised the total allocation to nearly \$162 million, Florida has over 4,200 public schools that must now be staffed with a law enforcement officer or trained guardian. Spreading these funds across all public schools provides approximately \$38,500 per position. The cost of a certified, equipped law enforcement officer can easily exceed \$80,000 per year with benefits and this estimate is based on a new hire with no vehicle. Sheriff Offices have quoted school districts as much as \$140,000 per officer to fulfill this mandate. Even in counties where the Sheriff or Municipal Police Departments are shouldering some of the cost, School Districts are coming up significantly short.

The Legislature’s creation of a new Mental Health Assistance categorical allocation of \$69.2 million is intended to provide comprehensive mental health programs and connect students and families with appropriate services. This allocation is long overdue, but only scratches the surface as schools work to address the social and emotional needs of our students. Assuming the cost of a mental health professional averages \$75,000 with benefits, this allocation will provide roughly 900 staff to serve up to nearly 2.9 million students for a ratio of over 3,000 students per staff member.

Campus Hardening Requires Capital Revenue Stream

The FY19 one-time allocation of \$99 million for school hardening projects will have a limited impact given the sheer size of public schools. Florida school districts comprise over 453 million square feet of facilities and schools represent a public asset of \$90 billion based on an average cost of construction of \$200 per square foot. To add to this challenge, Florida’s schools average 30 years of age and many were built during a time when the threat of active shooters was incomprehensible. Capital dollars are already in short supply as school districts have been severely challenged to meet facility maintenance, classroom technology, and bus fleet demands since the 25% reduction to local capital outlay millage authority enacted by the Legislature in 2008 and 2009. The physical school campus threat assessment

required by SB 7026 is expected to identify a long list of unfunded security enhancement capital projects.

The Finance Council recommends the allocation of additional funding to help fulfill the legislative intent of the Marjory Stoneman Douglas High School Public Safety Act as follows:

1. Increase Safe Schools Categorical allocation by \$100 million to narrow funding gap associated with mandate to staff one “safe school officer” per school.
2. Double current Mental Health Assistance Allocation of \$69.2 million to reduce ratio of students per mental health professional for the second year of this program.
3. Identify ongoing capital revenue stream to fund school campus hardening projects. The Finance Council has sought a restoration of local capital outlay millage authority back to 2.00 mills for several years. Given the demands on state PECO funds, the SBOE should reconsider supporting this restoration of taxing authority to local school boards or identify an alternate revenue source.

Where does Florida want to be in 5 or 10 years?

Florida has reached the crossroads in terms of preK-12 education funding. At 44th in the country and a meager funding increase of 1.39% per student for FY2019, there is room for considerable improvement. The minimal “tax relief” achieved by rolling back the RLE, reductions to LCOM, and attempts to address teacher compensation through bonus gimmicks does not paint a bright future for Floridians. Responsible governance and the state Constitution demands the Governor and Legislature make adequate provision for education funding. Funding is not the only required ingredient to improve education, but it is a critical necessity for which there is no substitute.

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

The education of children is a fundamental value of the people of the State of Florida. **It is, therefore, a paramount duty of the state to make adequate provision for the education of all children residing within its borders.** Adequate provision shall be made by law for a uniform, efficient, safe, secure, and high quality system of free public schools that allows students to obtain a high quality education and for the establishment, maintenance, and operation of institutions of higher learning and other public education programs that the needs of the people may require.

For more information or questions, please contact:

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