

Florida Department of Education

Program Cost Factor Study

February 2013

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EXECUTIVE SUMMARY

The narrative preceding Specific Appropriation 111 in Chapter 2012-118, Laws of Florida (L.F.), requires the Florida Department of Education to revise the "Financial and Program Cost Accounting and Reporting for Public Schools" manual to require district cost reporting so that program cost factors can be based solely on expenditures of revenue generated from base funding. The findings reported herein are provided in response to this requirement.

The program cost factors form an index that shows the relative expenditures per full-time equivalent (FTE) student of the various programs to the program designated as the index base. Typically, the index base has been Program 102 (Basic Education for Grades 4-8). The cost factor for the index base program is set to 1.000, and the factors for each of the other programs reflect the expenditures per FTE student for the program relative to the index base program. Base funding is the product of weighted enrollment, the base student allocation, and the district cost differential.

The Florida Education Finance Program (FEFP) consists of base funding and non-base funding. The expenditures used for computing the cost factors have historically come from both base and non-base funding sources. This report focuses on the effects of various methods of removing non-base funding from the expenditures used for the calculation of program cost factors. Ten models are analyzed. The first model reflects the current policy for calculation of program cost factors. The other nine models use alternative calculations. The description of the models and the results of the calculations are shown in the table below.

Summary of Cost Factor Changes Under Various Models							
Models	Prog. 101	Prog. 102	Prog. 103	Prog. 130	Prog. 254	Prog. 255	Prog. 300
# 1- Current Policy	1.125	1.000	1.016	1.145	3.558	5.089	0.971
	Program Cost Factor If Different From Model 1						
	Prog. 101	Prog. 102	Prog. 103	Prog. 130	Prog. 254	Prog. 255	Prog. 300
# 2- Removal of Off-Campus Work Program FTE from Program 300 FTE							1.002
# 3- Pre-Class Size Ratio (Program 300 to Program 103)							1.065
# 4- Salaries and Benefits	1.148		0.992	1.022	2.876	4.125	0.855
# 5- Base Funding Expenditures	1.016		0.983	0.992	3.290	4.842	1.176
# 6- Removal of Class Size	1.034		0.998	1.019	3.394	4.961	1.160
# 7- Programs 103 and 300 Combined			1.011				1.011
# 8- Removal of Class Size and Programs 103 and 300 Combined	1.034		1.017	1.019	3.394	4.961	1.017
# 9- Programs 103 and 300 Combined Using Only Base Funding Expenditures	1.016		1.007	0.992	3.290	4.842	1.007
#10- Non-Base Funding Removed (Model 5) and Indexed on Program 103	1.026	1.007	1.000	1.010	3.350	4.930	1.184

AUTHORIZATION

The narrative preceding Specific Appropriation 111 in Chapter 2012-118, L.F., states:

“From the funds provided in Specific Appropriations 111 through 126, the Department of Education shall revise the "Financial and Program Cost Accounting and Reporting for Public Schools" manual prepared as required by section 1010.20 (1), Florida Statutes, to require district cost reporting in a manner that will allow the Commissioner of Education to compute future program cost factors based solely on expenditures from revenue generated based on weighted enrollment, the base student allocation, and the district cost differential.”

BACKGROUND

The FEFP is the primary mechanism for funding the operating costs of Florida school districts. A key feature of the FEFP is that it bases financial support for education upon the individual student participating in a particular educational program rather than upon the number of teachers or classrooms. FEFP funds are primarily generated by multiplying the number of FTE students in each of the funded education programs by cost factors to obtain weighted FTE students. Weighted FTE students are then multiplied by a base student allocation and by a district cost differential in the major calculation to determine the base funding from state and local FEFP funds. Program cost factors are determined by the Florida Legislature and represent relative cost differences among the FEFP programs.

Program cost factors ensure that each program receives an equitable share of funds in relation to its relative cost per student. Through the annual program cost report, districts report the expenditures for each education program within the FEFP. The cost per FTE student of each FEFP program is used to produce an index of relative costs, with the cost per FTE of Program 102 (Basic Education for Grades 4-8) established as the 1.000 base. To minimize the effect of extreme fluctuations in program costs that may occur from year to year, the legislature typically uses a three-year average to compute cost factors.

Multiplying the FTE students by their respective program cost factors produces “weighted FTE students,” which reflect the relative costs of the programs. Program cost factors established for use in 2012-13 are listed on the following page.

	2012-13
	<u>Cost Factors</u>
(1) Basic Programs	
101 – Kindergarten and Grades 1, 2, and 3	1.117
102 – Grades 4, 5, 6, 7, and 8	1.000
103 – Grades 9, 10, 11, and 12	1.020
(2) Programs for Exceptional Student Education (ESE)	
111 – Kindergarten and Grades 1, 2, and 3 with ESE Services	1.117
112 – Grades 4, 5, 6, 7, and 8 with ESE Services	1.000
113 – Grades 9, 10, 11, and 12 with ESE Services	1.020
254 – Support Level 4	3.524
255 – Support Level 5	5.044
(3) 130 – English for Speakers of Other Languages	1.167
(4) 300 – Programs for Grades 9-12 Career Education	0.999

ESE students in Support Levels 4 and 5 are reported with the appropriate program cost factor (weight) for their respective levels. ESE students who are not classified in Support Level 4 or 5 are reported in the applicable basic program “with ESE services.” Additional funding for the provision of special services for these students is provided by the ESE Guaranteed Allocation component of the FEFP formula.

Total General Fund expenditures are used to calculate program cost factors. General Fund revenue is comprised primarily of FEFP revenue. For the 2011-12 fiscal year, total statewide General Fund revenue for all school districts was reported at \$17.82 billion, of which \$16.58 billion (93 percent) was FEFP revenue. Of the \$16.58 billion in FEFP revenue, \$10.00 billion (60 percent) was made up of base funding.

MODELS FOR COMPUTING PROGRAM COST FACTORS AND THEIR EFFECTS

Ten models are discussed. The first model is the calculation of 2013-14 program cost factors based on the current calculation methodology. The remaining nine models offer alternative approaches to the calculation of program cost factors by providing various methodologies to use base funding in the calculation.

#1- CURRENT POLICY

This model represents the calculated 2013-14 cost factors under current policy and is the reference model for comparing the alternate models.

#2- REMOVAL OF OFF-CAMPUS WORK PROGRAM FTE FROM PROGRAM 300 FTE

This model excludes the off-campus work program FTE from Program 300 (Career Education) FTE when determining expenditures per FTE student and program cost factors. This model is based on the assumption that the school district incurs lower costs for off-campus work programs than are incurred for classroom instruction. These lower costs serve to decrease statewide total career education program costs on a per-FTE basis, resulting in an artificially decreased program cost factor.

PROGRAM		Model 1	Model 2
		Current Policy	Program 300 Without Off-Campus Program
BASIC PROGRAMS:			
Basic Education Grades K-3	101	1.125	1.125
Basic Education Grades 4-8	102	1.000	1.000
Basic Education Grades 9-12	103	1.016	1.016
SPECIAL PROGRAMS FOR AT RISK STUDENTS:			
ESOL/Intensive English	130	1.145	1.145
EXCEPTIONAL:			
Exceptional Student Level 4	254	3.558	3.558
Exceptional Student Level 5	255	5.089	5.089
CAREER EDUCATION FACTOR 2011-12 COST ONLY	300	0.994	0.994
CAREER EDUCATION 9-12	300	0.971	1.002
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>			

Off-campus FTE has decreased from 5,241.51 in 2006-07 to 1,778.42 in 2011-12. As this FTE continues to decrease, the impact on the Program 300 cost factor also decreases. The three-year average yields a Program 300 cost factor of 1.002; however, the 2011-12 fiscal year expenditure data yields a Program 300 cost factor of 0.994, which indicates that the three-year average is likely to drop below 1.000 again in the next two years under this methodology.

#3- PRE-CLASS SIZE RATIO (PROGRAM 300 TO PROGRAM 103)

This model does not reclassify expenditures, but uses the ratio or relationship between the Program 103 (Basic Education for Grades 9-12) and Program 300 (Career Education) cost factors that existed in 2004-05. The 2004-05 fiscal year is the most recent year in which the calculation of program cost factors did not include expenditures from the class size categorical, which was established to meet class size requirements in Article IX, Section 1 of the Florida Constitution.

PROGRAM		Model 1 Current Policy	Model 3 Program 300 Based on Pre- Class Size Ratio to Program 103 (104.86%)
BASIC PROGRAMS:			
Basic Education Grades K-3	101	1.125	1.125
Basic Education Grades 4-8	102	1.000	1.000
Basic Education Grades 9-12	103	1.016	1.016
SPECIAL PROGRAMS FOR AT RISK STUDENTS:			
ESOL/Intensive English	130	1.145	1.145
EXCEPTIONAL:			
Exceptional Student Level 4	254	3.558	3.558
Exceptional Student Level 5	255	5.089	5.089
CAREER EDUCATION 9-12	300	0.971	1.065

The program cost factors that differ from Model 1 cost factors are highlighted.

#4- SALARIES AND BENEFITS

This model uses the 2010-11 actual teacher salary data and computed benefits from the program cost reports of 18 districts to calculate program cost factors. It is important to note that this model excludes indirect program costs, which may be significant for exceptional student education programs and career education programs. Salary data for these 18 districts were available as a result of participation in a desk audit of the Program Cost Report System. In 2011-12, these 18 districts represented 28.58 percent of statewide FTE students.

PROGRAM		Model 1	Model 4
		Current Policy	Based on 2010-11 Salaries of 18 Districts
BASIC PROGRAMS:			
Basic Education Grades K-3	101	1.125	1.148
Basic Education Grades 4-8	102	1.000	1.000
Basic Education Grades 9-12	103	1.016	0.992
SPECIAL PROGRAMS FOR AT RISK STUDENTS:			
ESOL/Intensive English	130	1.145	1.022
EXCEPTIONAL:			
Exceptional Student Level 4	254	3.558	2.876
Exceptional Student Level 5	255	5.089	4.125
CAREER EDUCATION 9-12	300	0.971	0.855
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>			

#5- BASE FUNDING EXPENDITURES

This model attributes non-base funding allocations within the FEFP programs, and then subtracts these allocations from program expenditures. The remaining expenditures represent expenditures from FEFP base funding.

		Model 1	Model 5
PROGRAM		Current Policy	With Non-Base Funding Removed From Expenditures
BASIC PROGRAMS:			
Basic Education Grades K-3	101	1.125	1.016
Basic Education Grades 4-8	102	1.000	1.000
Basic Education Grades 9-12	103	1.016	0.983
SPECIAL PROGRAMS FOR AT RISK STUDENTS:			
ESOL/Intensive English	130	1.145	0.992
EXCEPTIONAL:			
Exceptional Student Level 4	254	3.558	3.290
Exceptional Student Level 5	255	5.089	4.842
CAREER EDUCATION 9-12	300	0.971	1.176
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>			

#6- REMOVAL OF CLASS SIZE

This model attributes class size operating categorical allocations to FEFP programs and then subtracts these allocations from program expenditures. The remaining expenditures represent expenditures on programs exclusive of expenditures from the class size operating categorical.

PROGRAM		Model 1 Current Policy	Model 6 Without Class Size Funding
BASIC PROGRAMS:			
Basic Education Grades K-3	101	1.125	1.034
Basic Education Grades 4-8	102	1.000	1.000
Basic Education Grades 9-12	103	1.016	0.998
SPECIAL PROGRAMS FOR AT RISK STUDENTS:			
ESOL/Intensive English	130	1.145	1.019
EXCEPTIONAL:			
Exceptional Student Level 4	254	3.558	3.394
Exceptional Student Level 5	255	5.089	4.961
CAREER EDUCATION 9-12	300	0.971	1.160
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>			

#7- PROGRAMS 103 AND 300 COMBINED

This model does not reclassify expenditures; rather, it combines Program 103 (Basic Education for Grades 9-12) and Program 300 (Career Education) expenditures and FTE. Thus, Programs 103 and 300 have the same cost factor.

PROGRAM	Model 1		Model 7
		Current Policy	Programs 103 and 300 Combined
BASIC PROGRAMS:			
Basic Education Grades K-3	101	1.125	1.125
Basic Education Grades 4-8	102	1.000	1.000
Basic Education Grades 9-12	103	1.016	1.011
SPECIAL PROGRAMS FOR AT RISK STUDENTS:			
ESOL/Intensive English	130	1.145	1.145
EXCEPTIONAL:			
Exceptional Student Level 4	254	3.558	3.558
Exceptional Student Level 5	255	5.089	5.089
CAREER EDUCATION 9-12	300	0.971	1.011
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>			

#8- REMOVAL OF CLASS SIZE AND PROGRAMS 103 AND 300 COMBINED

This model combines Models 6 and 7. Thus, Programs 103 and 300 have the same cost factor. The cost factors are computed as in Model 6, with class size funding removed from expenditures.

PROGRAM		Model 1 Current Policy	Model 6 Without Class Size Expenditures	Model 7 Programs 103 and 300 Combined	Model 8 Models 6 and 7 Combined
BASIC PROGRAMS:					
Basic Education Grades K-3	101	1.125	1.034	1.125	1.034
Basic Education Grades 4-8	102	1.000	1.000	1.000	1.000
Basic Education Grades 9-12	103	1.016	0.998	1.011	1.017
SPECIAL PROGRAMS FOR AT RISK STUDENTS:					
ESOL/Intensive English	130	1.145	1.019	1.145	1.019
EXCEPTIONAL:					
Exceptional Student Level 4	254	3.558	3.394	3.558	3.394
Exceptional Student Level 5	255	5.089	4.961	5.089	4.961
CAREER EDUCATION 9-12	300	0.971	1.160	1.011	1.017
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>					

#9- PROGRAMS 103 AND 300 COMBINED USING ONLY BASE FUNDING EXPENDITURES

This model combines Models 5 and 7. Thus, it calculates total FEFP funding not related to base funding and removes the FEFP funding from the total program costs of the 2013-14 cost factor calculation. Then, the calculated Program 103 and 300 factors are combined into one factor.

PROGRAM		Model 1 Current Policy	Model 5 With Non-Base Funding Removed From Expenditures	Model 7 Programs 103 and 300 Combined	Model 9 Models 5 and 7 Combined
BASIC PROGRAMS:					
Basic Education Grades K-3	101	1.125	1.016	1.125	1.016
Basic Education Grades 4-8	102	1.000	1.000	1.000	1.000
Basic Education Grades 9-12	103	1.016	0.983	1.011	1.007
SPECIAL PROGRAMS FOR AT RISK STUDENTS:					
ESOL/Intensive English	130	1.145	0.992	1.145	0.992
EXCEPTIONAL:					
Exceptional Student Level 4	254	3.558	3.290	3.558	3.290
Exceptional Student Level 5	255	5.089	4.842	5.089	4.842
CAREER EDUCATION 9-12	300	0.971	1.176	1.011	1.007
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>					

#10- NON-BASE FUNDING REMOVED (MODEL 5) AND INDEXED ON PROGRAM 103

This model uses Model 5 and rebases the index on Program 103 (Basic Education for Grades 9-12). This methodology calculates total FEFP funding not related to base funding and removes this non-base funding from the total program costs of the 2013-14 cost factor calculation. The index is then based on Program 103 so that it has a factor of 1.0.

PROGRAM		Model 1 Current Policy	Model 5 With Non-Base Funding Removed From Expenditures	Model 10 Model 5 with Index Based on Program 103
BASIC PROGRAMS:				
Basic Education Grades K-3	101	1.125	1.016	1.026
Basic Education Grades 4-8	102	1.000	1.000	1.007
Basic Education Grades 9-12	103	1.016	0.983	1.000
SPECIAL PROGRAMS FOR AT RISK STUDENTS:				
ESOL/Intensive English	130	1.145	0.992	1.010
EXCEPTIONAL:				
Exceptional Student Level 4	254	3.558	3.290	3.350
Exceptional Student Level 5	255	5.089	4.842	4.930
CAREER EDUCATION 9-12	300	0.971	1.176	1.184
<i>The program cost factors that differ from Model 1 cost factors are highlighted.</i>				

APPENDIX I: SUMMARY OF COST FACTOR MODELS

Summary of Cost Factor Models

PROGRAM	2013-14 Program Cost Factors Current Policy	2013-14 ² Program 300 Without Off- Campus Program	2013-14 ³ Program 300 Based on Pre- Class Size Ratio to Program 103 (104.86%)	Cost Factors ⁴ Based on 2010-11 Salaries of 18 Districts	2013-14 ⁵ With Non-Base Funding Removed From Expenditures	2013-14 ⁶ Without Class Size	2012-13 ⁷ Programs 103 and 300 Combined	2012-13 ⁸ Programs 103 and 300 Combined Without Class Size (Column 6 and 7)	2013-14 ⁹ Programs 103 and 300 Combined With Non-Base Funding Removed (Column 5 and 7)	2013-14 ⁵ With Non-Base Funding Removed and Indexed on Program 103
	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
BASIC PROGRAMS:										
Basic Education Grades K-3 101	1.125	1.125	1.125	1.148	1.016	1.034	1.125	1.034	1.016	1.026
Basic Education Grades 4-8 102	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.007
Basic Education Grades 9-12 103	1.016	1.016	1.016	0.992	0.983	0.998	1.011	1.017	1.007	1.000
SPECIAL PROGRAMS FOR AT RISK STUDENTS:										
ESOL/Intensive English 130	1.145	1.145	1.145	1.022	0.992	1.019	1.145	1.019	0.992	1.010
EXCEPTIONAL:										
Exceptional Student Level 4 254	3.558	3.558	3.558	2.876	3.290	3.394	3.558	3.394	3.290	3.350
Exceptional Student Level 5 255	5.089	5.089	5.089	4.125	4.842	4.961	5.089	4.961	4.842	4.930
CAREER EDUCATION FACTOR 2011-12 COST ONLY 300										
		0.994								
CAREER EDUCATION 9-12 300	0.971	1.002	1.065	0.855	1.176	1.160	1.011	1.017	1.007	1.184

1. Represents the calculated 2013-14 cost factors under current policy.
2. Removes off-campus work program FTE students from Program 300 FTE students. Off-campus FTE has decreased from 5,241.51 in 2006-07 to 1,778.42 in 2011-12. As this FTE continues to decrease, the impact on the Program 300 cost factor also decreases. Under this methodology, the cost factor is likely to drop below 1.000 again in the next two years.
3. Calculates Program 300 cost factor using the ratio of Program 300 to Program 103 cost factor from 2004-05. The 2004-05 fiscal year is the most recent year in which the cost factors do not include class size expenditures.
4. Calculates all program cost factors based on the actual salaries and calculated estimated benefits of the 18 districts that participated in the 2010-11 program cost report desk audits.
5. Calculates the total Florida Education Finance Program funding not related to base funding and removes the funding from the total program costs of the 2013-14 cost factor calculation.
6. Assigns class size funding to core FTE and removes the class size funding from the total program costs of the 2013-14 cost factor calculation.
7. Combines the expenditures of Program 103 and Program 300 and calculates one cost factor that is used for both programs.
8. This is a combination of Models 6 and 7.
9. This a combination of Models 5 and 7.
10. Modifies Model 5 to index the cost factors on Program 103 instead of Program 102.

APPENDIX II: GENERAL APPROPRIATIONS ACT PROGRAM COST FACTORS FROM 1997-98 THROUGH 2012-13

General Appropriations Act Program Cost Factors --- 1997-98 through 2012-13												
Year/Program	Prog. 101 & 111	Prog. 102 & 112	Prog. 103 & 113	Prog. 120	Prog. 121	Prog. 130	Prog. 251	Prog. 252	Prog. 253	Prog. 254	Prog. 255	Prog. 300
1997-1998	1.054	1.000	1.169	1.438	1.169	1.245	1.341	2.072	3.287	4.101	6.860	1.272
1998-1999	1.057	1.000	1.138	1.399	1.138	1.201	1.341	2.072	3.287	4.101	6.860	1.240
1999-2000	1.057	1.000	1.115			1.211	1.341	2.072	3.287	4.101	6.860	1.211
2000-2001	1.036	1.000	1.096			1.226	1.333	1.995	2.993	3.948	5.591	1.211
2001-2002	1.007	1.000	1.113			1.265				3.948	5.591	1.206
2002-2003	1.005	1.000	1.122			1.275				3.948	5.591	1.186
2003-2004	1.002	1.000	1.140			1.298				3.948	5.591	1.190
2004-2005	1.012	1.000	1.132			1.302				3.948	5.591	1.187
2005-2006	1.018	1.000	1.113			1.318				3.818	5.190	1.193
2006-2007	1.035	1.000	1.088			1.275				3.734	5.201	1.159
2007-2008	1.048	1.000	1.066			1.200				3.625	5.062	1.119
2008-2009	1.066	1.000	1.052			1.119				3.370	4.970	1.077
2009-2010	1.074	1.000	1.033			1.124				3.520	4.854	1.050
2010-2011	1.089	1.000	1.031			1.147				3.523	4.935	1.035
2011-2012	1.102	1.000	1.019			1.161				3.550	5.022	0.999
2012-2013	1.117	1.000	1.020			1.167				3.524	5.044	0.999