

JEFF ATWATER
President



LARRY CRETUL
Speaker



Joint Legislative Auditing Committee

Representative Greg Evers, Chair
Senator Alex Diaz de la Portilla, Vice Chair

Meeting Packet
Monday, February 15, 2010
4:00 P.M. to 6:00 P.M.
309 Capitol

AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Monday, February 15, 2010

TIME: 4:00 p.m. to 6:00 p.m.

PLACE: Room 309, The Capitol

MEMBERS: Representative Greg Evers, Chair
Senator Alex Diaz de la Portilla, Vice Chair

Senator Andy Gardiner
Senator Charlie Justice
Senator Jeremy Ring
Senator Stephen R. Wise

Representative Betty Reed
Representative Dwayne L. Taylor
Representative John Tobia
Representative Charles E. Van Zant

-
1. Presentation by the Governor's Office on the Federal Stimulus Funds
 2. Continuation of discussion regarding the Department of the Lottery related to the Auditor General's audit of the financial statements and OPPAGA's two reviews
 3. Demonstration of the Transparency Florida website
 4. Discussion of the Committee's report required by the Transparency Florida Act
 5. Presentation of OPPAGA Report No. 10-15, Several Options Are Available for Modifying the Florida Retirement System's Structure to Reduce System Costs, and presentation of reviews concerning DROP and state employee benefits

**Presentation by the Governor's Office on the
Federal Stimulus Funds**

Economic Recovery

Charlie Crist, Governor
Don Winstead, Special Advisor

**The American Recovery and
Reinvestment Act of 2009
Federal Stimulus Update**
**Joint Legislative Auditing
Committee**

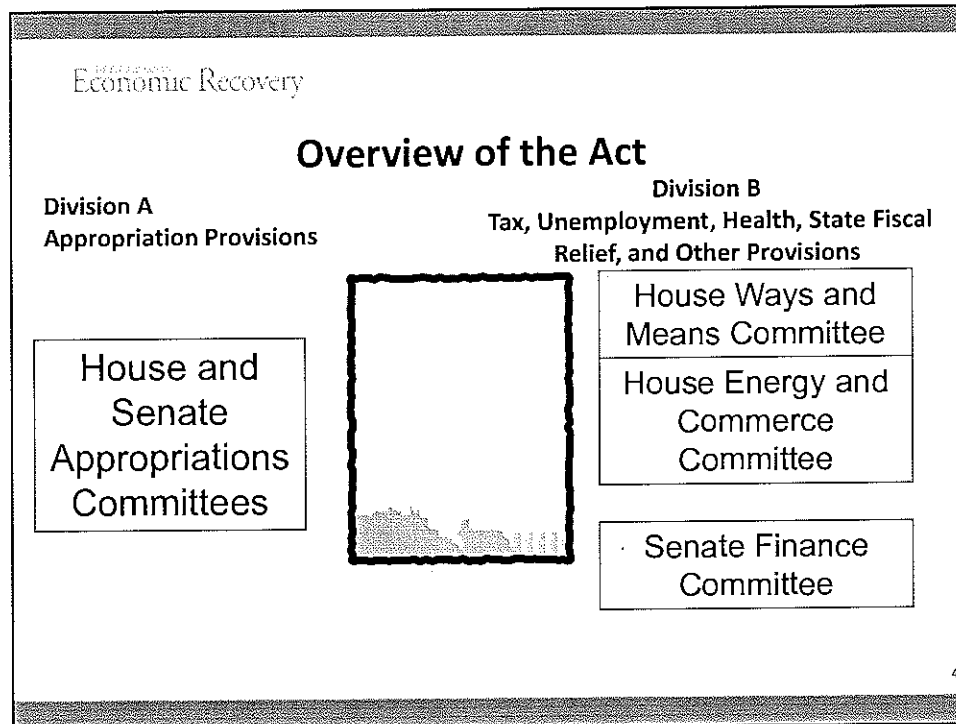
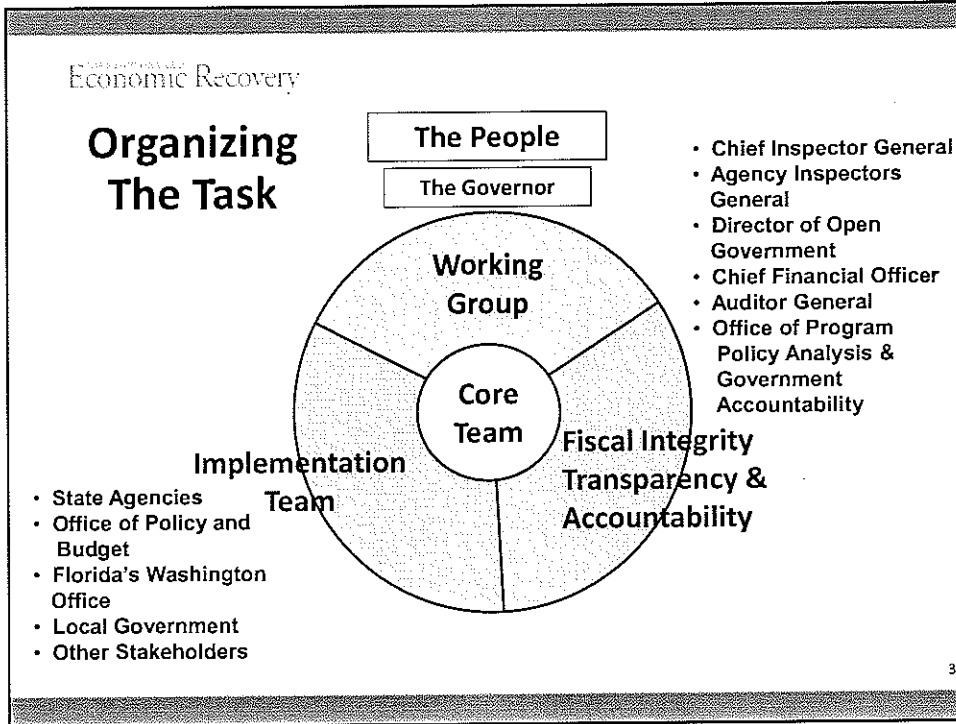
February 15, 2010

www.flarecovery.com

Economic Recovery

**The American Recovery and Reinvestment Act of 2009
Purposes**

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- (5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive State and local tax increases.



Economic Recovery

Division A

Appropriation Provisions

- TITLE I—AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES
- TITLE II—COMMERCE, JUSTICE, SCIENCE, AND RELATED AGENCIES
- TITLE III—DEPARTMENT OF DEFENSE
- TITLE IV—ENERGY AND WATER DEVELOPMENT
- TITLE V—FINANCIAL SERVICES AND GENERAL GOVERNMENT
- TITLE VI—DEPARTMENT OF HOMELAND SECURITY
- TITLE VII—INTERIOR, ENVIRONMENT, AND RELATED AGENCIES
- TITLE VIII—DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES
- TITLE IX—LEGISLATIVE BRANCH
- TITLE X—MILITARY CONSTRUCTION AND VETERANS AFFAIRS AND RELATED AGENCIES
- TITLE XI—STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

- TITLE XII—TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES
- TITLE XIII—HEALTH INFORMATION TECHNOLOGY
- TITLE XIV—STATE FISCAL STABILIZATION FUND
- TITLE XV—ACCOUNTABILITY AND TRANSPARENCY
- TITLE XVI—GENERAL PROVISIONS—THIS ACT

Division B Tax, Unemployment, Health, State Fiscal Relief, and Other Provisions

- TITLE I—TAX PROVISIONS
- TITLE II—ASSISTANCE FOR UNEMPLOYED WORKERS AND STRUGGLING FAMILIES
- TITLE III—PREMIUM ASSISTANCE FOR COBRA BENEFITS
- TITLE IV—MEDICARE AND MEDICAID HEALTH INFORMATION TECHNOLOGY; MISCELLANEOUS MEDICARE PROVISIONS
- TITLE V—STATE FISCAL RELIEF
- TITLE VI—BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM
- TITLE VII—LIMITS ON EXECUTIVE COMPENSATION

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Economic Recovery

Division A

Appropriation Provisions

- TITLE I—AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES
- TITLE II—COMMERCE, JUSTICE, SCIENCE, AND RELATED AGENCIES
- TITLE III—DEPARTMENT OF DEFENSE
- TITLE IV—ENERGY AND WATER DEVELOPMENT
- TITLE V—FINANCIAL SERVICES AND GENERAL GOVERNMENT
- TITLE VI—DEPARTMENT OF HOMELAND SECURITY
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- TITLE IX—LEGISLATIVE BRANCH
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- TITLE VII—LIMITS ON EXECUTIVE COMPENSATION

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Reporting Categories

- **Subject to Section 1512 Reporting**
(Federal Appropriations – Primarily in Division A)
 - **Grants**
 - By or Through State Agencies
 - Local Government and Other Entities
 - **Federal Contracts**
 - **Federal Loans**
- **Not Subject to Section 1512 Reporting**
 - **Payments to Individuals (Primarily in Division B)**
 - **Tax Relief**

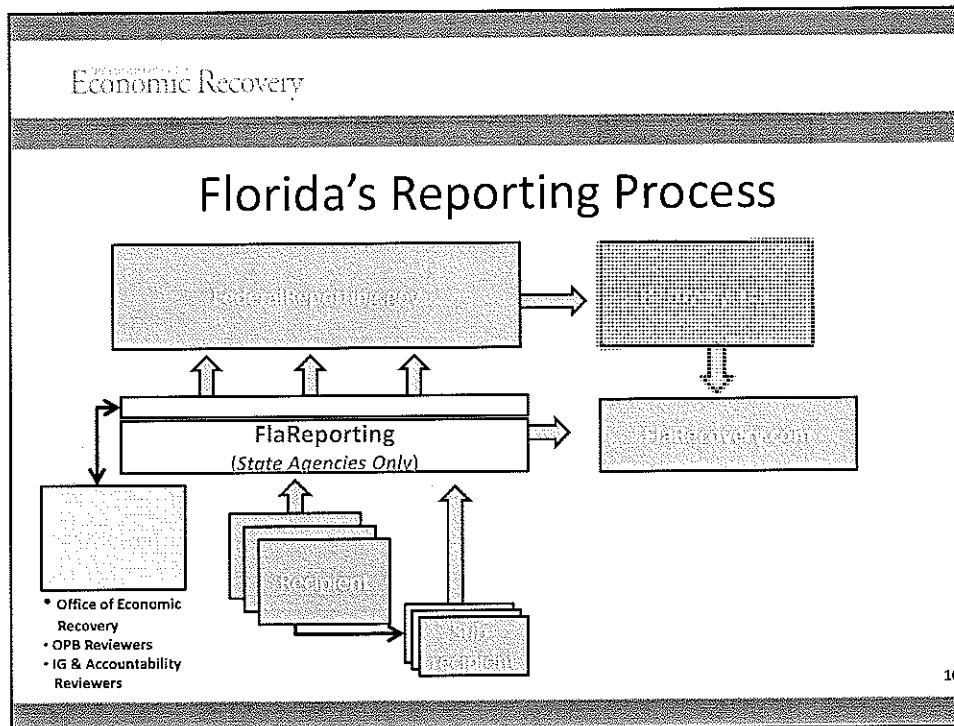
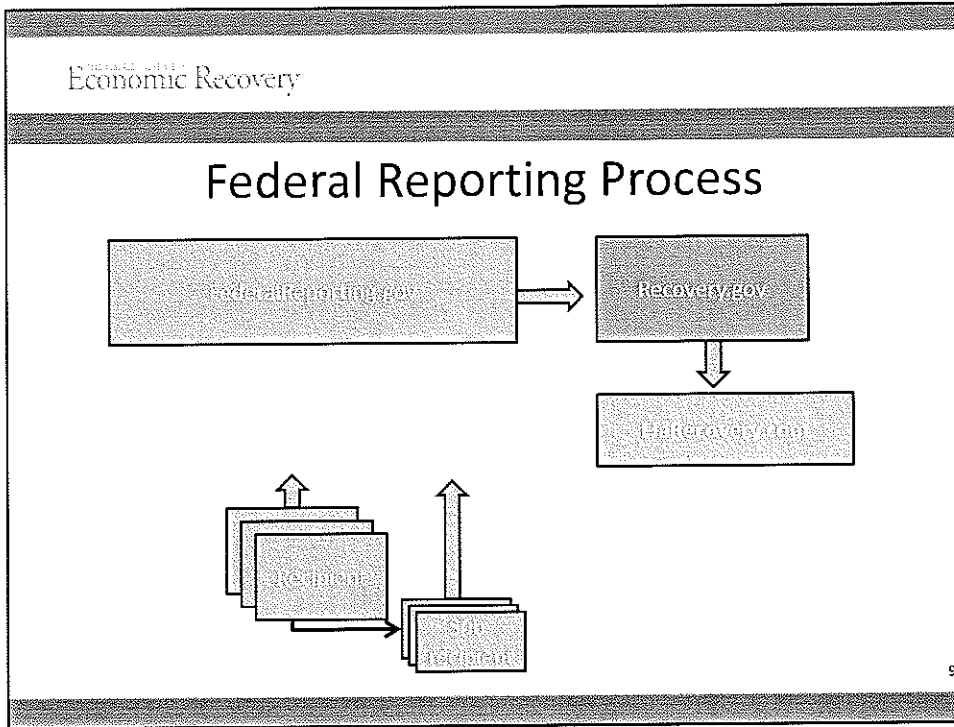
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Reporting Requirements

RECIPIENT REPORTS.—Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains—

- (1) the total amount of recovery funds received from that agency;
- (2) the amount of recovery funds received that were expended or obligated to projects or activities; and
- (3) a detailed list of all projects or activities for which recovery funds were expended or obligated, including—
 - (A) the name of the project or activity;
 - (B) a description of the project or activity;
 - (C) an evaluation of the completion status of the project or activity;
 - (D) an estimate of the number of jobs created and the number of jobs retained by the project or activity; and
 - (E) for infrastructure investments made by State and local governments, the purpose, total cost, and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment.
- (4) Detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 .

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THE FLORIDA OFFICE OF
Economic Recovery

FlaReporting System Review and Work Flow Controls

THE FLORIDA OFFICE OF
Economic Recovery

Home Organizations Administration Help | Sign Out

Award Detail

Award	State Fiscal Stabilization Fund - Education Fund					
Recipient	Department of Education					
Actions					Status: Final Submission Complete	
	Award	Recipient	Sub Awards	Sub Recipients	Vendor Payments	Actions

Award Information

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THE FLORIDA OFFICE OF
Economic Recovery

Audits and Reviews

- **GAO**
 - Bi-monthly reports on 16 states
 - Special Reports on topics
- **Auditor General**
 - OMB Pilot Project
 - Single Audit Act
 - Audit of FlaReporting

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THE GOVERNMENT OF CALIFORNIA
Economic Recovery

Update

January 2010 Reporting

For the October 2009 – December 2009 Quarter

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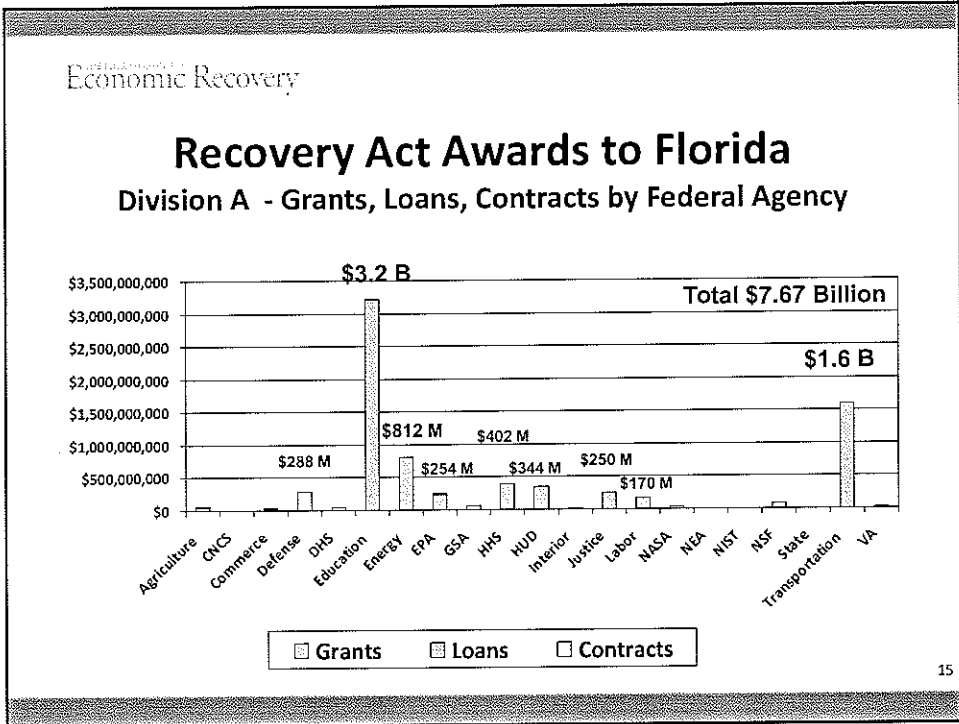
THE GOVERNMENT OF CALIFORNIA
Economic Recovery

Summary Report

December 31, 2009 as of January 30, 2010

Row		Number of Awards or Contracts	Announced or Expected	Awarded	Expended	Received/ Invoiced
1	1512 Grants State Agencies (1)	600	\$6,554,800,408	\$5,537,032,877	\$1,038,402,359	\$2,172,803,811
2	1512 Grants Other Entities	1,298	\$1,690,751,089	\$1,690,751,089	\$117,174,543	\$122,043,407
3	1512 Grants Subtotal	1,898	\$8,245,551,497	\$7,227,783,966	\$1,155,576,902	\$2,294,847,218
4	1512 Contracts	351	\$422,638,286	\$422,638,286	\$119,884,971	\$119,884,971
5	1512 Loans	7	\$16,207,500	\$16,207,500	\$205,374	\$205,374
6	Subtotal 1512	2,256	\$8,684,397,282	\$7,666,629,751	\$1,275,667,247	\$2,414,937,562
7	Non-1512 Grants (2)	13	\$8,335,616,587	\$5,354,016,342	\$5,356,531,544	
8	Total	2,269	\$17,020,013,869	\$13,020,646,093	\$6,632,198,790	

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Economic Recovery

New Jobs Calculation

- For the reports through September 30, 2009, the Jobs were shown as F.T.E.s **cumulatively** through September 30, 2009.
- On **December 18** the Federal Office of Management and Budget issued new revised guidance mandating that the Jobs calculation be based on F.T.E.s **for the quarter**.

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New Jobs Calculation

Guidance

- Determine the total number of hours worked by an employee in a Recovery Act job for the quarter. Divide the Total Hours by the quarterly hours in a full-time schedule.
- If a full-time schedule is 40 hours a week, multiply 40 hours x 52 weeks = 2,080 Total Hours per year. Divide 2,080 Total Hours by 4 to equal 520 quarterly hours.

Example

- If a full-time employee began work on December 4, 2009 and worked for the rest of the month (20 days at 8 hours per day = 160 hours).
- This would equal 0.31 FTE (160 divided by 520).

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Jobs Estimates

December 31, 2009 as of January 30, 2010

Row		Jobs (FTE)	Actual Workers	Total Estimated Jobs Direct and Indirect (State Agency Funds both 1512 and non-1512)
1	1512 Grants State Agencies (1)	30,646.84	62,020	66,600 (under review)
2	1512 Grants Other Entities	3,335.48		
3	1512 Grants Subtotal	33,982.32		
4	1512 Contracts	983.47		
5	1512 Loans	0		
6	Subtotal 1512	34,966		
7	Non-1512 Grants (2)			21,100 (under review)
8	Total			87,700 (Under review)

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Council of Economic Advisors Midquarter Estimate (4) 112,000
 Council of Economic Advisors End of Quarter (extrapolated for Florida) 128,800

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FLORIDA
Economic Recovery

www.FlaRecovery.com



THE FLORIDA OFFICE OF Economic Recovery

RECOVERY ACT SUMMARY

December 31, 2009 Data as of January 30, 2010

The attached report summarizes information on Recovery Act awards, expenditures and jobs for activities through December 31, 2009, as reported by January 30, 2010. This information includes submissions by state agencies as well as other local agencies receiving Recovery Act funds.

The information is based on detailed state data reports downloaded from the Recovery.gov federal web site. The information submitted by state agencies has been cross-checked with the information uploaded from a centralized state reporting system and the totals have been verified.

The Recovery Act is divided into two major sections called divisions. Funds appropriated in Division A are subject to special reporting requirements including award amount, expenditures, and jobs (in full-time equivalents or FTEs). These reporting requirements are found in section 1512 of the Recovery Act, referred to as the "1512 reports."

Of the \$17 billion in Recovery Act funds expected to come to Florida, approximately \$8.7 billion is subject to the section 1512 requirements, with \$6.5 billion of that amount coming through state agencies. The remaining section 1512 awards go directly to cities, counties and other organizations.

The overall Recovery Act funds also include approximately \$8.3 billion that goes directly to individuals. This includes unemployment compensation, Medicaid, increased food stamp benefits, etc. These Non-Section 1512 reports are not required to be reported to the federal reporting system. Information on these programs is included on the attached summary on the row, Non-1512 Grants.

The Jobs (FTE) information is based on direct jobs in section 1512 programs using the calculation of full-time equivalents. In the first reports filed in October, these calculations were cumulative. On December 18, the federal government changed the calculation method and the information for the quarter ending December 31, 2009, is to be a quarterly calculation – not a cumulative figure.

Jobs (FTE) calculations are based on the number of hours in a quarter. For example, if a person began work in a Recovery Act funded job in mid-December and worked 80 hours by December 31, this would count for $80/520 = 0.15$ FTE. If the position is partially funded by Recovery Act funds, the FTE count would be adjusted proportionally. For example, if the position was funded 80% by the Recovery Act, this would count as 0.12 FTE. The FTE count includes direct jobs only. Indirect jobs (like jobs by suppliers) are not included.

The Actual Worker count is based on a "head-count" of the actual workers. For example, in the above illustration, the number of actual workers would be 1. This is a state-only count that is not captured by the federal reporting system. It is provided for context purposes.

The attached information also includes job estimates from economists in the Governor's Office of Policy and Budgeting. These estimates are based on the REMI model, a dynamic forecasting and policy analysis tool used to estimate changes in economic variables such as the number of jobs and other economic variables. The REMI model is a widely accepted forecasting tool. These calculations permit us to estimate the overall job impacts, both direct and indirect jobs, for all the funds flowing through state agencies. Overall, the estimated job impact is 87,700 for Florida. These estimates may be further revised when analysis is updated based on the latest available data from the Recovery.gov web site.

In addition to the state estimates, the Council of Economic Advisors (CEA) has released a quarterly report on overall macroeconomic impacts. This analysis includes the impact of both spending and tax reduction provisions of the Recovery Act. The CEA analysis includes analysis of gross domestic product (GDP) and other indicators. The CEA report includes a "mid-quarter" estimate of jobs impact for Florida of 112,000 (Table 5, page 21). The report also provides an "end of quarter" national estimate. Based on this national estimate, we can estimate an end of quarter job impact for Florida of 128,800.

The attached summary also includes information on funds awarded, expenditures and the amount of funds received or invoiced. The received/invoiced information has changed since the preliminary report of January 15 due to a decision by the USDOT Federal Highway Administration requiring states to report all funds awarded as "received or invoiced." This increased the funds received/invoiced total by \$1.1 billion.

Florida Recovery Act Summary
Data as of December 31, 2009
Updated January 30, 2010

Row		Number of Awards or Contracts	Announced or Expected	Awarded	Expended	Received/ Invoiced	Jobs (FTE)	Actual Workers	Total Estimated Jobs Direct and Indirect (State Agency Funds both 1512 and non-1512)
1	1512 Grants State Agencies (1)	600	6,554,800,408	5,537,032,877	1,038,402,359	2,172,803,811	30,646.84	62,020	66,600 (under review)
2	1512 Grants Other Entities	1,298	1,690,751,089	1,690,751,089	117,174,543	122,043,407	3,335.48		
3	1512 Grants Subtotal	1,898	8,245,551,497	7,227,783,966	1,155,576,902	2,294,847,218	33,982.32		
4	1512 Contracts	351	422,638,286	422,638,286	119,884,971	119,884,971	983.47		
5	1512 Loans	7	16,207,500	16,207,500	205,374	205,374	0		
6	Subtotal 1512	2,256	8,684,397,282	7,666,629,751	1,275,667,247	2,414,937,562	34,966		
7	Non-1512 Grants (2)	13	8,335,616,587	5,354,016,342	5,356,531,544				21,100 (under review)
8	Total	2,269	17,020,013,869	13,020,646,093	6,632,198,790				87,700 (Under review)

Council of Economic Advisors Midquarter Estimate (4)
Council of Economic Advisors End of Quarter (extrapolated for Florida from U.S. totals) (4)

Notes:

- (1) Section 1512 reports are the reports required by the Recovery Act that are posted on the federal Recovery.gov web site. These reports are required by Division A, Section 1512 of the Recovery Act. The jobs (FTE) information refers to **direct, full time equivalent** positions funded by Recovery Act funds for the quarter (October - December) and is required by the Federal Reporting system. The actual worker information is a state count of the number of actual workers. The jobs (FTE) information is based on federal guidance revised on December 18, 2009.
- (2) Non-1512 Grants are the programs that provide benefits to individuals. The reporting requirements of the Recovery Act do not apply to these programs and the reports on direct jobs do not apply to these programs.
- (3) The estimates in this column are based on estimates by economists in the Governor's Office of Policy and Budget using a widely accepted economic forecasting tool. These estimates include both direct and indirect jobs for programs administered through state agencies. The estimates shown were developed based on the Jan. 15 data. With the release of updated jobs data, they are under review and may be revised.
- (4) The Council of Economic Advisors (CEA) report of January 13, 2010 provides overall macroeconomic job impact estimates. These estimates include all economic activity including the impact of expenditures and tax relief. The estimates include direct, indirect and induced jobs. The report is available at <http://www.whitehouse.gov/administration/eop/cea/factsheets-reports>.
- (5) The information in row 1 is based on state reported information. This has been verified to have been accurately uploaded to the Federal Reporting system.
- (6) The information in rows 2, 4, and 5 is based on the State Summary download available from the download center on Recovery.gov.

112,000
128,800

Note 3

Note 3


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AWARDS THROUGH STATE AGENCIES - BY AGENCY
Through December 31, 2009 as of January 30, 2010

Agency	Count	Amount Awarded	Expended	Received or		Jobs (FTE)	Actual Workers
				Invoiced	Actual		
Agency for Health Care Administration	2	\$412,523	\$60,819	\$60,819		5.05	33
Agency for Workforce Innovation	4	\$271,601,037	\$96,463,477	\$97,241,302		2,880.60	4,377
Department of Agriculture and Consumer Services	6	\$13,752,869	\$3,075,620	\$3,075,621		17.89	27
Department of Children and Families	2	\$28,483,761	\$4,793,859	\$4,191,258		86.84	164
Department of Community Affairs	3	\$212,575,128	\$19,395,308	\$17,528,174		196.25	498
Department of Corrections	1	\$3,448,782	\$1,656	\$0		0.15	1
Department of Education	12	\$1,218,982,959	\$226,808,383	\$240,434,866		5,998.14	7,871
Department of Elder Affairs-HQ	3	\$8,626,978	\$2,165,591	\$2,133,737		64.50	124
Department of Environmental Protection	5	\$234,702,600	\$15,262,727	\$9,750,023		329.93	1,009
Department of Health	21	\$43,896,330	\$7,447,486	\$7,820,696		81.65	87
Department of Health, Citrus CHD	3	\$1,650,000	\$373,393	\$461,393		19.17	28
Department of Law Enforcement	1	\$81,537,096	\$2,768,025	\$2,768,025		81.08	260
Department of Legal Affairs	2	\$4,762,799	\$3,406,625	\$3,406,625		19.61	52
Department of Management Services	1	\$2,568,458	\$0	\$0		0.00	0
Department of Military Affairs	1	\$4,543,000	\$761,315	\$1,316,035		11.03	13
Department of State	1	\$393,700	\$393,700	\$393,700		14.75	24
Department Of Transportation	516	\$1,252,654,115	\$93,440,222	\$1,235,788,341		866.44	11,855
Department of Veterans Affairs	1	\$3,250,000	\$0	\$0		0.00	0
Executive Office of the Governor*	6	\$2,147,332,800	\$561,780,222	\$546,433,196		19,973.76	35,598
Fish and Wildlife Conservation Commission	8	\$640,782	\$3,931	\$0		0.00	0
Public Service Commission	1	\$1,217,160	\$0	\$0		0.00	0
Total - State Agencies	600	\$5,537,032,877	\$1,038,402,359	\$2,172,803,811		30,646.84	62,020

Note: The awards to the Executive Office of the Governor include awards to the Governor's Energy Office and Awards for Education. These are shown below:

Agency	Count	Awarded	Expended	Received or		Jobs (FTE)	Actual Workers
				Invoiced	Actual		
EOG Awards - Governor's Energy Office	4	\$175,957,276	\$6,850,125	\$6,525,537		59.52	28
EOG Fiscal Stabilization Awards to Education	2	\$1,971,375,524	\$554,930,097	\$339,907,659		19,914.24	35,570
Executive Office of the Governor*	6	\$2,147,332,800	\$561,780,222	\$546,433,196		19,973.76	35,598




FLORIDA INSPECTORS GENERAL
Enhancing Public Trust

Florida Inspectors General

Oversight Activities

Joint Legislative Auditing Committee
February 15, 2010

Melinda M. Miguel
Chief Inspector General
Executive Office of the Governor




FLORIDA INSPECTORS GENERAL
Enhancing Public Trust

GAO
United States Government Accountability Office
Report to Congressional Committees


July 2009

RECOVERY ACT

States' and Localities'
Current and Planned
Uses of Funds While
Facing Fiscal Stresses



GAO
U.S. GOVERNMENT ACCOUNTABILITY OFFICE


 **FLORIDA INSPECTORS GENERAL**
Enhancing Public Trust

The Chief Inspector General designated the following workgroups to oversee ARRA.

They are:

Chair Ned Luczynski RISK ASSESSMENT
Chair: Ron Russo REPORTING
Chair: Sheryl Steckler DATA QUALITY
Chair: Bob Clift FRAUD DETERRENCE
Chair: James Mathews SPECIAL ISSUES

Agency Inspectors General and Staff participate on each of these workgroups.




 **FLORIDA INSPECTORS GENERAL**
Enhancing Public Trust

Inspectors General Provide Oversight

- Fraud Training
- Data Quality Reviews
- Internal Control Reviews
- Audits






FLORIDA INSPECTORS GENERAL
Enhancing Public Trust

Agency Inspectors General

- Agency Risk Readiness
- Risk Assessments/Surveys
- Audit Work Plans
- Internal Control Reviews
- Data Quality Reviews
- Contract and File Reviews
- Review Prior Audit Findings
- Website
- OIG Capacity Analysis

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FLORIDA INSPECTORS GENERAL
Enhancing Public Trust

Office of Inspector General
American Recovery and Reinvestment Act of 2009
Risk Readiness Review

Review Performed By:
Date(s) of Review:

Agency:
Program Area Receiving ARRA Funds:


Subject: Risk Readiness Review

Objective: The objective of this review is to assess the state of the implementation of internal controls, which should help mitigate the risk of fraud, waste, or abuse, in programs that will be or have received funds under the American Recovery and Reinvestment Act of 2009.

Instrument: The auditor should indicate the completion of each step of the review by entering "Yes," "No," or "N/A" and inputting their initials and the date where indicated. Comments and recommendations should be completed if the auditor feels that it is needed to provide an explanation to a question or is relevant to the review. If the auditor determines that the step related to a review step has not been appropriately completed, he or she should check the box for that step in the column "Follow-up Required" to indicate that follow-up is needed and should indicate a target date to perform the follow-up. The auditor completing this review should use their judgment to determine whether more detailed review of an area is necessary, other than the program question, to complete an adequate evaluation.

The review has subsections that follow the natural progression of a fund recipient from the application for funds to the delivery of goods or services.

	Yes/No/N.A.	Auditor Initials/Date	Comments/Recommendations	Follow-up Required	Follow-up Date
A. Procurement Acquisition Contract Person:					
1. If the procurement acquisition was using existing procedures for funds received under the Recovery Act?					
2. If existing procedures, were they updated to include all requirements of the Recovery Act?					

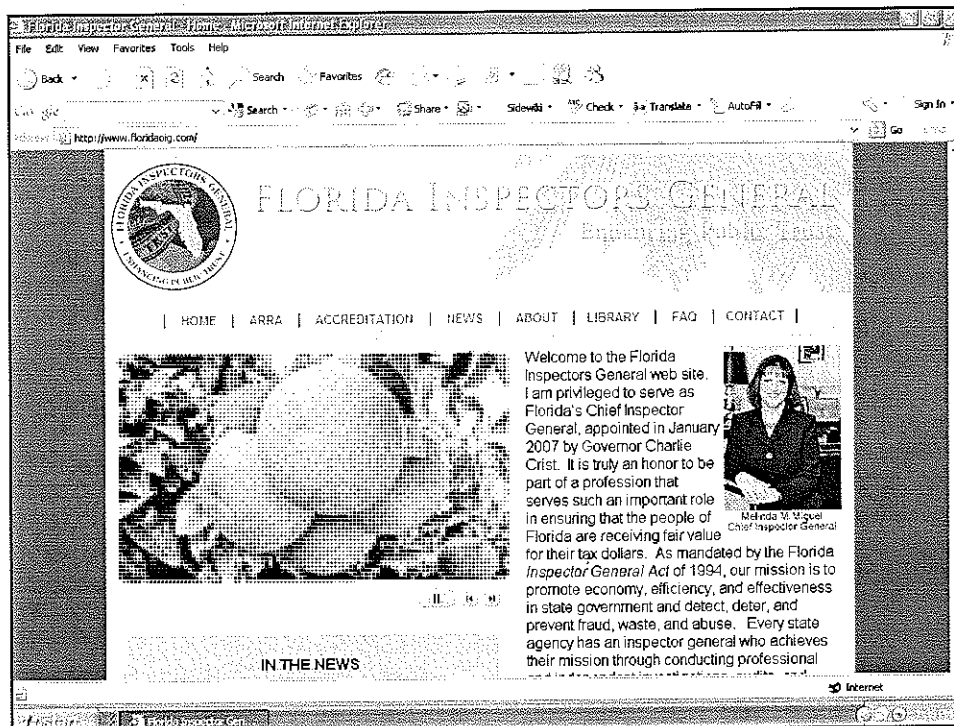


FLORIDA INSPECTORS GENERAL
Enhancing Public Trust

1512 Reporting Data Review

- Data Quality Reviews
- Data Review Protocols
- Data Quality Check Sheet
- Technical Assistance on Validating Static and Variable Data Elements
- Data Quality Meetings with Agencies

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FLORIDA INSPECTORS GENERAL
Enhancing Public Trust

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Welcome to the Florida Inspectors General web site. I am privileged to serve as Florida's Chief Inspector General, appointed in January 2007 by Governor Charlie Crist. It is truly an honor to be part of a profession that serves such an important role in ensuring that the people of Florida are receiving fair value for their tax dollars. As mandated by the Florida Inspector General Act of 1994, our mission is to promote economy, efficiency, and effectiveness in state government and detect, deter, and prevent fraud, waste, and abuse. Every state agency has an inspector general who achieves their mission through conducting professional


Melinda M. Miguel
Chief Inspector General

IN THE NEWS

Department of Transportation Newsletter

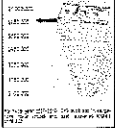
Inside the OIG

INSIDE THE OFFICE OF THE INSPECTOR GENERAL




Featured Topics

Savings (in billions)



A message from the Inspector General

Get Greater



The Office of Inspector General works to ensure that the federal government is run as efficiently as possible. I am proud of the members of the OIG and our accomplishments in 2009. As we enter 2010, there are several important changes to make in order to improve the Department and the lives of Florida.

- We recognized our office could benefit from the soft and hard work of agency staff and to date, we will be looking for ways to increase our efficiency and productivity.
- We created a new unit, the Fraud Review and Compliance Unit, for the purpose of providing oversight of all agency staff, as well as, to increase the effectiveness of our internal controls and to ensure that the Department is in compliance with all applicable laws and regulations.
- We also created a new unit, the Internal Control and Compliance Unit, to ensure that the Department is in compliance with all applicable laws and regulations.

Our message is one of commitment and reform. We will continue to work hard to improve the Department and the lives of Florida. We will continue to work hard to improve the Department and the lives of Florida. We will continue to work hard to improve the Department and the lives of Florida.

http://www.floridaoig.com/reportfraud.htm

florida inspector general

http://www.floridaoig.com/reportfraud.htm

HOME | ARRA | ACCREDITATION | NEWS | ABOUT | LIBRARY | FAQ | CONTACT |

Report Fraud, Waste and Abuse

You have three options for reporting fraud, waste or abuse:

Option 1: Related to Recovery Act - ARRA Complaint Form
 Use this form if you believe your complaint involves the use of funds in conjunction with the American Reinvestment and Recovery Act of 2009. Your completed ARRA complaint form will be submitted to the Office of the Chief Inspector General and coordinated with the appropriate agency. You will be notified of the disposition of your complaint.

Option 2: Whistle-Blower - Whistle-Blower Complaint Form
 Use this form if you believe you qualify for Whistle-blower status under Section 112.3187 of Florida Statutes. Your complaint will be reviewed and assessed upon receipt and someone in either the Agency Inspector General's Office or the Chief Inspector General's Office will advise you in writing of whether your complaint meets statutory requirements to be designated as a whistle-blower complaint. A determination will also be made whether the complaint warrants investigation by the Inspector General, or whether a referral to another entity (such as management) is more appropriate.

Option 3: Agency-Specific Complaint - Select an Agency
 Select an agency from our Contact page to file a complaint directly with that agency. The Chief Inspector General will not receive a copy of your complaint through this option.



FLORIDA INSPECTORS GENERAL
Enhancing Public Trust

Melinda M. Miguel
Chief Inspector General
Florida Executive Office of the Governor
850-922-4637
melinda.miguel@myflorida.com

Continuation of discussion regarding the Department of the Lottery related to the Auditor General's audit of the financial statements and OPPAGA's two reviews

Department of the Lottery

Please see JLAC Meeting Packet for February 1, 2010

For Auditor General Report No. 2010-082, see the Auditor General's website

<http://www.myflorida.com/audgen/>

For OPPAGA Report Nos. 10-16 and 10-17, see OPPAGA's website

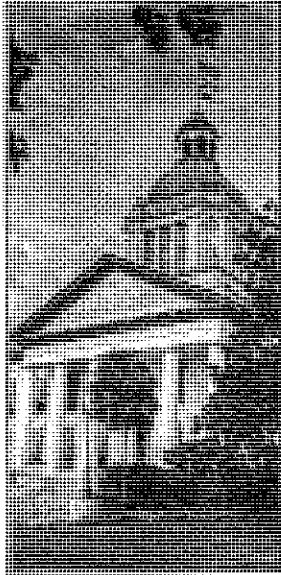
<http://www.oppaga.state.fl.us/>

Demonstration of the Transparency Florida website

TRANSPARENCY FLORIDA

Shining the Light on Florida's Budget

Home	Operating Budget	Reports	Links	Site Information
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Welcome to the Transparency Florida Website

The Florida Legislature created Transparency Florida to provide the public with unprecedented access to state government spending information by posting Florida's operating budget and associated expenditure records online.

Transparency Florida is designed to provide a current, continually updated picture of the state's operating budget as well as daily expenditures made by state agencies. The numbers are updated nightly as funds are released to agencies, transferred between budget categories, and payments are written for goods and services.

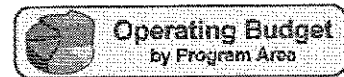
This site is a work in progress; in the coming months our goal is to add more information regarding individual expenditures, vendor payments, and other levels of government spending. Our desire is to increase fiscal accountability in state spending by providing citizens with a useful tool for understanding how their tax dollars are being appropriated and spent.

Getting Started

Please take a few moments to explore the site. First time users, please review the [Training Overview](#) for general information about the data and tips on how to navigate this site. A [glossary](#) of terms and definitions is also provided under Site Information.

By taking a moment to explore these documents, you will be better equipped to realize the full potential of this site. To navigate, use the tabs or "breadcrumb" links that appear at the top of the screen. Within the Operating Budget tab you can browse by agency, which enables you to view individual expenditures within specific program areas, or by bill format to review proviso or bill text.

Additional information associated with data on this site is maintained by each state agency. We have included a list of [agency contacts](#) should you have additional questions, need more information, or wish to make a public records request.



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View Operating Budget - Statewide	View Operating Budget By Agency	View Operating Budget in Bill Format
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Operating Budget - Statewide

Operating Budget

Positions

- General Revenue
- Trust Funds
- All Funds

[Update](#)

- View Table
- View Chart

[Update](#)

Fiscal Year **2009-10**

[Update](#)

Operating Budget

	Appropriations	Unbudgeted Reserve	Approved Budget	Releases	Approved Budget Unreleased	Disbursements
General Revenue	21,298,685,178	31,359,810	21,267,325,368	16,316,138,003	4,951,187,365	12,684,660,811.73
Trust Funds	51,295,198,533	198,868,023	51,086,330,510	49,590,608,333	1,495,722,177	18,370,544,564.95
Total	72,583,883,711	230,227,833	72,353,655,878	65,906,746,336	6,446,909,542	31,255,205,176.68

Appropriations and Approved Budget

Date	Description	Appropriations	Unbudgeted Reserve	Approved Budget	Releases	Approved Budget Unreleased	Disbursements
07/1/09	Appropriations Bill (GAA) - Laws of Florida, Chapter 2009-81 (Senate Bill 2600)	66,536,360,098	0	66,536,360,098			
07/1/09	Appropriations Bill (GAA) - Laws of Florida, Chapter 2009-81 (Senate Bill 2600)	0	629,473,359	-629,473,359			
07/1/09	Executive Office of the Governor Distribution of General Appropriations Act Lump Sum Line Items	-31,188,415	0	-31,188,415			
07/1/09	Executive Office of the Governor Distribution of General Appropriations Act Lump Sum Line Items	31,168,415	0	31,168,415			
Total Operating Budget - All Funds		72,583,883,711	230,227,833	72,353,655,878			

Releases

Date	Description	Releases
07/1/09	Appropriations Bill (GAA) - Laws of Florida, Chapter 2009-81 (Senate Bill 2600)	47,670,437,648
07/1/09	Appropriations - Sections in back of the General Appropriations Act (GAA)	1,482,933
07/1/09	Budget Amendment B0021 - Department of Community Affairs	187,692
07/1/09	Budget Amendment B0022 - Department of Children and Family Services	2,238,517
07/1/09	Budget Amendment B0026 - Agency for Workforce Innovation	521,800
Total Releases		65,906,746,336

Disbursements

View Disbursements by Object

Operational	29,422,857,417.71
Fixed Capital Outlay	1,832,347,758.97
Total Disbursements	31,255,205,176.68



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Operating Budget Page - Statewide

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View Operating Budget - Statewide	View Operating Budget By Agency	View Operating Budget in Bill Format
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View Operating Budget By Agency

Fiscal Year **2009-10** [Update](#)

Agency	Fiscal Year Budget 2009-10	
	Dollars	Positions
ADMINISTERED FUNDS	68,812,883	0.00
AGENCY FOR HEALTH CARE ADMINISTRATION	18,242,499,944	1,872.50
AGENCY FOR PERSONS WITH DISABILITIES	1,085,072,936	3,403.00
AGENCY FOR WORKFORCE INNOVATION	1,802,934,444	1,533.00
AGRICULTURE AND CONSUMER SERVICES, DEPARTMENT OF, AND COMMISSIONER OF AGRICULTURE	341,196,642	3,658.75
BUSINESS AND PROFESSIONAL REGULATION, DEPARTMENT OF	130,243,252	1,580.75
CHILDREN AND FAMILY SERVICES, DEPARTMENT OF	3,026,712,342	13,268.50
CITRUS, DEPARTMENT OF	66,826,033	68.00
COMMUNITY AFFAIRS, DEPARTMENT OF	1,415,813,834	346.00
CORRECTIONS, DEPARTMENT OF	2,617,471,432	30,522.00
EDUCATION, DEPARTMENT OF	22,156,153,682	3,198.00
ELDER AFFAIRS, DEPARTMENT OF	718,589,386	427.00
ENVIRONMENTAL PROTECTION, DEPARTMENT OF	1,450,018,629	3,558.50
FINANCIAL SERVICES, DEPARTMENT OF	285,772,225	2,783.50
FISH AND WILDLIFE CONSERVATION COMMISSION	296,915,350	1,947.00
GOVERNOR, EXECUTIVE OFFICE OF THE	347,870,874	325.00
HEALTH, DEPARTMENT OF	3,058,134,948	17,106.50
HIGHWAY SAFETY AND MOTOR VEHICLES, DEPARTMENT OF	396,258,965	4,584.00
JUSTICE ADMINISTRATION	1,195,957,055	10,041.75
JUVENILE JUSTICE, DEPARTMENT OF	618,934,953	4,856.00
LAW ENFORCEMENT, DEPARTMENT OF	365,108,883	1,791.00
LEGAL AFFAIRS, DEPARTMENT OF, AND ATTORNEY GENERAL	187,407,747	1,337.50
LEGISLATIVE BRANCH	268,684,225	1,880.68
LOTTERY, DEPARTMENT OF THE	139,145,363	438.00
MANAGEMENT SERVICES, DEPARTMENT OF	610,773,948	1,266.00
MILITARY AFFAIRS, DEPARTMENT OF	78,076,715	340.00
PAROLE COMMISSION	8,135,718	128.00
PUBLIC SERVICE COMMISSION	27,676,696	328.00
REVENUE, DEPARTMENT OF	553,029,588	5,178.00
STATE COURT SYSTEM	451,536,262	4,325.50
STATE, DEPARTMENT OF	80,682,499	439.00
TRANSPORTATION, DEPARTMENT OF	10,416,217,782	7,426.00
VETERANS' AFFAIRS, DEPARTMENT OF	75,218,647	960.50
Total Agencies	72,583,883,711	130,727.93



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[View Budget By Agency](#)

TRANSPARENCY FLORIDA

Shining the Light on Florida's Budget

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Comparison Reports

Disbursements By Agency/Object

This report provides a comparison of operational disbursements for FY 2008-09 against operational disbursements for FY 2009-10 by Agency and then by Object (types of service, material, or other charge received or rendered) within the selected Agency. The disbursements are also reported and graphed by month.

Disbursements By Category/Object

This report provides a comparison of operational disbursements for FY 2008-09 against operational disbursements for FY 2009-10 by Category (major expenditure classification) and then by Object (types of service, material, or charge received or rendered) within the selected Category. The disbursements are also reported and graphed by month.

Disbursements By Object/Agency

This report provides a comparison of operational disbursements for FY 2008-09 against operational disbursements for FY 2009-10 by Object (types of service, material, or other charge received or rendered) and then by Agency for the selected Object. The disbursements are also reported and graphed by month.

Other Reports

Operating Budget By Expenditure Type

This report provides the total Operating Budget and Disbursements by the following Expenditure Types: General Operations, Medicaid/TANF, Aid to Local Governments, Fixed Capital Outlay, DOT Work Program, Debt Service, and Pension Benefits/Claims.

Operating Budget By Fund Source

This report provides the total Operating Budget by the following Fund Sources: General Revenue, Tobacco Settlement Trust Fund, Education Enhancement Trust Fund, and all other Trust Funds.

Operating Budget By Program Area

This report provides the total Operating Budget and Disbursements by the following Program Areas: Education, Human Services, Criminal Justice and Corrections, Natural Resources/Environment/Growth Management/Transportation, General Government, and Judicial Branch. The option to view this report by General Revenue Fund, Trust Funds, or All funds is also available.



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TRANSPARENCY FLORIDA



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Fiscal Analysis in Brief

The *Fiscal Analysis in Brief* is an annual report prepared and published by the Florida Legislature. It summarizes fiscal and budgetary information for a given fiscal year. This link navigates to the report for Fiscal Year 2009-2010. This report is located on the [Florida Fiscal Portal](#).

Long-Range Financial Outlook 3 Year Plan

The *Long-Range Financial Outlook 3 Year Plan* is an annual report prepared and published by the Florida Legislature. The report provides a longer-range picture of the state's financial position that integrates projections of the major programs driving Florida's annual budget requirements with the revenue estimates. This link navigates to the report covering Fiscal Years 2010-2011 through 2012-2013. This report is located on the [Florida Fiscal Portal](#).

Florida's Checkbook

Florida's Checkbook is a link to the Florida Department of Financial Services' website containing additional financial information. The website includes links to Florida Financials - Cash Flow and Balances, Sunshine Spending - Vendor Payment Search, Local Government Dollars & Cents, State Reports, and Contract Search.

Reports on State Properties and Occupancy Rates

The Division of Real Estate Development and Management provides information on the state-owned buildings and occupancy rates. The Division of Real Estate Development and Management implements best practices for the development, operation and maintenance of state-owned facilities as well as oversight of the state's process for leasing privately owned space.



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Welcome Message

The Welcome Message is a short video presented by Senate President Jeff Atwater welcoming users to the Transparency Florida website.

Transparency Florida Tour

The Transparency Florida Tour provides a quick video overview of the Transparency Florida website. The tour explores some of the features and information available for review.

Training Overview

The Training Overview provides users with information on the basic features of the website. It provides an overview of navigation, menu options, and the various reports. A Table of Contents is included to quickly focus on a specific area of interest.

Agency Contact List

The Agency Contact List contains contact information from each state agency to be used when inquiring about information displayed on this website. This list includes a contact name, address, phone number, and email address for each state agency.

Glossary

The Glossary contains an alphabetical listing of budget, personnel, and accounting terms and definitions used throughout the website.

Frequently Asked Questions

The Frequently Asked Questions provides a list of the most often asked questions and their answers. This list will periodically be updated as the website continues to be enhanced and utilized.

Website Problems, Comments, or Questions

For technical problems, questions or comments regarding the Transparency Florida website please e-mail us at the following address:

TransparencyFlorida@laspbs.state.fl.us

Note: This e-mail address is for website specific issues only. For content questions or comments, please refer to the Agency Contact List.



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**Discussion of the Committee's report
required by the Transparency Florida Act**

TRANSPARENCY FLORIDA

Report of the
Joint Legislative Auditing Committee
Working Group

1

Transparency Florida Act

- Ch. 2009-74, *Laws of Florida*
- Joint Legislative Auditing Committee responsibilities:
 - Oversee and manage the Transparency Florida website
 - Propose additional state agency information
 - Recommend format for collecting and displaying information from universities, colleges, public schools, local governmental units and other governmental entities receiving state appropriations
 - Develop a schedule by March 1, 2010, for adding other information to website
 - Prepare annual report on progress; first report due November 1, 2011
- Working Group established

2

Staff Support

- House and Senate
- Auditor General's Office
- OPPAGA
- OLITS
- Governor's Office
- Department of Financial Services
- Department of Education
- Florida Association of Counties
- Florida League of Cities
- Florida Association of Special Districts
- Florida Government Finance Officers Association
- Board of Governors
- Florida College System
- Florida Association of District School Superintendents
- Florida School Finance Council
- Individuals in financial and IT-related positions at a number of the entities
- Representatives of school districts

3

Financial Transparency

- Effort in other states
 - Over half have state financial information available
 - Few have information for local governments and school districts
- Lessons learned
 - Separate phases for implementing components
 - Usage peaks when first launched and when new components added
 - Once systems become operational, resources required to maintain relatively low
- Transparency in Florida
 - "Florida's Checkbook" by CFO
 - Amount of information available on state agency, local government, and educational entity websites varies

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Financial Transparency in Florida

(Example: City of Palm Bay website)

Open

palmbayflorida.org

Offering you an open, honest, & accountable government.
Mayor and City Council

[Home](#) [Contact Us](#) [Glossary](#) [FAQ](#) [Terms & Use Policy](#) [City of Palm Bay](#)

Ways to Use

For citizens:
Find information on how your tax dollars are being put to work in Palm Bay.

For businesses:
See the types of goods and services Palm Bay is buying to discover new business opportunities.

For government:
Study government buying patterns to identify new opportunities to leverage the city's buying power. See what the City is buying and from whom.

Open.palmbayflorida.org is a gateway for obtaining information and key documents about how the City of Palm Bay spends tax dollars and other revenues to provide services to the residents of Palm Bay. The information maintained on this site comes from a variety of resources and is updated quarterly. Last Update: December 31, 2009

Expenditures

Salaries

Revenue

CAFR

Monthly Financial Reports

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Financial Transparency in Florida

(Example: City of Palm Bay website)

- [Home](#)
- [Expenditures](#)
- [Salaries](#)
- [Revenue](#)
- [CAFR](#)
- [FAQ](#)
- [Glossary](#)
- [City of Palm Bay](#)

CURRENT FISCAL YEAR EXPENDITURES

Search for a Payment:

Fund:

Department:

Division:

Activity:

Subactivity:

Element:

Object:

Project:

Payment Name	Payment Date	Payment Amount	Description	Fund	Department	Division	Activity	Subactivity	Element	Object	Project
REGULARLY SCHEDULED	11/02/2009	\$3,252.00	GENERAL FUND	FINANCE DEPT	ACCOUNTING	GENERAL GOVERNMENT	FINANCIALADMINISTRAT	ACCOUNTING & AUDITING	AUDIT COSTS		
REGULARLY SCHEDULED	11/02/2009	\$5,606.25	UTILITIES OPERATING FUND	UTILITIES DEPARTMENT	BUSINESS OPERATIONS	PHYSICAL ENVIRONMENT	WATER COVER COMBOD	ACCOUNTING & AUDITING	AUDIT COSTS		
REGULARLY SCHEDULED	11/02/2009	\$250.00	GENERAL FUND	MONTHLY PAYMENT DEPT	GENERAL ADMINISTRATION	ECONOMIC ENVIRONMENT	HOUSING/URBAN DEVELOPMENT	ACCOUNTING & AUDITING	AUDIT COSTS		
REGULARLY SCHEDULED	11/02/2009	\$206.25	GENERAL FUND	MONTHLY PAYMENT DEPT	ADMINISTRATIVE SERVICES	INDUSTRY SERVICES	PROTECTIVE INSPECTIONS	ACCOUNTING & AUDITING	AUDIT COSTS		
REGULARLY SCHEDULED	11/02/2009	\$82.50	GENERAL FUND	GENERAL GOVERNMENT	ENVIRONMENTAL SERVICES	ECONOMIC ENVIRONMENT	OTHER ECON ENVIRONMENT	ACCOUNTING & AUDITING	AUDIT COSTS		
REGULARLY SCHEDULED	11/02/2009	\$27.00	GENERAL FUND	MONTHLY PAYMENT DEPT	GENERAL ADMINISTRATION	ECONOMIC ENVIRONMENT	HOUSING/URBAN DEVELOPMENT	ACCOUNTING & AUDITING	AUDIT COSTS		
Page Total:		\$12,786.00									
Grand Total:		\$12,786.00									

6

3

School Districts

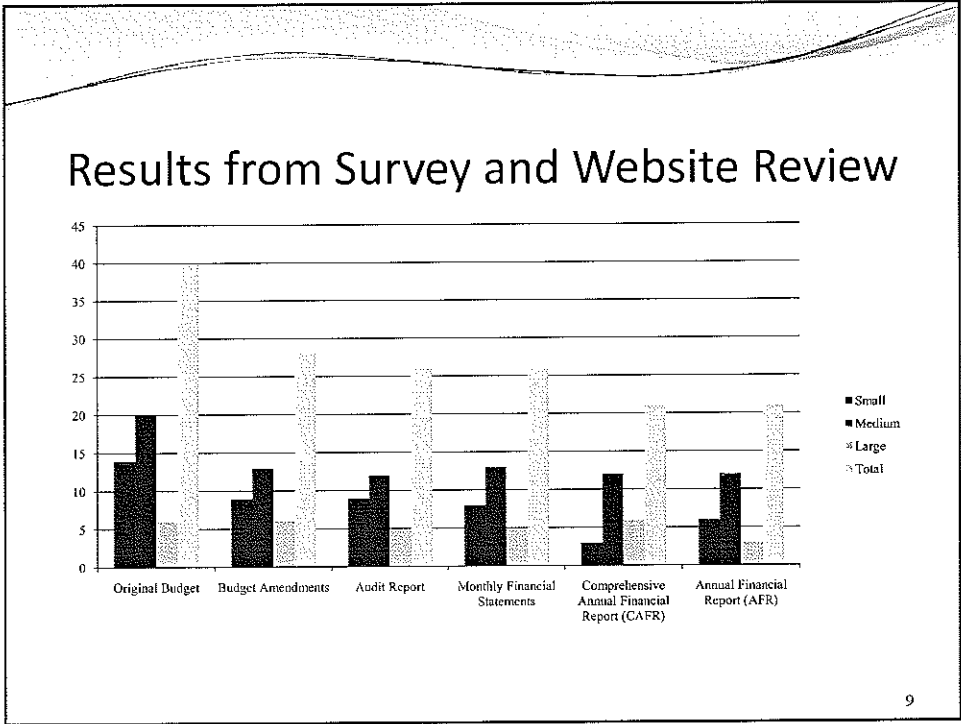
- Decision to focus on school districts; most similarities
- Use standard Chart of Accounts - the *Red Book*
- Submit numerous annual reports and financial data to DOE
- DOE website includes numerous financial reports with school district and school level information
- All school district audits are posted on the Auditor General's website
- All school districts have a website; content varies
- Survey sent to Finance Officers of all school districts

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Results from Survey and Discussions

- Accounting systems vary
- Three consortiums provide services to 32 small school districts; two of which also provide IT services
- Concerns:
 - if school districts are required to transmit data to the state
 - if school districts are required to post information on their websites
- Financial challenges due to declining property taxes and full implementation of class size amendment

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- ### Recommendations
- Developed with the assistance of advisory group
 - Begin with information that is readily available with minimal effort and cost to provide to the public
 - Three phases suggested
 - Access to all information provided from Transparency Florida website
 - Access to Transparency Florida website provided from all school district websites; use logo
 - Include FAQs, glossary, disclaimer
 - School districts responsible for redacting confidential information
 - Suggest considering assistance for school districts that would struggle to comply with requirements
- 10

Phase 1: Recommendations

- Link on *Transparency Florida* website to school district information
- School district information will provide link to:
 - Each school district's website
 - Audit report of each school district
 - Numerous reports with financial information that are now on DOE's website (contains information for all school districts, some school-level information, and some statewide summaries)
- All school districts required to provide link to *Transparency Florida* website & use *Transparency Florida* logo

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Phase 1: Recommendations

- Effort Required: Minimal
- Cost: Minimal
- School Districts Included: All
- Anticipated Completion: August 1, 2010

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Phase 1

Return on Investment/School Efficiency Measures

Total Program Costs Per Student
Operating Funds
2007-2008

**LEON COUNTY
LEON HIGH SCHOOL**

Program Name	Program Number	School Costs Per Student	District Costs Per Student	State Costs Per Student
Basic				
Grades Kindergarten - 3	101	-	\$6,631	\$7,424
Grades 4 - 8	102	-	\$8,414	\$6,671
Grades 9 - 12	103	\$6,406	\$8,853	\$6,648
Basic Program Costs		\$6,406	\$6,611	\$6,906
Exceptional Student Education (ESE)				
Grades Pre-Kindergarten - 3	111	-	\$13,440	\$13,971
Grades 4 - 8 ESE Basic	112	-	\$10,955	\$10,755
Grades 9 - 12 ESE Basic	113	\$8,840	\$9,248	\$10,073
Exceptional Student Level 4	254	\$13,413	\$24,463	\$25,007
Exceptional Student Level 5	255	\$12,637	\$63,410	\$35,969
ESE Program Costs		\$8,895	\$12,731	\$12,014
English for Speakers of Other Languages	130	\$5,796	\$10,959	\$7,745
Vocational Grades 9 - 12	300	\$6,745	\$7,015	\$6,990
Total Educational Program Costs		\$6,766	\$7,934	\$7,954

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Phase 1

Financial Profiles of School Districts

Broward
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	236,489,713	TOTAL EXPENDITURES	1,850,626,362
PERCENT OF TOTAL REVENUE	8.41%	BASIC (K-12) AND ESOL TOTAL EXPENDITURES PER FTE	1,248,949,445
TOTAL STATE REVENUE	1,192,545,193	BASIC K-3	358,145,500
PERCENT OF TOTAL REVENUE	40.29%	BASIC 4-8	416,255,409
TOTAL LOCAL REVENUE	1,442,413,429	BASIC 9-12	356,739,538
PERCENT OF TOTAL REVENUE	51.31%	ESOL	198,499,538
TOTAL REVENUE	2,911,429,305	EXCEPTIONAL STUDENTS EXPENDITURES PER FTE	497,732,425
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		CAREER 9 - 12 EXPENDITURES PER FTE	37,419,229
TOTAL CURRENT EXPENDITURES	2,344,351,251	ADULT*	
TOTAL CAPITAL OUTLAY	469,181,100	CONTINUING WORKFORCE ED.	5,944,402
TOTAL DEBT SERVICE	214,157,243	CAREER CERTIFICATE	35,733,126
TOTAL	3,027,689,704	APPLIED TECHNOLOGY DIPLOMA	922,232
		APPRENTICESHIP	3,879,410
		ADULT GENERAL EDUCATION	50,077,992

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Phase 1: Florida School Indicators Report (FSIR) Per Pupil Expenditure (School Level)

Per Pupil Expenditures, 2007-08

District Number	School Number	District Name	School Name	UNIQUE ID	Regular	Exceptional	At-Risk	Vocational	Total
1	21	ALACHUA	CHARLES W. DUVAL ELEM SCHOOL	010021	\$7,751	\$11,123	\$0	\$0	\$18,874
1	31	ALACHUA	J. J. FINLEY ELEMENTARY SCHOOL	010031	\$9,449	\$10,463	\$7,472	\$0	\$27,384
1	41	ALACHUA	STEPHEN FOSTER ELEMENTARY SCHOOL	010041	\$7,139	\$10,793	\$4,331	\$0	\$22,263
1	52	ALACHUA	AQUINN JONES/EXCEP STUDENT CENTER	010052	\$0	\$29,256	\$0	\$0	\$29,256
1	71	ALACHUA	LAKE FOREST ELEMENTARY SCHOOL	010071	\$8,464	\$14,207	\$0	\$0	\$22,671
1	81	ALACHUA	SIDNEY LANIER CENTER	010081	\$0	\$26,389	\$0	\$0	\$26,389
1	92	ALACHUA	HOSPITAL HOMESOUND	010092	\$0	\$98,624	\$0	\$0	\$98,624
1	91	ALACHUA	LITTLEWOOD ELEMENTARY SCHOOL	010091	\$7,139	\$9,756	\$8,655	\$0	\$25,550
1	101	ALACHUA	W. A. METCALFE ELEMENTARY SCHOOL	010101	\$9,846	\$21,077	\$8,984	\$0	\$39,907
1	111	ALACHUA	JOSEPH WILLIAMS ELEMENTARY SCHOOL	010111	\$5,279	\$7,822	\$0	\$0	\$13,101
1	112	ALACHUA	ABRAHAM LINCOLN MIDDLE SCHOOL	010112	\$8,916	\$8,953	\$9,172	\$0	\$27,041
1	121	ALACHUA	HOWARD W. BISHOP MIDDLE SCHOOL	010121	\$7,598	\$7,906	\$5,390	\$0	\$20,894
1	141	ALACHUA	WESTWOOD MIDDLE SCHOOL	010141	\$8,472	\$7,204	\$11,107	\$0	\$26,783
1	151	ALACHUA	GAINESVILLE HIGH SCHOOL	010151	\$5,333	\$3,915	\$7,007	\$8,010	\$24,265
1	161	ALACHUA	ALACHUA ELEMENTARY SCHOOL	010161	\$8,392	\$6,626	\$4,596	\$0	\$19,614
1	171	ALACHUA	ARCHER COMMUNITY SCHOOL	010171	\$8,960	\$11,382	\$0	\$0	\$20,342
1	201	ALACHUA	HAYTHORNE MIDDLE-HIGH SCHOOL	010201	\$9,310	\$11,209	\$0	\$8,192	\$28,711
1	221	ALACHUA	A. L. MEBANE MIDDLE SCHOOL	010221	\$7,117	\$3,451	\$7,438	\$0	\$18,006
1	231	ALACHUA	NEWBERRY HIGH SCHOOL	010231	\$8,613	\$10,630	\$7,525	\$8,910	\$35,678
1	271	ALACHUA	SANTA FE HIGH SCHOOL	010271	\$5,051	\$7,734	\$5,364	\$4,859	\$22,908
1	281	ALACHUA	CHESTER SHELL ELEMENTARY SCHOOL	010281	\$9,405	\$12,526	\$9,088	\$0	\$30,999
1	291	ALACHUA	WALDO COMMUNITY SCHOOL	010291	\$8,425	\$12,814	\$0	\$0	\$21,239
1	311	ALACHUA	MYRA TERWILLIGER ELEMENTARY SCHOOL	010311	\$7,177	\$11,165	\$8,407	\$0	\$26,749

Phase 2: Recommendations

- DOE required to post various reports online that it currently receives or generates
- Links to these reports added to *Transparency Florida* website

Phase 2: Recommendations

- Effort Required: Minimal to moderate
- Cost: Minimal overall; additional costs to DOE for personnel & IT storage capacity
- Anticipated Completion: December 31, 2010

Phase 2 Program Cost Report Series

FLORIDA DEPARTMENT OF EDUCATION
OFFICE OF SUPPORT SERVICES
OFFICE OF FUNDING AND FINANCIAL REPORTING

01/11/2009

FILE NO. 06-147-1
0094-06

PROGRAM COST ANALYSIS REPORT SERIES

STATE REPORT NO. 01

PROGRAM COST REPORT WITH SELECTED COSTS AS PERCENTAGES OF REVENUE
GENERAL FUND EXPENDITURES
STATE SUMMARY TOTAL

PROGRAM NAME AND NO.	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	MATERIALS & SUPPLIES	OTHER EXPENSES	CAPITAL OUTLAY	TOTAL DIRECT COSTS
K-2 BASIC	1,345,038,387	600,804,399	21,870,087	91,837,740	20,448,879	10,151,895	2,030,051,386
K-5 BASIC	1,198,887,811	543,808,777	91,908,274	83,739,776	23,224,187	22,904,380	2,021,523,148
5-12 BASIC	1,487,492,804	627,715,208	78,369,607	98,858,138	20,224,811	22,739,307	2,107,633,778
SUBTOTAL FOR BASIC PROGRAMS	3,543,150,294	1,437,151,131	179,876,670	272,606,220	64,232,332	60,799,663	7,398,058,600
ADD:	559,319,150	144,630,460	10,730,108	20,871,020	9,271,181	3,470,200	712,292,121
PERN BASIC MCH FRG SERVICES	111	538,978,884	230,342,172	28,425,344	26,784,534	7,372,174	4,453,808
4FC BASIC WITH LSS SERVICES	112	315,423,896	148,143,272	30,872,780	31,856,978	10,834,189	7,103,948
J-12 BASIC W/ LSS SERVICES	113	407,837,145	228,437,921	47,132,288	24,481,990	6,873,895	6,409,348
INSTRUCTIONAL SUPPORT LEVEL 4	114	186,424,127	20,809,172	27,828,348	3,816,837	1,824,284	1,288,430
INSTRUCTIONAL SUPPORT LEVEL 5	115	78,175,023	21,928,405	7,477,971	2,218,108	1,661,851	11,434,354
SUBTOTAL FOR EXPERTISEL PROGRAMS	2,443,014,060	959,620,741	128,220,484	116,826,624	27,233,808	18,038,216	3,382,664,405
OPERATIONAL 6-12	210,197,432	53,487,718	6,527,400	13,222,432	3,650,933	1,034,485	300,749,100
SUBTOTAL FOR ALL FUND PROGRAMS	6,229,332,024	2,224,720,421	299,974,574	409,427,322	98,772,463	64,662,428	11,794,788,492
MULTIPLING WORKFORCE EDUCATION	341	7,381,993	1,484,828	1,047,408	490,644	274,181	764,757
AGRICULTURE AND NATURAL RESOURCES	342	604,387	199,522	87,812	31,161	87,523	310,663
ARTS AND CULTURE	343	2,784,339	7,423,368	916,343	281,181	423,182	12,124,181
CHILD AND FAMILIES SERVICE	344	2,529,535	876,450	142,323	54,271	122,936	1,255,242
HEALTH SCIENCE	345	17,391,311	7,291,363	2,428,433	381,800	1,071,733	28,164,630
INDUSTRIAL	346	27,332,888	7,423,533	2,128,433	1,441,800	1,570,184	43,856,630
INFORMATION TECHNOLOGICAL	347	763,948	708,228	37,137	35,402	116,631	1,530,946
INSTRUCTIONAL SUPPORT SERVICES	348	2,162,824	783,943	1,384,332	911,927	424,656	6,000,440
LIBRARY SERVICE	349	1,436,542	269,707	120,597	64,763	37,970	2,119,417
OTHER CTE	350						
SUBTOTAL FOR ADULT VED CERT	52,673,522	19,117,648	8,928,272	3,126,370	3,846,160	4,724,020	89,971,000
HEALTH SCIENCE	354	1,081,220	230,027	80,211	36,864	67,426	1,421,410
LABOR/COM INSTRUCTION (EJ2)	371	1,843,846	426,111	7,228,429	87,820	122,542	4,348,788
LABOR/COM INSTRUCTION (EJ3)	372	2,086,844	1,139,774	488,639	87,250	381,777	6,061,758
SUBTOTAL FOR APPRENTICESHIP	3,429,488	1,561,845	7,664,148	145,159	221,213	474,925	16,737,117

Phase 2 Educational Funding Accountability Act Report

EDUCATIONAL FUNDING ACCOUNTABILITY ACT
EXPENDITURE REPORTING REQUIREMENTS
FY 2007-08

District School Board of Alachua County

District No. 01

	General Fund	Special Revenue Funds	Totals
Instructional Support:			
Instruction	\$ 112,853,263	\$ 7,986,965	\$ 120,840,268
Instructional Support Delivered at Schools:			
Student Personnel Services	13,009,562	1,713,086	14,722,648
Instructional Media	4,927,133	0	4,927,133
Curriculum Development	5,499,417	2,896,443	8,395,865
Facilities Acquisition	277,179	0	277,179
Central Services	2,702,126	46,810	2,748,936
Administrative Technology Services	2,565	0	2,565
School Administrators (Support Expenditures)	5,147,950	0	5,147,950
Operation of Plant:	23,461,381	9,823	23,671,204
Maintenance of Plant	5,214,950	0	5,214,950
Instructional Staff Training	1,704,462	2,991,992	4,696,454
Instruction Related Technology	3,479,316	0	3,479,316
Subtotal	178,479,304	15,645,104	194,124,408
Less Adult Program Costs	(1,196,765)	(2,464)	(1,199,230)
Student Transportation	11,087,698	124,558	11,212,236
Fixed Services	0	12,018,564	12,018,564
Total K-12 Costs of Instructional Support	\$ 188,370,256	\$ 27,785,792	\$ 216,156,028

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Phase 3: Recommendations

- School districts required to:
 - Post certain documents on their websites (budget amendments, monthly financial statements)
 - Transmit monthly expenditure data to state; will exclude salary data
- State would need to build a system
- Use pilot school district as information is transmitted
- Flexibility requested

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Phase 3: Recommendations

- Effort Required:
 - By School Districts: Moderate to substantial; additional resources required
 - By State: Substantial; major financial commitment
- School Districts Included: All required to comply; small school districts may request a deferral or waiver
- Anticipated Completion: Within two years after system is operational

Rough cost estimate: \$ 9 million

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Phase 3

Monthly Expenditure Summary

FUND:									
MONTH/YEAR:									
Function	Instruction					Instructional Support Services			
	Basic (\$500)	Exceptional (\$500)	Vocational- Technical (\$500)	Adult General (\$400)	Other Instruction (\$500)	Pupil Personnel Services (\$100)	Instructional Media Services (\$200)	Instruction & Curriculum Development Services (\$300)	Instructional Staff/Training Services (\$400)
Direct									
Salaries (\$200)									
Administrative	113								
Classroom Teacher	129								
Other Certified	133								
Substitute Teacher	149								
Aide	153								
Other Support Personnel	160								
Board Members & Attorneys	179								
Total - Salaries									
Employee Benefits (\$200)									
Retirement	210								
Social Security	220								
Group Insurance	230								
Worker's Compensation	240								
Unemployment									
Compensation	250								
Other Employee Benefits	290								
Total - Employee Benefits									

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Website

Anticipated Information Available after Full Implementation

FLORIDA SCHOOL DISTRICTS
Click on district to access district and school information.

Alachua Baker Bay Bradford Brevard Broward Calhoun Charlotte Citrus Clay Collier Columbia Desoto Dixie Duval Escambia Flagler Franklin Gadsden Gilchrist Glades Gulf Hamilton Hardee Hendry Hernando Highlands Hillsborough Holmes	Lee Leon Levy Liberty Madison Manatee Marion Martin Miami-Dade Monroe Nassau Okaloosa Okeechobee Orange Osceola Palm Beach Pasco Pinellas Polk Putnam Santa Rosa Sarasota Seminole St. John's St. Lucie Sumter Suwannee Taylor Union
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STATEWIDE REPORTS
Click on link to access report.
 A description of each report will be provided.

- Analysis of District Expenditures and Program Cost Factors
- Annual Financial Report (AFR) (Statewide Totals)
- Class Size Reduction Survey
- Education Funding and Accountability Reports
- Financial Profiles of Florida School Districts
- Florida Education Finance Program (FEPP) Calculations
- Florida School Indicators (FSIR)
- National Public Education Finance Survey (NPEFS)
- Program Cost Analysis Series (Statewide Totals)
- Return on Investment (ROI)/School Efficiency Measures

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Website

Anticipated Information Available after Full Implementation

FLORIDA SCHOOL DISTRICT FINANCIAL INFORMATION

**ALACHUA COUNTY SCHOOLS
 FINANCIAL INFORMATION**

DISTRICT REPORTS AND INFORMATION

- Analysis of School District Expenditures and Program Cost Factors*
- Annual Financial Report (AFR) (District Totals)
- Audit Report
- Bonded Indebtedness
- Budget, Adopted
- Budget, Amendments
- Budget, Final
- Class Size Reduction Survey
- District Website
- Education Funding and Accountability Act Reports*
- Employee Salaries
- Expenditure Summary
- Equity in School-Level Funding Reports
- Financial Profiles of School Districts*
- Financial Statements
- Five-Year Facilities Work Plan
- Florida Education Finance (FEPP) Calculations*
- Florida School Indicators Report (FSIR)*
- Program Cost Reports (District Totals)
- Return on Investment (ROI)/School Efficiency Measures*
- Revenue
- Vendor List and Total Paid to Each Vendor

Click on links to access information.
 A description of each report will be provided.

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Additional Recommendations

- OLITS should be responsible for designing, building, and hosting the system required or for procuring these services
- Governance Board for day-to-day decisions
- Rulemaking authority for DOE/Guidelines for JLAC
- Provide contact information on website for questions about school district information, technical assistance, website suggestions
- Auditors to report noncompliance
- Penalty for noncompliance

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Other Entities: Recommendations

- Charter schools: 411; 72 more approved
- Universities: 11
- Colleges: 28
- Water Management Districts: 5
- Counties: 67; estimated 300 reporting entities
- Municipalities: 410 active; 163 under current law
- Special Districts: 1625; unknown under current law
- Statutory changes suggested:
 - Delete requirement that an entity must receive state appropriations to be included
 - Exemption threshold for smaller municipalities and special districts based on total revenue rather than population

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Other Entities: Recommendations

- Follow same overall approach as recommended for school districts:
 - Maximize use of existing information that is user-friendly
 - Phase in information added; begin with easiest and least costly
 - Access from entity website and *Transparency Florida* website
 - Pilot entity for transactional data
 - Entity responsible for redacting confidential information
 - Glossary, FAQs, Disclaimer
 - Auditors determine noncompliance
 - Same penalty for noncompliance as for failure to file financial reports
 - Consideration for assistance for entities that would struggle

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State Agency Information: Recommendations

- Senate Ways and Means continuing to enhance website
- Suggest additional information include items specified in the law
- Website for costs-savings suggestions; allow anonymous posting; include sharing of available inventory and supplies

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Transparency Florida

Discuss Committee's recommendation to
President and Speaker

JEFF ATWATER
President



LARRY CRETUL
Speaker



DRAFT RECOMMENDATIONS FOR TRANSPARENCY FLORIDA

Joint Legislative Auditing Committee

DRAFT RECOMMENDATIONS FOR TRANSPARENCY FLORIDA

EXECUTIVE SUMMARY

As required by Ch. 2009-74, *Laws of Florida*, this report provides recommendations from the Joint Legislative Auditing Committee (committee) for adding information related to government spending to the website established pursuant to the “Transparency Florida Act” (Act).

Across the country there is a recent trend to provide more information to the public about how governmental entities spend taxpayer dollars. In Florida, the website required by the Act is now available to the public and includes fiscal information from all branches of state government and all state agencies. Users can view detailed expenditures, appropriations, the status of spending authority, and position and rate information. The amount of financial transparency currently provided online by local governments, universities, colleges, school districts, and other governmental entities in the state varies greatly.

The Act requires the committee to develop a plan to add fiscal information for other governmental entities to the website. The initial focus has been on school districts. Specific recommendations and timeframes for adding school district fiscal information to *Transparency Florida*¹ are provided. Also, general recommendations are provided for adding fiscal information for other governmental entities including state agencies, universities, colleges, counties, municipalities, special districts, and charter schools/charter technical career centers.

School Districts

School districts currently face various challenges in completing their mission of providing free public education to the children residing in Florida. The two major fiscal challenges are declining economic conditions and the implementation of the class size reduction constitutional amendment. Committee members and staff have worked closely with representatives of school districts in order to develop a plan that maximizes the use of existing financial data.

We recommend the use of three phases as school district financial information is added to *Transparency Florida*. Information that is readily available, with minimal effort and cost to provide to the public, should be included for all school districts during the first phase of implementation. Information that requires the state to build a system, the Department of Education (DOE) or school districts to transmit financial data to the state, school districts to enhance their websites, or other more involved effort should be phased-in over time.

Citizens who visit either the home page of a school district’s website or *Transparency Florida* should be able to easily access the school district’s financial information that is located on the school district’s website, DOE’s website, and *Transparency Florida*.

The following three phases are recommended:

Phase 1: Hyperlinks should be added to *Transparency Florida*. This will allow easy access to school district financial information that is currently available online. Hyperlinks to numerous useful reports currently posted on DOE’s website, all school district websites, and the annual audit of each school district should be provided. A central access point for all of this information would be a valuable tool for

¹ For the purpose of this report, *Transparency Florida* refers to www.transparencyflorida.gov, the website created pursuant to the Transparency Florida Act.

DRAFT RECOMMENDATIONS FOR TRANSPARENCY FLORIDA

anyone with an interest in school district financial information. In order to provide easy access to this information for users of school district websites, each school district should be required to provide a hyperlink to *Transparency Florida*, using the Transparency Florida logo, on its website's home page. This phase should be able to be accomplished with minimal effort by August 1, 2010.

Phase 2: Florida's school districts are required to provide DOE with volumes of information related to their expenditures, revenues, and other financial information. While DOE uses some of this information to prepare summary reports addressed during Phase 1, much of the detailed information provided is not currently available online. DOE should be required to post these reports on its website and *Transparency Florida* should continue to be expanded to incorporate hyperlinks to these reports. Since limited financial information is available on a school-level basis, it is important to note that included in this phase is a series of reports that provide the costs incurred by individual schools. This phase should be able to be accomplished with minimal to moderate effort by December 31, 2010.

Phase 3: The information recommended during the first two phases has been largely summary information, updated on an annual basis, and available for all school districts. During the third phase, school districts should be required to post selected documents (budget amendments, financial statements) on their websites. School districts should also be required to transmit expenditure data to the state for disclosure on *Transparency Florida*. Although most school districts currently are required to periodically transmit data to the Auditor General, these new requirements are anticipated to have a significant impact on school district staff. The Office of Legislative Information Technology Services (OLITS) should be responsible for designing and building the system to handle the data or for procuring such services. One pilot school district should be used as this information is added to *Transparency Florida*. Once issues have been worked out with the pilot school district, only one new school district should be added at a time. Although all school districts should be required to comply with these requirements, small school districts should be afforded the opportunity to request a deferral or waiver from reporting requirements. This phase should be able to be completed with moderate to substantial effort by school districts. A major financial commitment is anticipated to design and build the system required to process the expenditure information received from school districts. Once the system is operational, the information for all school districts should be available on *Transparency Florida* within 24 months.

Under current law, the committee is responsible for oversight and management of *Transparency Florida*. To handle the day-to-day decisions that will be required as school district information is planned and added to the website, a governance board, consisting of senior staff members, should be established to work with OLITS and/or a contract provider and committee staff.

Other Governmental Entities

As financial information for other governmental entities is added to *Transparency Florida*, the same overall approach should be used. Existing financial information that is user friendly should be included early on. Transactional data for entities should gradually be included, working with one entity at a time. Citizens should be able to easily access financial information for their local governments and educational entities from *Transparency Florida* and each entity's website. Once all school districts have successfully been added to *Transparency Florida*, the remaining governmental entities should be added in the following order: Charter Schools and Charter Technical Career Centers, Universities, Colleges, Water Management Districts, Counties, Municipalities, remaining Special Districts, and any other governmental entities, including Metropolitan Planning Organizations and Regional Planning Councils. The Act should be revised to include a financial threshold in lieu of a population threshold for municipalities and special

DRAFT RECOMMENDATIONS FOR TRANSPARENCY FLORIDA

districts required to comply with reporting requirements. Also, all special districts that meet this financial threshold should be required to comply, regardless of whether they receive state appropriations.

DRAFT RECOMMENDATIONS FOR TRANSPARENCY FLORIDA

SCOPE

As required by Ch. 2009-74, *Laws of Florida*, this report provides recommendations from the Joint Legislative Auditing Committee (committee) for adding information related to government spending to the website established pursuant to the "Transparency Florida Act."

BACKGROUND

Overview of Law

The "Transparency Florida Act" (Act) requires the Executive Office of the Governor, in consultation with the appropriations committees of the Senate and the House of Representatives, to establish a single website which provides information relating to each appropriation in the General Appropriations Act for each branch of state government and state agency. The website must include detailed expenditure and appropriation information, the status of spending authority for each appropriation in the approved operating budget, and position and rate information for positions provided in the General Appropriations Act.

In addition, the Act assigns the following responsibilities to the committee:

- Section 11.40(4)(b), F.S., requires the committee to provide oversight and management of the Transparency Florida website.
- Section 215.985(4), F.S., requires the committee to propose providing additional state fiscal information on the website which may include, but is not limited to, the following information for state agencies:
 - Details of nonoperating budget authority established pursuant to s. 216.181, F.S.
 - Trust fund balance reports, including cash available, investments, and receipts.
 - General revenue fund balance reports, including revenue received and amounts disbursed.
 - Fixed capital outlay project data, including original appropriation and disbursements throughout the life of the project.
 - A 10-year history of appropriations indicated by agency.
 - Links to state audits or reports related to the expenditure and dispersal of state funds.
 - Links to program or activity descriptions for which funds may be expended.
- Section 215.985(5), F.S., requires the committee to recommend a format for collecting and displaying information on the website from state universities, public schools, community colleges, local governmental units, and other governmental entities receiving state appropriations.
- Section 215.985(6), F.S., requires the committee to develop a schedule, by March 1, 2010, for adding other information to the website by type of information and governmental entity, including timeframes and development entity.

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Additional information may include:

- Disbursements by the governmental entity from funds established within the treasury of the governmental entity, including, for all branches of state government, allotment balances in the Florida Accounting Information Resource (FLAIR) Subsystem.
 - Revenues received by each governmental entity, including receipts or deposits by the governmental entity into funds established within the treasury of the governmental entity.
 - Information related to a governmental entity's bonded indebtedness, including, but not limited to, the total amount of obligation stated in terms of principal and interest, an itemization of each obligation, the term of each obligation, the source of funding for repayment of each obligation, the amounts of principal and interest previously paid to reduce each obligation, the balance remaining of each obligation, any refinancing of any obligation, and the cited statutory authority to issue such bonds.
 - Links to available governmental entity websites.
- Section 215.985(9), F.S., requires the committee to coordinate with the Financial Management Information Board in developing any recommendations for including information on the website which is necessary to meet the requirements of s. 215.91(8), F.S.
 - Section 215.985(14), F.S., requires the committee to prepare an annual report detailing progress in establishing the single website and providing recommendations for enhancement of the content and format of the website and related policies and procedures. The first report is due November 1, 2011.

This report addresses enhancing the website to include fiscal information from governmental entities. Section 215.985(2)(a), F.S., defines governmental entities as any state, regional, county, municipality, special district, or other political subdivision whether executive, judicial, or legislative, including, but not limited to, any department, division, bureau, commission, authority, district, or agency thereof, or any public school district, community college, state university, or associated board. Section 215.985(11), F.S., provides an exemption for municipalities and special districts having a population of 10,000 or fewer. Population determinations must be based on the most recent population estimates prepared pursuant to s. 186.901, F.S.

Financial Transparency

Across the country there is a recent trend to provide more information to the public about how governmental entities spend taxpayer dollars. In Florida, the website required by the Act¹ is now available to the public. Fiscal information from all branches of state government and all state agencies is included. Users can view detailed expenditures, appropriations, the status of spending authority, and position and rate information. The Chief Financial Officer maintains "Florida's Checkbook," a website which also provides financial transparency information for state agencies. Access to vendor payments, fund balances, local government revenues and expenditures totals, contract amounts for the Department of Financial Services, and other financial-related information is provided on that website. Some state agencies also provide online access to limited financial information, such as contract documents, or summary information for entities they oversee. For example, the Department of Education (DOE) maintains numerous summary reports for the state's school districts.

¹ www.transparencyflorida.gov.

DRAFT RECOMMENDATIONS FOR TRANSPARENCY FLORIDA

The amount of financial transparency currently provided online by local governments, universities, colleges, school districts, and other governmental entities in the state varies greatly. Some smaller local governments do not have a website. Entities that provide online access to financial information generally include access to documents that are prepared during the course of doing business. This may include budget documents, the Comprehensive Annual Financial Report (CAFR), and other items included in meeting packets for board, council, or commission meetings. The exception is the City of Palm Bay, located in Brevard County. City management dedicated funding and manpower to provide detailed financial information. Updated quarterly, users have access to transaction-level information for expenditures and revenues and annual salary amounts for employees. The City of Palm Bay designed this system in response to a previously unsuccessful attempt by the Florida Legislature to require certain municipalities to provide transparency for financial information.

Other States

Over half of the states have created and made available to the public, free online databases that are comprehensive and searchable, which allow users to explore certain state financial information. Using these online databases, the public is able to access from a single interface information such as state revenues and expenditures, salaries of state employees, vendor information, contract contents, audit reports, monthly accounting reports, and state leases. The comprehensiveness and amount of detail provided varies greatly by state.

Only a limited number of states that provide a comprehensive spending transparency website include access to financial information for local governmental entities and school districts. When available, this information is typically provided in summary or aggregate form. The following states include local governments and school districts on their main transparency websites:

- Georgia: provides annual salary and travel reimbursement information for all school district employees.
- Nebraska: provides breakdowns of property taxes and state aid received by each county within the state and also provides aggregate budget, revenue, and expenditure data for a single school district within the state.
- New York: provides aggregate revenue and expenditure data for all cities, counties, fire districts, school districts, towns, and villages, with the option to compare data within a unit of local government.
- Texas: provides easy access to the budgets, financial reports, and check registers for certain school districts and local government entities across the state.
- Wyoming: provides annual aggregate revenue and expenditure data for all individual school districts.

Many states that do not offer a comprehensive transparency website offer alternative single online outlets to provide the public with financial transparency. The states of Alaska, Delaware, Iowa, and Indiana, among others, employ such online outlets. Similar to "Florida's Checkbook," Alaska and Delaware offer online checkbooks where users can view payment information by state agency, expenditure category, and vendor. The Iowa Legislative Services Agency provides the "Salary Book" that allows users to view

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salary and travel information for individuals employed in an Iowa state agency or institute of higher education. Indiana's Department of Administration maintains the "State of Indiana Active Contract Search" where the public can obtain commodity and vendor information for all active state contracts.

While not all states currently offer easily accessible online financial information, the initiative to provide such financial transparency can be observed across the country. For example, Arizona and North Dakota will soon require a transparency website due to recently passed legislation, while Idaho recently experienced an unsuccessful legislative effort to require such a website.

Three key lessons have been learned from other states that have established a government transparency website.² First, a comprehensive strategy should guide the implementation of major components in separate phases rather than implementing all components at once. Second, with the help of media coverage, website use is highest during the initial release of the website and when new components are available. Third, although expenditures required to create transparency websites vary, states report that once their systems became operational, the resources required to maintain the site are relatively low.

Committee Action

The Chairman appointed a working group, consisting of four members of the committee, to handle the details of the committee's responsibilities under the Act. The Senate members are Senator Wise, serving as chairman, and Senator Ring. The House members initially were Representatives Coley and Schultz. They were replaced by Representatives Taylor and Tobia in September 2009.

During this project, the working group and/or committee staff have worked with other legislative staff, including the Auditor General's Office and the Office of Program Policy and Government Accountability, representatives from the Governor's Office, the Department of Financial Services, the Department of Education, the Florida Association of Counties, the Florida League of Cities, the Florida Association of Special Districts, the Florida Government Finance Officers Association, the Board of Governors, the Florida College System, and individuals in financial and information technology (IT) related positions at some of the entities. As a result of information gathered during meetings with these stakeholders, school districts appeared to be the best choice to select as the next entity to add to *Transparency Florida*.³ The bill's sponsors, Senator Alexander and Representative Hukill, agreed with the recommendation to proceed with a plan to implement school district transparency. With the exception of summary recommendations for other governmental entities and state agencies, the remainder of this report focuses on school districts.

Committee staff also worked closely with an advisory group consisting of members of the Florida School Finance Council, staff of the Florida Association of District School Superintendents, and other representatives for the school districts. With the assistance of the Legislative Committee on Intergovernmental Relations, the committee distributed a survey to all school districts. Survey questions related to the accounting systems used by the school districts, the financial information collected by those systems, information currently on the school districts' websites, and anticipated problems and costs of either adding specified information to the websites or submitting specified information to the state. With assistance from the advisory group, 100 percent of the school districts responded to the survey.

² Source: Office of Program Policy Analysis and Government Accountability. (2009). *Government Transparency Websites in Other States*.

³ For the purpose of this report, *Transparency Florida* refers to www.transparencyflorida.gov, the website created pursuant to the Transparency Florida Act.

DRAFT RECOMMENDATIONS FOR TRANSPARENCY FLORIDA

PRESENT SITUATION

Public School Law

Pursuant to Article IX, Section 4, of The Florida Constitution, each county constitutes a school district; therefore, there are 67 school districts in Florida. School districts are operated, controlled, and supervised by an elected school board, composed of five or more members. Each school district has a superintendent of schools who is either elected for a four-year term⁴ or appointed when a resolution has been approved by vote of the electors in a county.⁵ The superintendent is the secretary and executive officer of the district school board and has the responsibility for the administration and management of the schools and for the supervision of instruction in the school district.⁶

Chapters 1000-1013, F.S., comprise the "Florida K-20 Education Code." The purpose of the code is "to provide by law for a state system of schools, courses, classes, and educational institutions and services adequate to allow, for all Florida's students, the opportunity to obtain a high quality of education."⁷

Financial Reporting

All school districts are required to use a uniform chart of accounts for budgeting and financial reporting, the *Financial and Program Cost Accounting and Reporting for Florida Schools* (known as the Red Book).⁸ The Red Book is adapted from national reporting standards for education fiscal data established to ensure compatibility in national statistical reports.⁹ Generally accepted governmental accounting principles, established by the Governmental Accounting Standards Board, are the foundation for financial accounting and reporting for school districts.

In addition, each school district is required to prepare and adopt a tentative budget and then transmit the adopted budget to DOE for approval.¹⁰ While school districts use the same types of data management systems to capture their financial transactions, a majority of the school districts have customized these systems for their specific purposes. As a result, there are essentially 67 different accounting systems currently in use.

While the financial transactions of all individual public schools operating within the boundaries of a school district are accounted for by that school district, the financial transactions of the following entities are not included: (1) charter schools created pursuant to s. 1002.33, F.S.; (2) charter technical career centers created pursuant to s. 1002.34, F.S.; and (3) the various direct support organizations, foundations, and other organizations associated with the school districts. Annual audits are required for all charter schools and charter technical career centers pursuant to ss. 218.39(e-f), F.S., and certain direct support organizations pursuant to s. 1001.453(4), F.S.

Three educational consortiums provide various services for 32 small school districts. The Panhandle Area Educational Consortium (PAEC), the North East Florida Educational Consortium (NEFEC), and the

⁴ Section 1001.46, F.S.

⁵ Section 1001.461, F.S.

⁶ Section 1001.32(3), F.S.

⁷ Section 1000.01(3), F.S.

⁸ Sections 1010.01 and 1010.20, F.S., and Rule 6A-1.001, F.A.C.

⁹ Established by the National Center for Educational Statistics.

¹⁰ Sections 1011.02 and 1011.03, F.S.

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Heartland Educational Consortium (HEC) provide services and resources in areas such as school improvement, staff development, training activities, grant writing, and printing. PAEC and NEFEC also provide IT services for their member school districts. See Appendix A for consortium member school districts.

Financial Data and Reports Currently Available

School districts currently collect and maintain a myriad of financial and student data in their various computer systems. This data includes confidential information relating to both employees and students, such as social security numbers, payroll deduction records, health-related information, special student program placement or qualification, and test scores. It is essential that such information is protected and remains so as the transparency requirements are developed and implemented.

School districts receive revenue from various sources. The main sources are as follows:

- Florida Education Finance Program (FEFP) funds - administered by DOE under the provisions of s. 1011.62, F.S., and the foundation for financing K-12 education in the state;
- State categorical educational program funds - administered by DOE;
- Gross receipts taxes, generally known as Public Education Capital Outlay funds - administered by DOE;
- Local property taxes levied for district school operations, capital improvements, and debt service; and
- Federal funds received either directly from the Federal government, distributed through the state, or distributed through local entities.

Various financial data and reports are currently available either on state websites (i.e., DOE and Auditor General) or at DOE but not posted on the website. Such financial data and reports include the following:

- Adopted Budget, including millage resolutions
- Return on Investment (ROI) / School Efficiency Measures
- Financial Profiles of School Districts
- Florida School Indicators Report (FSIR)
- FEFP Calculations
- Five-Year Facilities Work Plan
- Annual Financial Audit Report or Comprehensive Annual Financial Report (CAFR), which includes bond indebtedness information
- Annual Financial Report (AFR)
- Program Cost Analysis Report Series, including school-level financial information
- Employee salaries and benefits information
- Education Funding and Accountability Act Reports
- Analysis of School District Expenditures and Program Cost Factors
- National Public Education Finance Survey
- Equity in School-Level Funding Reports
- Class Size Reduction Survey

Descriptions of the above-noted financial data and reports are included in the Recommendations section of this report (descriptions begin on pages 11).

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Survey Results

Although, as previously mentioned, all school districts responded to the survey, some school districts did not provide complete answers to all questions. Results of the survey indicated the following:

- Accounting systems used are either mainframe (IBM - VSAM, DS2, TERMS) or server-based (Oracle, SAP, SQL). While school districts may use the same type of accounting systems, these systems have, in most cases, been customized for the specific school district's needs.
- As previously mentioned, 26 of the small school districts obtain IT services from two consortiums. Once the consortiums work through the implementation of the Transparency Florida requirements for one member school district, implementation for the remaining member school districts should proceed fairly smoothly.
- Problems expected if school districts are required to transmit financial data to the state include:
 - Most school districts expect time constraints and personnel costs for the initial programming required to collect specified data in a format necessary for transmission.
 - Smaller school districts may not have the technical expertise in-house and will probably have to use consultants or other vendors in order to meet the requirements.
 - Specific costs will depend on what data will be required.
- Problems expected if school districts are required to post financial data on their respective websites include:
 - Most school districts expect time constraints and personnel costs for the posting and maintenance of required data.
 - While each school district has a website, the websites of some smaller school districts contain only basic information, such as superintendent and board member names and contact information. A requirement to add specific financial data would require expansion of the websites. More memory/capacity as well as personnel time would be needed.
 - Specific costs will depend on what data will be required.

School District Websites

Committee staff conducted a review of school district websites to determine the accessibility of online financial data. The review concluded that financial data, when available, is generally placed within school board meeting documents, school district finance department websites, and school district home pages. Due to the variety of possible locations and inadequate search options, school district financial data is often not easily accessible. The review also encompassed the extent to which the following documents are available on the school district websites: original and final budgets; budget amendments; audit reports; monthly financial statements; Comprehensive Annual Financial Reports; and annual financial reports. See Appendix B for more information on the review of the school district websites.

Additionally, committee staff analyzed the survey results to determine the amount of financial information currently posted to each school district's website. School districts were asked in the survey whether or not specified types of financial information are available in hard copy format, electronic format, and on the school district's website, such as budget documents, list of grants received, and revenue and expenditure transaction detail. Most school districts indicated that they have the financial information available in hard or electronic formats; however, only a limited number of school districts reported that certain financial information is also available on the school district's website.

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Current Issues

School districts currently face various challenges in completing their mission of providing free public education to the children residing in Florida, including declining economic conditions and the implementation of the class size reduction constitutional amendment.

Florida's real estate market has been in a state of deterioration over the past few years. Large declines in property values have posed problems for school districts. Local property taxes are a major source of revenue, and the FEFP school funding formula is based, in part, on the varying local property tax bases.¹¹ State economists expect the taxable property value for schools statewide to fall 9.5 percent in 2010.¹² Other factors affecting school districts due to the worsening economy include staff lay-offs or furloughs as a result of the declines in funding and increases in unemployment insurance costs as the unemployment rate rises.

Also, compliance with the class size reduction requirements have been measured at the school level since the 2006-2007 school year and many school districts have experienced difficulties with compliance. Beginning in the 2010-2011 school year, compliance will be measured at the classroom level.¹³ Some school districts will need to increase instructional staff in order to comply.

RECOMMENDATIONS FOR IMPLEMENTATION OF SCHOOL DISTRICT FINANCIAL TRANSPARENCY

We recommend the use of a blended approach as school district financial information is added to *Transparency Florida*. Information that is readily available, with minimal effort and cost to provide to the public, should be included for all school districts during the first phase of implementation. Information that requires the state to build a system, DOE or school districts to transmit financial data to the state, school districts to enhance their websites, or other more involved effort should be phased-in over time. The data and reports posted to websites should initially be for the most recently completed school year and any data included on a state-developed system should initially be for the current school year at the time of implementation. The number of years' data and reports to be posted and maintained on the websites should be determined as the phases are implemented. Such determinations should depend on various factors, such as storage capacity and related costs, and should be made by the established governance board (as discussed on page 19).

Access to all required information should be provided on *Transparency Florida*; however, the information should be stored on a combination of the state's, DOE's, and individual school districts' websites. In general, the state should be responsible for transactional-type data, DOE should be responsible for the statewide reports it currently receives and compiles, and school districts should be responsible for selected school district generated reports. *Transparency Florida* should include a brief description of each report available.

A standardized format should be required for presentation on each school district's website and include the use of the Transparency Florida logo that appears on *Transparency Florida*. Citizens who visit either

¹¹ 2009-10 Funding For Florida School Districts, page 1.

¹² Miami Herald newspaper article dated December 3, 2009, entitled *Plunging property values will cause school funding shortfall*.

¹³ Source: <http://www.fldoe.org/classsize/>.

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the home page of a school district's website or *Transparency Florida* should be able to easily access the school district's financial information that is located on the school district's website, DOE's website, and *Transparency Florida*.

We also recommend that "Frequently Asked Questions" (FAQs) be developed relating to the school district information and added to *Transparency Florida*. Each question should include a reference or link to a specific report, when available, that would provide the best answer. If comparisons of expenditures or other data between school districts or schools are anticipated, consideration should be given to adding explanations of why costs may vary and are dependent on certain factors. For example, "instructional salary costs between schools will vary due to the number of years the teachers at each location have been teaching and/or employed by the school district." The questions should be developed by, or with the assistance of, DOE and the advisory group referred to earlier. A glossary should also be included on *Transparency Florida* in order to aid users who are not familiar with the terminology used by the state and school districts when describing education-related information.

A disclaimer should be included on both the section of *Transparency Florida* that displays school district information and on each school district's website which states: "This information is intended for informational purposes only. While every effort is made to maintain accurate information, the data are unaudited. A user of the information on this website relies upon such data at his or her own risk. Neither the state, any state agency, nor the district school board warrants the accuracy of any data contained herein and cannot be held liable for any actions taken based on the information contained on this website. For audited figures, please contact the appropriate school district representative."

As previously mentioned, each school district handles a large amount of confidential information during the course of a school year. This includes, but is not limited to, student data, employee payroll data, and proprietary information that may be included in certain contracts and agreements. Each school district should be required to redact any confidential information included in its financial records prior to submission of any financial data to the state.

Some school districts may have difficulties meeting the requirements of this Act using existing resources. Especially at risk are school districts that are in a state of financial emergency and those that meet either a financial emergency condition¹⁴ or are experiencing deteriorating financial conditions. Other school districts may struggle due to lack of staff with the expertise required, such as in the area of IT. Consideration should be given to providing financial or other assistance to these school districts to enable them to meet the reporting requirements.

RECOMMENDATIONS FOR REQUIRED FINANCIAL INFORMATION

PHASE 1

During this phase, hyperlinks should be added to *Transparency Florida*. This will allow easy access to school district financial information that is currently available online. DOE's website includes a substantial amount of useful financial information for each school district. This information is, however, difficult to find on the website. In addition, each school district has its own website. While some school district websites provide only general information, others provide varying types and amounts of financial

¹⁴ As specified in s. 218.503, F.S.

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information. Finally, the annual audit reports for each school district are posted on the Auditor General's website. A central access point for all of this information would be a valuable tool for anyone with an interest in school district financial information. We recommend that *Transparency Florida* incorporate hyperlinks to the websites and reports described below. In order to provide easy access to DOE and Auditor General information for users of the school district websites, we also recommend that each school district be required to provide a hyperlink to *Transparency Florida*, using the Transparency Florida logo, on its website's home page.

Although the law contemplates a single website for financial transparency, as information for school districts is provided, technically a new website would be required. Access to this information would, however, be provided seamlessly from *Transparency Florida*. We envision a new hyperlink on *Transparency Florida's* home page labeled "School Districts." Two websites will be required since the development entity¹⁵ for the school district data will be different from the organization responsible for state agency data.¹⁶ The addition of school district data will require a new application as more than one organizational entity does not typically share a single application. A new application would require a new website. We refer singularly to *Transparency Florida*¹⁷ as including the existing website with state agency information and the recommended new website with school district information.

Effort Required: Minimal effort to implement this phase is anticipated. The development entity would need to create a new website for school district information and provide hyperlinks to the various websites and reports. A hyperlink on *Transparency Florida* would need to be created which would provide access to this new website, and school districts would need to add a hyperlink to the home pages of their websites. This phase should be able to be accomplished with minimal additional assistance of school district staff.

School Districts Included: All

Anticipated Completion: August 1, 2010

¹⁵ The development entity is the organization responsible for designing, building, and hosting the data for the state.

¹⁶ Systems Design and Development (SDD), administratively housed in the Governor's Office of Policy and Budget, is responsible for the state agency data. IBM entered into a contract to provide technical assistance for the project. SDD's responsibilities are limited to state-level data.

¹⁷ Also referred to as "State website."

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FINANCIAL INFORMATION CURRENTLY POSTED ON DOE'S WEBSITE

REPORT TITLE	SUMMARY
<p>Return on Investment (ROI)/School Efficiency Measures</p>	<p>Two major categories of information are provided at the state and school district level. Much of the information is also provided on an individual school level. Student/Staff Indicators include: School and District Demographics, School and District Staff, School and District Student Performance, School Students in Special Programs/School Discipline, School and District Graduation Follow-up, District School Readiness, and District Community Information. Financial Indicators include: School Return on Investment Index, School Total Costs Per Students, District Revenues, District Expenditures, District Financial Margins and Reserves, District Taxes, and District Debt.</p> <p>The ROI website allows users to evaluate measures of performance in light of the resources allocated to the individual schools and school districts.¹⁸</p> <p>Currently, information for the 2001-2002 through 2007-2008 school years is included on DOE's website. Each school year is separately reported. The 2008-2009 ROI information is anticipated to be available before school grades are released in June 2010.</p>
<p>Financial Profiles of School Districts</p>	<p>This report provides detailed summary information about revenues and expenditures of the school districts - revenues by source and expenditures by function and object.¹⁹ Information includes the Federal, State, Local, and Total Revenue received per unweighted full-time equivalent (FTE) student; Total Expenditures per unweighted FTE (excluding Capital Outlay and Debt Service); Florida Education Finance Program (FEFP) funding by category; School District Millage Rates; Operating Tax Millage and Property Values; and Expenditures by Program Area.</p> <p>Profiles for the 1997-1998 through 2007-2008 school years are currently available on DOE's website. The 2008-2009 Financial Profiles are anticipated to be available by March 2010.</p>
<p>Florida School Indicators Report (FSIR)</p>	<p>This report provides various indicators of school status and performance of public elementary, middle, and high schools for each school district.²⁰ "Per Pupil Expenditures" is the only school indicator included in this report that relates to financial information. Some of the other school indicators reported are Graduation Rates, Dropout Rates, and Classes Taught by Out-of-Field Teachers.</p> <p>Reports for the 1997-1998 through 2007-2008 school years are currently available on DOE's website. The 2008-2009 FSIR is anticipated to be available in February 2010. Generally, this report is released during the fall following the end of the fiscal year.</p>

¹⁸ Source: DOE website.

¹⁹ Function refers to the objective or purpose of an expenditure, such as Instruction or Instructional Support Services. Object means the goods purchased or the service obtained; examples include Salaries, Employee Benefits, and Material and Supplies. See the Red Book for further information.

²⁰ Source: DOE website.

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REPORT TITLE	SUMMARY
<p>Florida Education Finance Program (FEFP) Calculations</p>	<p>The FEFP is the primary mechanism for funding the operating costs of the school districts, and calculations are made five times throughout each school year to arrive at each year’s final appropriation.²¹ The amount allocated to each of the components of the FEFP funding formula is shown for each school district.</p> <p>Calculations are posted on DOE’s website for the 1997-1998 through 2009-2010 school years. The five annual calculations are available for recent years, while only the final calculations are available for earlier years.</p>
<p>Five-Year Facilities Work Plan</p>	<p>Each school district must annually prepare a Five-Year Facilities Work Plan that includes long-range planning for its facilities needs over 5-, 10-, and 20-year periods.</p> <p>Plans for the 1999-2000 through 2009-2010 school years are available on DOE’s website. Required by s. 1013.35(2), F.S.</p>

FINANCIAL AND OTHER INFORMATION READILY AVAILABLE

WEBSITE OR REPORT	DATA SOURCE	FREQUENCY OF REPORTING	LOCATION
<p>School districts’ website</p>	<p>DOE/Survey results</p>	<p>N/A</p>	<p>State website</p>
<p>Audit Report²² or Comprehensive Annual Financial Report (CAFR)²³</p>	<p>Auditor General</p>	<p>Annually²⁴</p>	<p>State website</p>
<p>Bond Indebtedness Information: Provide hyperlink to the Long-Term Debt Note(s)²⁵ in each school district’s annual financial audit report.</p>	<p>Auditor General</p>	<p>Annually (same as above)</p>	<p>State website</p>

²¹ Source: 2009-2010 Funding for Florida School Districts Statistical Report (pp. 1, 21).

²² Also, provide hyperlinks to audit reports of school district foundations and other direct support organizations. These audit reports may need to be obtained from school districts.

²³ A CAFR provides a detailed presentation of a governmental entity’s overall financial position and operations for the year. It has three major sections: introductory, financial, and statistical. The financial section includes the independent auditor’s report. A little more than one-third of the school districts issue a CAFR. School districts in counties with a population of 150,000 or more (currently 24 counties) are audited by the Auditor General once every three years and by CPA firms during the two years in between. These audits are referred to as rotational audits. During the year when the Auditor General performs a rotational audit, a school district may have both an audit report and a CAFR.

²⁴ School district financial audits performed by the Auditor General are required, when practicable, to be issued within nine months after fiscal year-end (FYE), pursuant to s. 11.45(4)(a), F.S. The Federal Single Audit Act also requires audits of governmental entities expending Federal awards to be completed within nine months after FYE. In addition, school district financial audits performed by CPA firms are required to be submitted to the Auditor General within 45 days after the audit report is delivered to the school board, but no later than 12 months after FYE, pursuant to s. 218.39(8), F.S. Audit reports are immediately posted on the Auditor General’s website upon completion or receipt.

²⁵ The long-term debt notes are required to be included in the Notes to the Financial Statements and contain the elements required by s. 215.985(6)(c), F.S. – total principal and interest; itemization of each obligation, including term, statutory authority, source of funding, and balance remaining; and any refinancing. Since the information in

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PHASE 2

Florida's school districts are required to provide DOE with volumes of information related to their expenditures, revenues, and other financial information. While DOE uses some of this information to prepare summary reports addressed during Phase 1, much of the detailed information provided is not currently available online. Each of the reports and information described below is readily available on an annual or more frequent basis. We recommend that DOE be required to post these reports on its website, and *Transparency Florida* should continue to be expanded to incorporate hyperlinks to these reports. Since limited financial information is available on a school-level basis, it is important to note that included in this phase is a series of reports that provide the costs incurred by individual schools. Some of the reports listed below will require user knowledge of DOE's chart of accounts, the Red Book, discussed earlier. *Transparency Florida* should also include easily accessible hyperlink(s) to the Red Book, along with an explanation that it is the chart of accounts for the school districts and should be used as a reference for any questions relating to what data is included in the various codes.

Effort Required: Overall, this phase should require minimal to moderate effort to implement. DOE would need to add existing reports that it currently receives to its website, and the development entity would continue enhancing *Transparency Florida* to include hyperlinks to these reports. This phase should be able to be accomplished without additional assistance of school district staff. Due to the large number of individual schools in the state, DOE will require considerable staff effort and additional IT storage capacity, especially if the program cost report is posted for each individual school. The website location of these reports may need to be revisited during this phase of implementation. An alternative would be to place the school reports on *Transparency Florida* and/or school district websites.²⁶

School Districts Included: All

Anticipated Completion: December 31, 2010

the long-term debt notes is current as of the end of the fiscal year audited, it would only be updated once a year. However, since the auditors are required to disclose in the notes to the financial statements any material subsequent events that occur after FYE but prior to the issuance of the audit report, any bonds issued during this time period would generally be disclosed. Therefore, the bonded indebtedness information would be current through the date the audit report is issued.

²⁶ Representatives of school districts have indicated that school districts would also need additional resources if they are asked to post these school-level reports on their website.

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FINANCIAL INFORMATION CURRENTLY PROVIDED BY SCHOOL DISTRICTS TO DOE, BUT NOT POSTED ONLINE

REPORT OR INFORMATION	DATA SOURCE	FREQUENCY OF REPORTING	LOCATION
<p>Annual Financial Report (AFR)</p> <p>The purpose of the AFR is to report the financial position and the operations of the district school system for the year. The report includes the statement of revenues, expenditures and changes in fund balances, or equity, for various funds; schedule of long-term liabilities; state categorical programs spending; and, analysis of specific sub-object expenditures for each school district. DOE also calculates the statewide cumulative totals for each of these statements. Required by Rule 6A-1.0071(2), F.A.C.</p>	DOE	Annually	DOE website (hyperlink on state website)
<p>Program Cost Analysis Report Series</p> <p>This series of eight reports prepared by each school district provides district and school level cost information.²⁷ Selected costs as percentages of revenues and program costs expressed as percentages of total program costs are shown for general and special revenue funds. Additional reports provide program costs for weighted and unweighted FTE and FEFP adjusted revenues. DOE also calculates state summary totals for each of these reports. Required by s. 1010.20, F.S.</p>	DOE	Annually	DOE website (hyperlink on state website)
<p>Employee Salaries/Benefits/Supplements/Bonuses Data</p> <p>Reported by position title and shown within each school district.</p>	DOE	Biannually ²⁸	DOE website (hyperlink on state website)
<p>Adopted Budget, including millage resolutions</p> <p>Required by ss. 1011.02 and 1011.03, F.S.</p>	DOE	Annually	DOE website (hyperlink on state website)

²⁷ The Program Cost Analysis Series includes 24 reports for each school. There are approximately 2,500 schools in the state.

²⁸ Collected in October and February and could be posted by the following month.

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ADDITIONAL REPORTS PREPARED BY DOE, BUT NOT POSTED ONLINE

REPORT TITLE	SUMMARY
Educational Funding Accountability Act Report	This school district-level report shows the costs of instructional support, costs of administrative expenditures, administrative expenditures per unweighted FTE for the general fund and the special revenue funds, and the number of school district employees by classification. Required by s. 1010.215(6), F.S.
Analysis of School District Expenditures and Program Cost Factors	It includes a district-by-district report and analysis of program expenditures for the year and a summary of expenditures in each state-funded categorical program. The report also includes, on the basis of these expenditures, a computation of cost factors for programs funded within the (FEFP). ²⁹ Required by s. 1010.20(2)(c), F.S.
National Public Education Finance Survey (NPEFS)	<p>The NPEFS is an annual state-level survey of revenues and expenditures of schools and school districts required from all states by the Federal government. The primary purpose of the NPEFS is to make available to the public an annual state-level collection of revenues and expenditures for public education of grades pre-kindergarten through 12.³⁰</p> <p>The financial information provided in this report is the major factor in Title I program funding for the states.³¹</p>
School Financial Report	DOE does not currently receive funding allocations by school to complete the report. Once this information becomes available this report, which will provide revenues and operating costs on the state, district, and school level, should be posted on DOE's website. Required by s. 1010.215(5), F.S.
Equity in School-Level Funding Reports	This report shows each school district's compliance with the requirements of the Equity in School-Level Funding Act (s. 1011.69, F.S.).
Class Size Reduction³² Survey	Several surveys are conducted during the school year at each school district in order to determine the school district's progress in implementing the class size reduction requirements. ³³

PHASE 3

The information that has been recommended to this point has been largely summary information, updated on an annual basis, and available for all school districts. During this phase, we recommend that school districts be required to post selected documents (budget amendments, financial statements) on their websites. DOE receives each school district's adopted budget and annual revenue amounts. We are recommending more frequent reporting. These documents should be readily available in all school

²⁹ Source: 2007-2008 Analysis of District Expenditures and Program Cost Factors - FEFP (p. 1).

³⁰ Source: <http://nces.ed.gov/ccd/stfis.asp>.

³¹ Source: DOE website.

³² In November 2002, Florida voters approved a state constitutional amendment setting limits for the maximum allowable number of students in a class by the start of the 2010-2011 school year. In 2003, the Legislature enacted Senate Bill 30A, which implements the provisions of this constitutional amendment.

³³ Source: *Class Size Reduction in Florida's Public Schools – Questions and Answers* (DOE website – Class Size Reduction Amendment).

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districts. Some of the larger school districts already provide access to some of this information on their websites. Some small school districts will likely face challenges in implementing this phase.

We further recommend that all school districts be required to transmit expenditure data by FTP (File Transfer Protocol) to the state for disclosure on *Transparency Florida*. Although most school districts currently are required to periodically transmit data to the Auditor General, these new requirements are anticipated to have a significant impact on school district staff. The state would be responsible for designing and building the system to handle the data, determining the types of expenditure data that would be required to be transmitted by the school districts, and working with the school districts to arrange an efficient manner to transmit the data. The system should be designed with a search capability and include a "data updated as of [date]" statement.

One medium or large school district should be used as a pilot as this information is added. For the purpose of this project only, a school district is classified as small if it has 24,000 or less FTE.³⁴ Large school districts are those often referred to as the "Urban Seven." The remaining school districts are classified as medium. There are no statutory definitions for these classifications. See Appendix A for the breakdown of small, medium, and large school districts for this project.

Once the information from the pilot school district has been successfully added to *Transparency Florida*, then one school district representing each of the two other categories should be added before including the remaining 64 school districts. Only one new school district should be added at a time. The order in which the remaining 64 school districts will be added should be made based on factors set forth by the development entity, with the approval of the established governance board (as discussed on page 19). We also suggest small school districts should be granted additional time, if needed, before they are required to provide and/or post all of the required information.

To address numerous concerns raised by staff and representatives of DOE and school districts, we suggest that transactional expenditure data exclude employee salary data. Annual salary information is included as a recommendation during Phase 2. As salaries account for an estimated 80 percent of school district expenditures, the focus during this phase should be on the remaining expenditure transactions.

As the implementation of Phase 3 progresses, recommendations presented in this report may need to be readdressed. Flexibility is requested to do such, with the approval of the established governance board. See Appendix F for a sample display of Transparency Florida once all phases have been implemented as recommended in this report.

Effort Required:

By school districts: Providing the financial information described below will likely require moderate to substantial effort by the school districts, depending, in part, on the size of the school district and the IT staff availability and expertise. School districts would need to prepare data to be sent via FTP to the state. Some school districts will need to convert data into Red Book codes prior to submission. Many, if not most, school districts would also need to expand the storage capacity of their websites. We understand additional resources will be required.

³⁴ Derived from s. 1011.62(7), F.S. This amount is the maximum FTE a school district may have to be considered for a sparsity supplement. A school district's classification as "small" should officially be made at the beginning of Phase 3 implementation.

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By the state: The development entity would be required to either design and build a system to handle the financial data to be sent to the state or procure such services. A project manager will need to be hired in the near future in order to understand the goals and needs of the system and provide direction in the design and build-out of the system. The project manager will also need to be intricately involved in the determination of the equipment infrastructure requirements and the estimated costs of the system. In addition, there will be annual costs for the on-going care and maintenance of the system, including personnel costs. A major financial commitment is anticipated.

School Districts Included: All school districts should be required to comply with the requirements of this phase. We do not identify, by name, the order in which each school district should be brought online. However, as the order is established, a factor to be considered should be the difficulty each school district will have in complying with the requirements. School districts that will face the most challenges should be added later. Small school districts that determine compliance would cause them a hardship should be afforded the opportunity to request a deferral or waiver from reporting requirements. These school districts should, however, comply with the requirements they can reasonably meet and request a deferral or waiver for specific reporting requirements that would cause a hardship. Alternative approaches should be considered to assist them with compliance. The governance board should be responsible for determining whether a waiver or deferral should be granted.

Anticipated Completion: Due to the uncertainty about the timing of funding, procurement, and other factors, the schedule for this phase is based on the functionality of the state system to be developed. Within three months after the system on *Transparency Florida* is functional, the financial data of the pilot school district should be accessible. Within six months, the financial data of the school districts from the other two categories should be accessible. The financial data of the remaining 64 school districts should be accessible within 18 months from that point.

FINANCIAL INFORMATION CURRENTLY PREPARED BY SCHOOL DISTRICTS, BUT MOST IS NOT PROVIDED TO DOE

REPORT OR INFORMATION	DATA SOURCE	FREQUENCY OF REPORTING	LOCATION
Budget Documents: ³⁵ Budget Amendments Final Budget	District	Final Budget: Annually Budget Amendments: Periodically	District website (hyperlink on state website)
Monthly Financial Statements ³⁶	District	Monthly	District website (hyperlink on state website)

³⁵ As part of Phase 2, we recommend that DOE post each school district's adopted budget on its website. We encourage school districts that have a more user-friendly version to post their adopted budget on their website during Phase 3. This is, however, optional.

³⁶ Currently, no standard format is required on a statewide basis for presentation of the monthly financial statements. To assist those with an interest in comparing this information between school districts, we anticipate a future discussion of a minimum standardized format to be used when providing this information for the Act.

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REPORT OR INFORMATION	DATA SOURCE	FREQUENCY OF REPORTING	LOCATION
Revenue (may be included in monthly financial statements) See Appendix C for sample format.	District	Quarterly	District website (hyperlink on state website)

DETAILED FINANCIAL INFORMATION TO BE OBTAINED FROM THE SCHOOL DISTRICTS

CATEGORY OF TRANSACTION	DATA SOURCE	FREQUENCY OF REPORTING	LOCATION
Expenditure Summary Totals by Sub-Function, Sub-Object ³⁷ See Appendix D for sample format.	District	Monthly	State website
List of All Vendors/ Total Paid to Each Vendor Vendor name, Total dollar amount for quarter and year-to-date, Description of type of goods or services. See Appendix E for sample format. (Possible hyperlink to expenditure detail by vendor.) Note: Vendor list will include salaried staff receiving reimbursements.	District	Quarterly	State website

Additional summary information for each school district should be considered once this phase is reached. Examples include the value of stolen and lost textbooks each year and the amount spent on specific items (i.e., cell phones, computers, and other technology devices). Some revisions may need to be made to initial coding in the accounting system in order to capture information for specific purchases. For example, currently school districts can report the amount spent on instructional supplies; however, they do not have the detail to report the amount spent on specific items, such as paper and pencils. Committee staff will work with the advisory group and the governance board should more detailed information be considered.

In addition, we recommend the addition of an FEFP calculator during Phase 3 to be developed with the assistance of DOE. Users would have the ability to see the impact various changes would have to the school district's FEFP funding.

³⁷ Examples of a sub-function include Basic (FEFP) K-12, Exceptional Education, Food Services, and Pupil Transportation Services. Examples of a sub-object include Salaries for Classroom Teachers, Travel, and Textbooks.

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ADDITIONAL INFORMATION

Development Entity

The Office of Legislative Information Technology Services (OLITS) should be responsible for designing, building, and hosting the system to display school district information on *Transparency Florida* or for procuring such services.

Governance Board

Under current law, the committee is responsible for oversight and management of *Transparency Florida*. To handle the day-to-day decisions that will be required as school district information is planned and added to the website, a steering committee of senior staff members should be established to work with the development entity and/or contract provider and committee staff.

Rulemaking/Guidelines

Department of Education: The department should be granted rule-making authority to implement the requirements of this Act if they will be required to collect different or additional information than what they currently collect.

Joint Legislative Auditing Committee: The committee should be authorized to adopt guidelines to implement the requirements of this Act.

Contact Information

TYPE OF CONTACT	SUMMARY
School District Information	<i>Transparency Florida</i> should include the name and contact information for one staff member in each school district. These individuals would be responsible for assisting members of the public with questions concerning the school district's information posted online.
General Information	<i>Transparency Florida</i> should include a hyperlink to the development entity to address technical questions that arise regarding school district financial information. The website should also include a hyperlink to the committee to address general questions and comments related to the website.

Compliance/Enforcement

All school districts are subject to annual audit requirements (ss. 11.45, 218.39, and 1010.30, F.S.). Audits are conducted by the Auditor General and independent CPAs as specified in law and are required to be conducted in accordance with the *Rules of the Auditor General (Chapter 10.800 - Audits of District School Boards)*.

We recommend that the applicable Florida Statutes be amended to require certified public accountants (including the Auditor General) conducting audits of any entity subject to the Transparency Florida Act to report, as part of the audit, whether or not the entity complied with the requirements of the Transparency

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Florida Act.³⁸ In addition, the Auditor General should amend the applicable *Rules of the Auditor General* to require the management letter to include a statement as to whether or not the entity complied with the requirements of the Act.

By July 15 of each year,³⁹ the Auditor General should be required to provide the committee with a list of all school districts that have failed to comply with the transparency requirements.

The committee currently has the authority, pursuant to s. 11.40(5), F.S., to take action against school districts and other governmental entities that fail to comply with the financial reporting requirements of ss. 218.32 and 218.39, F.S. We recommend this language be expanded to include an entity's failure to comply with the requirements of the Transparency Florida Act. Upon notification by the Auditor General of an entity's failure to comply with the Transparency requirements, the committee may schedule a hearing. If a hearing is scheduled, the committee shall determine if the entity should be subject to further state action. If further state action is warranted, the committee would have the authority to direct the appropriate state agencies to withhold specified funds until the entity complies with the law. For school districts, charter schools, and charter technical career centers, the committee may direct the Department of Education and the Department of Financial Services to withhold a specified amount or percentage of the state's portion of the Florida Education Finance Program funds.

RECOMMENDATIONS FOR IMPLEMENTATION OF OTHER ENTITIES FINANCIAL TRANSPARENCY

Once all of the school districts have been phased-in, we suggest that the additional entities be added in the following order:

1. **Charter Schools and Charter Technical Career Centers:** There are currently 411 charter schools in operation. An additional 72⁴⁰ are approved to begin operations for the 2010-11 school year. Officially, there are three charter technical career centers; however, only two of them currently have students.
2. **Universities:** 11
3. **Colleges:** 28
4. **Water Management Districts:** 5⁴¹
5. **Counties:** While there are 67 counties within the state, there are many more independent reporting entities, since many of the constitutional officers⁴² operate their own financial management/accounting systems. The 38 counties that responded to a 2009 survey by the Florida

³⁸ Similar to requirements in s. 218.415(22), F.S.

³⁹ To clarify, this will occur during the year following the year under audit. For example, by July 15, 2011, the Auditor General would be required to report noncompliance reported in school district audits conducted for the 2009-10 fiscal year.

⁴⁰ Per DOE, as of January 14, 2010.

⁴¹ The five water management districts are included in the 1625 active special districts discussed in 7. below.

⁴² Clerk of the Circuit Court, Property Appraiser, Tax Collector, Supervisor of Elections, and Sheriff.

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Association of Counties reported 193 independent reporting entities. Fiscally constrained counties, as defined in s. 218.67(1), F.S., should be treated similarly to small school districts. If a fiscally constrained county determines that compliance would cause them a hardship, they should be afforded the opportunity to request a deferral or waiver from reporting requirements.

6. **Municipalities:** There are 410 active municipalities. Under current law, using a population threshold of over 10,000, 163⁴³ municipalities would be required to comply with reporting requirements. We propose a revision to the language in the next section to revise the reporting threshold to consider a financial threshold in lieu of, or in addition to, the population threshold. There is not necessarily a correlation between the population of a municipality and the amount of financial activity. For example, the City of Palm Beach has a population under 10,000; however, it reported total revenues of \$71,350,471 and total expenditures/expenses of \$95,217,924 for FY 2007-2008. The city would be exempt from the transparency requirements as the law is currently written.
7. **Special Districts** (excluding Water Management Districts): Although there are 1625⁴⁴ active special districts, the Act provides an exemption for special districts that do not receive state appropriations. In addition, an exemption for special districts with a population of 10,000 or less is provided. Neither of these exemption thresholds can be easily determined. Although some special districts receive appropriations directly from the state, many of the funds are transferred through counties and municipalities. Also, special district boundaries do not, in most instances, match up with census tracts, which is the basis for determining the population of counties and municipalities.⁴⁵ We suggest an alternative for determining an exemption to the requirements of the Act. In the next section, we suggest all special districts that meet a minimum threshold should be required to comply with the requirements of the Act, regardless of whether they receive state appropriations. The assumption is that taxpayers are interested in a special district's use of taxpayer funds, but are not specifically concerned with whether the funds are from federal, state, or local sources. Also, the population threshold should be eliminated and a financial threshold used instead. As previously mentioned, there is not necessarily a correlation between an entity's population and financial activity. For example, Reedy Creek, a special district created for the purpose of establishing Walt Disney World, has a population of less than 100, yet reports revenues and expenditures of approximately \$270 million.
8. **Other Governmental Entities:** There are 26 Metropolitan Planning Organizations and 11 Regional Planning Councils.

Although the type and format of information recommended for each type of entity will vary, we suggest an approach similar to what has been recommended for school districts. The following guidelines should be used:

- Maximize the use of existing financial data that is user-friendly.
- Phase-in the type of information added, beginning with the easiest and least costly.

⁴³ Based on April 2009 population.

⁴⁴ As of January 21, 2010.

⁴⁵ There is also a technical glitch in the language. The Act requires population determinations to be made by the Legislature's Office of Economic and Demographic Research (EDR). Although EDR estimates the population of counties and municipalities each year, they do not estimate the population of special districts.

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- While the information should be accessible from *Transparency Florida*, require each entity to post selected information on their websites. Require standardization in the display and use of the Transparency Florida logo. Citizens should be able to easily find financial information on each entity's website.
- Begin with one pilot entity of a medium or large size. Once that entity has been successfully added, proceed with adding entities of the other two sizes, one at a time. All remaining entities should be added incrementally.
- For entity types that have a threshold for inclusion, such as municipalities and special districts as discussed on page 21, once an entity reaches the threshold, it should always be required to comply.
- Require each entity to be responsible for redacting confidential information.
- Include a glossary and FAQs.
- Include a disclaimer that the information is unaudited and is not to be used for financial decision-making.
- Require auditors to determine compliance with Transparency Florida reporting requirements during the annual audit.
- Provide the same options for penalties for noncompliance to the committee as under current law for noncompliance with financial reporting requirements.
- Consider financial or other assistance to assist selected entities facing difficulties in meeting the reporting requirements.

Statutory Changes Suggested For Other Entities

As previously discussed, governmental entities that do not receive state appropriations are exempt from the provisions of the Act. In addition, smaller municipalities and special districts are exempt if their populations are 10,000 or less. We recommend the following revisions related to these exemptions:

- Delete the requirement that only those governmental entities that receive state appropriations are required to comply with the Act. All governmental entities that receive taxpayer funds and meet the minimum threshold should be required to comply.
- Use a dollar threshold rather than a population threshold as the exemption criterion for smaller municipalities and special districts. We recommend an exemption for municipalities and special districts with total revenue of less than \$10 million. Once the municipalities and special districts that are required to comply with the Act have been phased-in, this threshold level should be reviewed and possibly reduced. As an alternative, the use of both a population and a dollar threshold could be considered for municipalities. For example, requiring municipalities with either a population over 10,000 or a total revenue of \$10 million or more to comply with the Act. This alternative is not recommended for the 1600+ special districts as their boundaries do not generally align with census tracts and determining their populations would be difficult.

RECOMMENDATIONS FOR ADDITIONAL STATE AGENCY INFORMATION

The Act requires the committee to propose providing additional state fiscal information on the website. However, the staff responsible for establishing the website are continuing to enhance the state agency fiscal information provided on the website. The committee recommends future information include the following:

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- The information specified in s. 215.985(4), F.S.; details of nonoperating budget authority, trust fund balance reports, fixed capital outlay, 10-year history of appropriations, links to audits and other expenditure-related reports, and links to program or activity descriptions.
- An opportunity for employees or citizens to anonymously report suggested cost-savings. As Transparency Florida provides citizens the opportunity to review expenditures of state agencies, the idea of offering a forum where potential cost-savings can be identified appears to go hand-in-hand with that objective. Ideally, cost-savings suggestions would be provided on the website, perhaps listed by agency, but viewable by all.⁴⁶

CONCLUSION

In summary, this report primarily provides recommendations for the implementation of school district financial transparency. A phased approach is suggested, beginning with the easier and least costly information to obtain. Committee staff has repeatedly been warned that projects, such as this, that try to do too much, too fast, often fail. By focusing on one phase or one school district at a time, hopefully, lessons can be learned in order to make improvements, as needed. The cooperation of many entities will be required in order to achieve success. Understanding that the scope of this project would require a major financial commitment by the state, the working group requested an estimate of the potential cost. This information is provided in Appendix G.

⁴⁶ One potential cost-savings suggestion is to create a website where state offices can provide a listing of supplies they no longer have use for and make them available, first to others in their agency and then to other state agencies. While agencies do offer surplus inventoried items to other agencies, there is no statewide opportunity for sharing of supplies. Surplus inventory could also be included in such a website to provide all offices within an agency knowledge of available items.

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APPENDICES

- APPENDIX A:** 3rd FEFP Calculation – Unweighted FTE (FY 2009-2010)
- APPENDIX B:** Transparency Information Available on Florida School District Websites
- APPENDIX C:** Example – Monthly Revenue Summary
- APPENDIX D:** Example – Monthly Expenditure Summary
- APPENDIX E:** Expenditure Detail – Vendor
- APPENDIX F:** Display of School District Information on Transparency Florida Website
- APPENDIX G:** Estimated Costs

APPENDIX A
3rd FEFP Calculation - Unweighted FTE (FY 2009-2010)

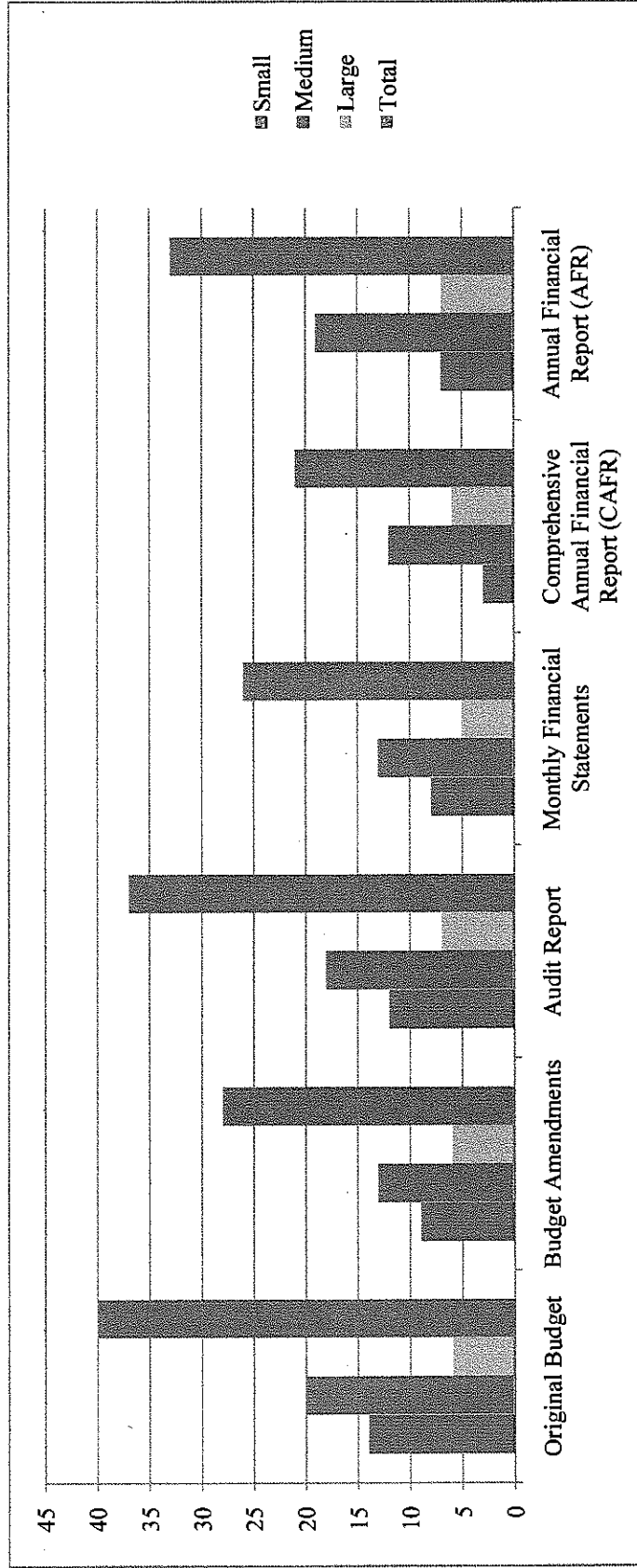
Large Districts	Unweighted FTE	Medium Districts	Unweighted FTE	Small Districts	Unweighted FTE
1 Miami-Dade	341,242.96	1 Polk	92,782.49	1 Hernando	22,756.81
2 Broward	254,549.35	2 Lee	79,295.65	2 Martin	17,568.68
3 Hillsborough	190,857.21	3 Brevard	71,358.42	3 Indian River	17,511.97
4 Palm Beach	171,747.16	4 Pasco	66,499.72	4 Charlotte	16,562.21
5 Orange	169,847.61	5 St. Lucie	64,102.40	5 Citrus	15,776.14
6 Duval	123,430.08	6 Volusia	61,986.55	6 Flagler (+)	13,066.11
7 Pinellas	103,859.84	7 Osceola	51,171.68	7 Highlands (^)	12,054.77
		8 Manatee	42,274.90	8 Nassau (+)	11,158.72
		9 Collier	42,090.42	9 Putnam (+)	11,059.62
		10 Marion	41,593.25	10 Columbia (+)	10,007.57
		11 St. Johns	41,260.47	11 Monroe	7,908.19
		12 Lake	40,450.01	12 Sumter	7,317.48
		13 Escambia	40,074.70	13 Jackson (*)	7,054.38
		14 Sarasota	38,004.81	14 Walton (*)	7,044.43
		15 Clay	35,901.48	15 Okeechobee (^)	6,889.76
		16 Leon	32,549.43	16 Hendry (^)	6,848.34
		17 Santa Rosa	29,638.85	17 Suwannee (+)	5,982.12
		18 Okaloosa	28,656.27	18 Gadsden (*)	5,882.73
		19 Alachua	27,109.53	19 Levy (+)	5,844.72
		20 Seminole	25,137.97	20 Wakulla (*)	5,185.41
		21 Bay	25,119.07	21 Hardee (^)	5,039.89
				22 DeSoto (^)	5,026.49
				23 Baker (+)	4,991.79
				24 Washington (*)	3,451.34
				25 Holmes (*)	3,287.46
				26 Bradford (+)	3,125.84
				27 Taylor (*)	2,874.26
				28 Madison (*)	2,705.14
				29 Gilchrist (+)	2,617.29
				30 Union (+)	2,221.72
				31 Calhoun (*)	2,161.97
				32 Dixie (+)	2,081.35
				33 Gulf (*)	1,976.36
				34 Hamilton (+)	1,716.85
				35 Liberty (*)	1,453.38
				36 Glades (^)	1,436.93
				37 Franklin (*)	1,219.41
				38 Jefferson (*)	1,162.43
				39 Lafayette (+)	1,128.59

Legend:

- *= members of Panhandle Area Educational Consortium (PAEC)
- + = members of North East Florida Educational Consortium (NEFEC)
- ^ = members of Heartland Educational Consortium

APPENDIX B
Transparency Information Available on Florida School District Websites
 (Information as of 1/29/10)

School District Size ¹	Original Budget ²	Budget Amendments	Audit Report ³	Monthly Financial Statements	Comprehensive Annual Financial Report (CAFR)	Annual Financial Report (AFR) ⁴
Small	14	9	12	8	3	7
Medium	20	13	18	13	12	19
Large	6	6	7	5	6	7
Total	40	28	37	26	21	33



¹ See Appendix A for the breakdown of small, medium, and large school districts for this project.

² Final budget information can be located in a school district audit report and CAFR.

³ This includes those school districts that post the CAFR to their website, in which the audit report is included in the CAFR.

⁴ This includes those school districts that post the CAFR to their website.

APPENDIX C
Example - Monthly Revenue Summary

Fund: _____					
Month/Year: _____					
		Original Budget	Amended Budget	Actual (for month)	Actual (Year-to-Date)
Revenue Account Codes:					
Federal Direct (3100)					
Federal Impact Funds	3120				
Workforce Investment Act	3170				
Community Action Program	3180				
Other Federal Direct	3190				
Total - Federal Direct					
Federal Through State (3200)					
Vocational Education Acts	3201				
Medicaid	3202				
Workforce Investment Act	3220				
Eisenhower Math and Science	3226				
Drug Free Schools	3227				
Individuals with Disabilities Education Act (IDEA)					
Elementary and Secondary Education Act, Title I	3240				
Adult General Education	3251				
Vocational Rehabilitation	3253				
National Forest Funds	3255				
National School Lunch Act	3260				
Elementary and Secondary Education Act (ESEA), Title VI	3270				
Other Federal Through State	3290				
Total - Federal Through State					
Revenue from State Sources (3300)					
Florida Education Finance Program	3310				
State Auto License, CO&DS	3320				
Categorical State Sources (3330)					
Florida Teacher's Lead Program	3334				
Diagnostic and Learning Resources Centers	3335				
Instructional Materials	3336				
School Breakfast Supplement	3337				
School Lunch Supplement	3338				
Other State Revenue	3340				
Other Categorical Sources (3350-3370)					
Transportation	3354				
School Recognition Funds	3361				
Teacher Recruitment and Retention	3362				
Excellent Teaching Program	3363				
Preschool Projects	3372				
Reading Programs	3373				
Public Schools Technology	3375				
Teacher Training	3376				
Full Service Schools	3378				
Miscellaneous State Revenue	3390				
Total - Revenue from State Sources					

APPENDIX C
Example - Monthly Revenue Summary

Fund: _____					
Month/Year: _____					
		Original Budget	Amended Budget	Actual (for month)	Actual (Year-to-Date)
Revenue Account Codes:					
Revenue from Local Sources (3400)					
Taxes (3410)					
District School Taxes	3411				
District I & S Taxes	3412				
District Local Capital Improvement Tax	3413				
Local Sales Tax	3418				
Tax Redemptions	3421				
Payment in Lieu of Taxes	3422				
Excess Fees	3423				
Tuition	3424				
Rent	3425				
Interest, Including Profit on Investment	3430				
Gifts, Grants, and Bequests	3440				
Food Service	3450				
Student Fees	3460				
Other Fees	3470				
Operating Revenues	3480				
Miscellaneous Local Sources	3490				
Total - Revenue from Local Sources					
Other Financing Sources					
Transfers (3600)					
From General Fund	3610				
From Debt Service Funds	3620				
From Capital Projects Funds	3630				
Fund Special Revenue Funds	3640				
Interfund	3650				
From Permanent Funds	3660				
From Internal Service Funds	3670				
From Trust Funds	3680				
From Enterprise Funds	3690				
Long-Term Debt Proceeds and Sales of Capital Assets	3700				
Loans	3720				
Sales of Capital Assets	3730				
Loss Recoveries	3740				
Proceeds from Certificates of Participation	3750				
Proceeds from Forward Supply Contract	3760				
Proceeds from Special Facilities Construction Advance	3770				
Gain on Disposition of Assets	3780				
Total - Other Financing Sources					
Total - All Revenue Account Codes					

APPENDIX D
Example - Monthly Expenditure Summary

Fund:	Monthly/Year:	Instruction										Instructional Support Services					General Support Services							
		Basic (FEPP K-12)	Exceptional	Vocational-Technical	Adult General	Other Instruction	Pupil Personnel Services	Instructional Media Services	Instructional Development Curriculum	Instructional Support Services	Administrative (Superintendent's Office)	Schools Administration (Office of the Principal)	Facilities Acquisition & Construction	Fiscal Services	Food Services	Central Transportation Services	Operation of Plant	Maintenance of Plant	Community Services	Debt Service	Transfers			
Object		5100	5200	5300	5400	5500	6100	6200	6300	6400	7100	7200	7300	7400	7500	7600	7700	7800	7900	8100	9100	9200	9700	
Capital Outlay (600)																								
Library Books	610																							
Audio-Visual Materials (Non-Consumable)	620																							
Buildings & Fixed Equipment	630																							
Furniture, Fixtures, & Equipment	640																							
Motor Vehicles	650																							
Land	660																							
Improvements Other than Buildings	670																							
Remodeling & Renovations	680																							
Computer Software	690																							
Total - Capital Outlay																								
Other Expenses (700)																								
Redemption of Principal	710																							
Interest	720																							
Other Fees	730																							
Judgment Settlements or Litigation Against School System	740																							
Other Personal Services	750																							
Payments to Refunded Bond	760																							
Escrow Agent	770																							
Claims Expense	780																							
Depreciation Expense	790																							
Miscellaneous Expense	790																							
Total - Other Expenses																								
Less on Disposition of Assets	810																							
Transfers (900)																								
Transfers to General Fund	910																							
Transfers to Debt Service Funds	920																							
Transfers to Capital Projects Funds	930																							
Transfers to Special Revenue Funds	940																							
Interfund Transfers	950																							
Transfers to Permanent Funds	960																							
Transfers to Internal Service Funds	970																							
Transfers to Trust Funds	980																							
Transfers to Enterprise Funds	990																							
Total - Transfers																								
Total - All Object Codes																								

APPENDIX E
Expenditure Summary - By Vendor

Fund: _____

Quarter/Year: _____

<u>Vendor Name</u>	<u>Total Dollar Amount for Quarter</u>	<u>Total Dollar Amount (Year-to-Date)</u>	<u>Brief Description of Goods/ Services Obtained or Provided</u>
--------------------	--	---	--

Notes / Issues:

1. Link "Vendor Name" to list showing expenditure detail for each vendor.
2. Multiple versions of vendor name, depending on who and from what document the vendor name was input (i.e., IBM vs. IBM Corp vs. IBM Corporation).

APPENDIX E
Expenditure Detail - Vendor

FUND: _____

QUARTER/YEAR: _____

<u>Vendor Name</u>	<u>Check Date</u>	<u>Check Number</u>	<u>Dollar Amount</u>	<u>Object Code</u>	<u>Object Code Description</u>
--------------------	-------------------	---------------------	----------------------	--------------------	--------------------------------

Notes / Issues:

1. Use sub-object level for better breakdown of financial data [i.e., "Professional & Technical Services" (310), "Insurance & Bond Premiums" (320), and "Travel" (330) vs. "Purchased Services" (300)].

APPENDIX F

Display of School District Information on Transparency Florida Website

Florida School Districts

Click on district to access district and school information.

- Alachua
- Baker
- Bay
- Bradford
- Brevard
- Broward
- Calhoun
- Charlotte
- Citrus
- Clay
- Collier
- Columbia
- Desoto
- Dixie
- Duval
- Escambia
- Flagler
- Franklin
- Gadsden
- Gilchrist
- Glades
- Gulf
- Hamilton
- Hardee
- Hendry
- Hernando
- Highlands
- Hillsborough
- Holmes
- Indian River
- Jackson
- Jefferson
- Lafayette
- Lake
- Lee
- Leon
- Levy
- Liberty
- Madison
- Manatee
- Marion
- Martin
- Miami-Dade
- Monroe
- Nassau
- Okaloosa
- Okeechobee
- Orange
- Osceola
- Palm Beach
- Pasco
- Pinellas
- Polk
- Putnam
- Santa Rosa
- Sarasota
- Seminole
- St. John's
- St. Lucie
- Sumter
- Suwannee
- Taylor
- Union
- Volusia
- Wakulla
- Walton
- Washington

Statewide Reports

Click on link to access report.
A description of each report will be provided.

- Analysis of District Expenditures and Program Cost Factors
- Annual Financial Report (AFR) (Statewide Totals)
- Class Size Reduction Survey
- Education Funding and Accountability Reports
- Financial Profiles of Florida School Districts
- Florida Education Finance Program (FEFP) Calculations
- Florida School Indicators (FSIR)
- National Public Education Finance Survey (NPEFS)
- Program Cost Analysis Series (Statewide Totals)
- Return on Investment (ROI)/School Efficiency Measures

- FAQs**
- Glossary**
- Red Book**
- Contact Information**

Access a list of FAQs. Users will be directed to the report(s) that can best answer each question.

Explanation of terms used by school districts.

Link to the Red Book and an explanation that it is the school district's chart of accounts.

Contact information for questions regarding the website or school district information.

APPENDIX F

Display of School District Information on Transparency Florida Website

Alachua County Schools Financial Information

District Reports and Information

- Analysis of School District Expenditures and Program Cost Factors*
- Annual Financial Report (AFR) (District Totals)
- Audit Report
- Bonded Indebtedness
- Budget, Adopted
- Budget, Amendments
- Budget, Final
- Class Size Reduction Survey
- District Website
- Education Funding and Accountability Act Reports*
- Employee Salaries
- Expenditure Summary
- Equity in School-Level Funding Reports
- Financial Profiles of School Districts*
- Financial Statements
- Five-Year Facilities Work Plan
- Florida Education Finance (FEFP) Calculations*
- Florida School Indicators Report (FSIR)*
- Program Cost Reports (District Totals)
- Return on Investment (ROI)/School Efficiency Measures*
- Revenue
- Vendor List and Total Paid to Each Vendor

Click on link to access information.

A description of each report will
be provided.

**Report includes information from all school districts in Florida.*

Alachua County District Schools

Click on link to access list of schools; then click on school to access school-level report

FAQs

Access a list of FAQs. Users will be directed to the report(s) that can best answer each question.

Glossary

Explanation of terms used by school districts.

Red Book

Link to the Red Book and an explanation that it is the school district's chart of accounts.

Contact Information

Contact information for questions regarding the website or school district information.

Click on link to return to Florida School Districts and Statewide Reports.

**APPENDIX F
 Display of School District Information on Transparency Florida Website**

Alachua County Schools

Elementary

- Alachua
- Archer
- Chiles
- Duval
- Finley
- Foster
- Glen Springs
- Hidden Oak
- High Springs
- Idylwild
- Irby
- Lake Forest
- Littlewood
- Metcalfe
- Newberry
- Norton
- Rawlings
- Shell
- Terwilliger
- Waldo
- Wiles
- Williams

Click on link to access school-level information.

Middle

- Bishop
- Ft. Clarke
- Kanapaha
- Lincoln
- Mebane
- Oak View
- Westwood

High

- Buchholz
- Eastside
- Gainesville
- Newberry
- Santa Fe

FAQs

Access a list of FAQs. Users will be directed to the report(s) that can best answer each question.

Glossary

Explanation of terms used by school districts.

Red Book

Link to the Red Book and an explanation that it is the school district's chart of accounts.

Contact Information

Contact information for questions regarding the website or school district information.

Click on link to return to Alachua County School District Reports and Information.
 Click on link to return to Florida School Districts and Statewide Reports.

APPENDIX F Display of School District Information on Transparency Florida Website

Alachua Elementary Alachua County Schools

School-Level Reports

Florida School Indicators Report (FSIR)*

Program Cost Report (School Totals)

Return on Investment (ROI)/School Efficiency Measures*

Click on link to access information.
A description of each report will be provided.

**Report includes information from all school districts and schools in Florida.*

FAQs	Access a list of FAQs. Users will be directed to the report(s) that can best answer each question.
Glossary	Explanation of terms used by school districts.
Red Book	Link to the Red Book and an explanation that it is the school district's chart of accounts.
Contact Information	Contact information for questions regarding the website or school district information.

Click on link to return to Alachua County Schools.
Click on link to return to Alachua County School District Reports and Information.
Click on link to return to Florida School Districts and Statewide Reports.

APPENDIX G

Estimated Costs

Overview

As directed by the Working Group, committee staff requested cost estimates from the affected entities for the implementation of the recommendations. If full implementation of all phases occurs for the school districts, additional costs are expected to be incurred by the school districts, OLITS, and DOE. The first two phases are expected to be implemented with existing resources, with the exception of some costs to DOE for scanning and IT storage. A major financial commitment will be required by the state if all recommendations for the third phase are implemented, primarily due to the need for a system that will be designed and built to receive data from the school districts.

As the focus has primarily been on school districts, committee staff has greater knowledge of the potential issues that will be faced with their implementation than with the other entities. Once estimates to implement school districts were determined, those costs were used to estimate the costs to obtain data from each of the other entity categories. All costs discussed and provided are for Phase 3.

School District Costs

School districts will incur some costs related to providing the financial data to the state in the required format for inclusion in the system. Estimated costs from several school districts range from approximately \$1,000 to \$25,000+. In addition, many, if not most, school districts would need to expand the storage capacity of their websites. These costs are expected to vary greatly depending on the size and complexity of the individual school district's website and cannot be easily calculated.

OLITS Costs

Typically, when major IT projects such as this one are planned, a design team visits the affected entities to gather information about the business processes and computer systems in use by the entities. While this approach can take considerable time and money, the result should yield a more accurate estimate of project costs. The cost estimates provided for the system are based on the information gathered from the entities and OLITS' experience with this type of project.

OLITS will incur costs for contracting for the design, build, and testing of the system, plus an ongoing need for additional in-house personnel to maintain the system. In addition, costs will be incurred by OLITS and other legislative staff (i.e., purchasing and legal) for creating and releasing the Request for Proposal and subsequently awarding the contract; the time estimate for this process is nine months. There will also be costs for network¹ and infrastructure² improvements. The cost estimates include a contingency amount as there is always uncertainty relating to cost estimates, how the work will actually be performed, work conditions at the time of implementation, and other factors. The contingency amount is estimated as 10 percent of total personnel, infrastructure, and network costs and is judgment-based using past experience. Once

¹ Includes switches, firewall, software, load balancers, security, and expanded Internet access.

² Includes hardware (servers, data storage disk drives) and software (database, operating system, application, management utilities).

**APPENDIX G
Estimated Costs**

the system is built to accommodate school district data, the cost for network and infrastructure improvements is expected to be substantially reduced as other entities are added.

The following positions are expected to be required for the design, build, and testing phases of the project:

Position Title	Estimated Hourly Rate ³
Project Manager responsible for planning, execution, and closing of entire IT project	\$150
Database Administrator responsible for design, implementation, maintenance, and repair of the database	\$125
Business Analyst works with various stakeholders in order to understand business structure and operations and identify issues that need to be resolved as system is designed and developed	\$90
Technical Architect designs technical aspects of the system	\$150
Test Manager coordinates, as well as performs, all testing aspects throughout development of the system	\$150
Test Analyst performs testing required throughout development of system	\$85
Developer responsible for software development	\$95

The number of individuals required for each position will vary as each entity category is added. Primary factors considered in the estimate are the number of entities and the potential issues with each entity category as discussed below.

Entity Category	Estimated Number	Potential Issues	Time Estimate
School Districts	67	See pages 7-8 of report.	2 years
Charter Schools	411 (with an additional 72 approved to begin operations for 2010-11 school year. ⁴)	The number of charter schools operating in the state has continued to increase each year. By the time of implementation, there may be in excess of 500 charter schools. Most charter schools have less than 150 students. The type of accounting software in use is anticipated to vary greatly in level of sophistication, which could greatly impact an individual charter school's ability to provide monthly financial data to the state.	4 years
Universities	11	Although there are only 11 universities, they do not use a common chart of accounts. Therefore, system design and development will be more time consuming. Also, some departments within the universities only provide summary level data for inclusion in the accounting system. Transaction details are maintained on a number of various systems throughout the universities.	1.5 years

³ Based on rates included in contract between OLITS and vendor working on several current projects.

⁴ Source: DOE (See page 20 of report).

**APPENDIX G
Estimated Costs**

Entity Category	Estimated Number	Potential Issues	Time Estimate
Colleges	28	<p>Of the 28 colleges, there is one very large college (Miami-Dade College) and several very small colleges (i.e., North Florida Community College and Florida Keys Community College). Implementation issues are expected to vary greatly between these colleges.</p> <p>In addition, there are currently 61 campuses and 177 sites.⁵ The extent to which transactional financial data is maintained at these locations has not yet been analyzed and will have some impact on implementation.</p>	2 years
Water Management Districts	5	<p>While the water management districts are required to submit an annual financial report (AFR) to the Department of Financial Services (DFS) using the chart of accounts, <i>Uniform Accounting System Manual for Florida Special Districts and Other Similar Local Governmental Entities</i>,⁶ whether or not this chart of accounts is used for other than year-end reporting of financial data to the state has not yet been analyzed.</p>	1 year
Counties	300+	<p>While the counties are required to submit an AFR to DFS using the chart of accounts, <i>Uniform Accounting System Manual for Florida Counties</i>,⁷ whether or not this chart of accounts is used by all of the counties and constitutional officers for other than year-end reporting of financial data to the state has not yet been analyzed.</p> <p>Although there are 67 counties in the state, the five constitutional officers in each county generally report independently from the Board of County Commissioners. Therefore, there are many more county-related independent reporting entities.⁸</p>	3 years
Municipalities	<p>163 (with populations over 10,000)</p> <p>200+ (with total revenue > \$10 million)</p>	<p>While the municipalities are required to submit an AFR to DFS using the chart of accounts, <i>Uniform Accounting System Manual for Florida Municipalities</i>,⁹ whether or not this chart of accounts is used by all of the municipalities for other than year-end reporting of financial data to the state has not yet been analyzed.</p>	2 years

⁵ Source: DOE, Division of Florida Colleges, Office of Finance & Information Systems website (<http://www.fldoe.org/cc/OFIS/OFIS.asp>).

⁶ Pursuant to s. 218.33, F.S., DFS has developed rules and regulations regarding uniform accounting practices and procedures by local governmental entities in the state, including a uniform classification of accounts. DFS, assisted by representatives of various local governments, developed the Uniform Accounting System Chart of Accounts to be used as the standard for recording and reporting financial information to the State of Florida. DFS maintains a web-based AFR system called the *Local Government Electronic Reporting* (LOGER) for collection of annual financial data.

⁷ Ibid.

⁸ See further explanation on pages 20-21 of report.

⁹ See footnote 6.

**APPENDIX G
Estimated Costs**

Entity Category	Estimated Number	Potential Issues	Time Estimate
Special Districts	< 150 ¹⁰ unknown (with populations over 10,000)	While the special districts are required to submit an AFR to DFS using the chart of accounts, <i>Uniform Accounting System Manual for Florida Special Districts and Other Similar Local Governmental Entities</i> , ¹¹ whether or not this chart of accounts is used by all of the special districts for other than year-end reporting of financial data to the state has not yet been analyzed.	2 years
Other (Metropolitan Planning Organizations, Regional Planning Councils)	26 MPOs 11 RPCs	While these other governmental entities are required to submit an AFR to DFS using the chart of accounts, <i>Uniform Accounting System Manual for Florida Special Districts and Other Similar Local Governmental Entities</i> , ¹² whether or not this chart of accounts is used by all of these entities for other than year-end reporting of financial data to the state has not yet been analyzed.	1.5 years

Once all entities have been added, the positions discussed previously would no longer be needed. The following positions are expected to be needed by OLITS on an on-going basis.

Position Title	Estimated Annual Salary	Time Frame
Data Warehouse Analyst	\$90,000 - \$100,000	From start of project
Developers (3)	\$80,000 each	One from start of project; remaining two by end of project for maintenance of system

In addition, once the system is operational, ongoing operation and maintenance costs will be incurred. It is anticipated that some of these costs, such as annual fees for software and hardware maintenance, technical support, and annual cost for hardware and software technology refresh, will be absorbed by OLITS, dependent upon any operational issues affecting OLITS at that time.

The following chart contains the estimated costs related to designing, building, and testing the system discussed above for the various entity categories. These costs estimates are very rough since they are based on general information relating to the entity categories, without the benefit of in-depth discussions regarding business processes and computer systems at the various entities. It is important to understand that these estimated costs could be higher or lower as more specific information is gathered.

¹⁰ Currently 131 with total revenue > \$10 million (based on FY 2008 financial data in LOGER received from 939 special districts as of 1/27/2010).

¹¹ See footnote 6.

¹² Ibid.

**APPENDIX G
Estimated Costs**

Type of Cost	School Districts	Charter Schools	Universities	Colleges	Water Management Districts	Counties	Municipalities	Special Districts	Other Governmental Entities	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
Infrastructure		\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	
Network		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
Personnel Costs										
Project Manager (\$150/hour)	2	2,495,000 [2*150*8320]	2	936,000 [2*150*3120]	2	1,872,000 [2*150*6240]	2	1,248,000 [2*150*4160]	2	1,248,000 [2*150*3120]
Database Administrator (\$125/hour)	1	1,040,000 [1*125*8320]	1	390,000 [1*125*3120]	1	780,000 [1*125*6240]	1	520,000 [1*125*4160]	1	390,000 [1*125*3120]
Business Analyst (\$90/hour)	3	3,744,000 [3*90*8320]	3	842,400 [3*90*3120]	5	2,808,000 [5*90*6240]	3	1,123,200 [3*90*4160]	3	842,400 [3*90*3120]
Technical Architect (\$150/hour)	1	624,000 [1*150*4160]	1	468,000 [1*150*3120]	1	936,000 [1*150*6240]	1	624,000 [1*150*4160]	1	468,000 [1*150*3120]
Test Manager (\$150/hour)	1	1,248,000 [1*150*8320]	1	468,000 [1*150*3120]	1	936,000 [1*150*6240]	1	624,000 [1*150*4160]	1	468,000 [1*150*3120]
Test Analyst (\$85/hour)	1	707,200 [1*85*8320]	1	265,200 [1*85*3120]	1	530,400 [1*85*6240]	1	353,600 [1*85*4160]	1	265,200 [1*85*3120]
Developer (\$95/hour)	7	3,952,000 [7*95*8320]	7	2,074,800 [7*95*3120]	7	4,149,600 [7*95*6240]	7	2,766,400 [7*95*4160]	5	1,482,000 [5*95*3120]
Total		\$ 13,811,200	\$ 5,444,400	\$ 7,259,200	\$ 2,849,600	\$ 12,012,000	\$ 7,259,200	\$ 7,259,200	\$ 4,851,600	
Contingency (10% of estimated costs)		1,421,120	584,440	765,920	324,960	1,241,200	765,920	765,920	525,160	
Total		\$ 9,030,120	\$ 6,428,840	\$ 8,425,120	\$ 3,574,560	\$ 13,653,200	\$ 8,425,120	\$ 8,425,120	\$ 5,776,760	
Grand Total		\$ 79,371,160								
Time Estimate:										
To contract award	9 months	9 months	9 months	9 months	9 months	9 months	9 months	9 months	9 months	
After contract award to completion	24 months	48 months	18 months	24 months	12 months	36 months	24 months	24 months	18 months	
Total hours after contract award	4,160 [52*40*2]	8,320 [52*40*4]	3,120 [52*40*1.5]	4,160 [52*40*2]	2,080 [52*40*1]	6,240 [52*40*3]	4,160 [52*40*2]	4,160 [52*40*2]	3,120 [52*40*1.5]	

EXAMPLES OF SELECTED REPORTS RECOMMENDED IN PHASES 1 AND 2

PHASE 1: Return on Investment (ROI) School Efficiency Measures

PHASE 1: Financial Profiles of Florida School Districts for:

Brevard
Broward
Duval
Hillsborough
Miami-Dade
Okaloosa
Orange
Volusia

PHASE 1: Florida School Indicators Report (FSIR)

PHASE 2: Program Cost Analysis Series

PHASE 2: Educational Funding Accountability Reports

2007-2008 School Year

SCHOOL DISTRICT OF LEON COUNTY
LEON HIGH SCHOOL
550 E TENNESSEE ST
TALLAHASSEE, FL 32308-4938
(850) 488-1971
ROCKY HANNA-PRINCIPAL

PK-12 Membership	1,821
Program Cost	\$6,766
Average Teacher Salary	\$47,107

Student/Staff Indicators

[School Demographics](#)
[School Staff](#)
[School Student Performance](#)
[School Students in Special Programs/School Discipline](#)
[School Graduation Follow-up](#)
[District Community Information](#)

Financial Indicators

[School Return on Investment Index](#)
[School Total Program Costs Per Student](#)
[District Revenues](#)
[District Expenditures](#)
[District Financial Margins and Reserves](#)
[District Taxes](#)
[District Debt](#)

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**Total Program Costs Per Student
 Operating Funds
 2007-2008**

**LEON COUNTY
 LEON HIGH SCHOOL**

Program Name	Program Number	School	District	State
		Costs Per Student	Costs Per Student	Costs Per Student
Basic				
Grades Kindergarten - 3	101	-	\$6,631	\$7,424
Grades 4 - 8	102	-	\$6,414	\$6,671
Grades 9 - 12	103	\$6,406	\$6,853	\$6,648
Basic Program Costs		\$6,406	\$6,611	\$6,906
Exceptional Student Education (ESE)				
Grades Pre-Kindergarten - 3	111	-	\$13,440	\$13,071
Grades 4 - 8 ESE Basic	112	-	\$10,955	\$10,755
Grades 9 - 12 ESE Basic	113	\$8,840	\$9,248	\$10,073
Exceptional Student Level 4	254	\$13,413	\$24,463	\$25,007
Exceptional Student Level 5	255	\$12,637	\$63,410	\$35,968
ESE Program Costs		\$8,895	\$12,731	\$12,014
English for Speakers of Other Languages	130	\$5,786	\$10,859	\$7,745
Vocational Grades 9 - 12	300	\$6,745	\$7,015	\$6,990
Total Educational Program Costs		\$6,766	\$7,934	\$7,954

Student/Staff Indicators

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Financial Indicators

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Taxes 2007-2008

DISTRICT SCHOOL BOARD OF LEON COUNTY

	District	State
Tax Burden		
<u>School Tax Per \$100,000 of Homestead Exempt Property</u>	\$594	N/A
<u>School Tax Per \$100,000 of Non-Homestead Exempt Property</u>	\$792	N/A
Property Tax Revenue (Per K-12 Student)		
<u>Property Tax Revenue as % of Operating Revenue</u>	44.5%	56.2%
<u>Other Local Tax Revenue (Per K-12 Student)</u>	\$624	\$229
<u>Other Local Tax Revenue as % of K-12 Operating Revenue</u>	7.2%	2.6%
School Tax Rate Per \$1,000 Property Value		
<u>Total District School Tax Rate</u>	7.9220	N/A
Property Tax Base		
<u>Taxable Property Value</u>	\$15,861,272,862	\$1,712,554,916,112
<u>Taxable Property Value (Per K-12 Student)</u>	\$495,235	\$658,862
<u>Full Market Property Value</u>	\$31,445,692,418	\$2,936,405,596,340
<u>Full Market Property Value (Per K-12 Student)</u>	\$981,827	\$1,129,708

Per student amounts are based on the total district student population.

Student/Staff Indicators

- [School Demographics](#)
- [School Staff](#)
- [School Student Performance](#)
- [School Students in Special Programs/School Discipline](#)
- [School Graduation Follow-up](#)
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Financial Indicators

- [School Return on Investment Index](#)
- [School Total Program Costs Per Student](#)
- [District Revenues](#)
- [District Expenditures](#)
- [District Financial Margins and Reserves](#)
- [District Taxes](#)
- [District Debt](#)

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**FINANCIAL PROFILES
OF
FLORIDA
SCHOOL DISTRICTS**

**2007-2008
FINANCIAL DATA
STATISTICAL REPORT**

April 2009

**FLORIDA DEPARTMENT OF EDUCATION
School Business Services
Office of Funding and Financial Reporting**

Brevard
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	53,435,765	TOTAL EXPENDITURES	496,761,893
PERCENT OF TOTAL REVENUE	7.35%		
TOTAL STATE REVENUE	330,490,108	BASIC (K-12) AND ESOL TOTAL	320,015,193
PERCENT OF TOTAL REVENUE	45.46%	EXPENDITURES PER FTE	6,217
TOTAL LOCAL REVENUE	343,022,516	BASIC K-3	98,149,177
PERCENT OF TOTAL REVENUE	47.19%	BASIC 4-8	114,809,862
		BASIC 9-12	100,941,797
TOTAL REVENUE	726,948,389	ESOL	6,114,357
		EXCEPTIONAL STUDENTS	161,314,277
		EXPENDITURES PER FTE	9,986
		CAREER 9 - 12	12,080,289
		EXPENDITURES PER FTE	5,739
		ADULT*	
		CONTINUING WORKFORCE ED.	0
		CAREER CERTIFICATE	0
		APPLIED TECHNOLOGY DIPLOMA	0
		APPRENTICESHIP	0
		ADULT GENERAL EDUCATION	3,352,134
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
TOTAL CURRENT EXPENDITURES	605,803,085		
TOTAL CAPITAL OUTLAY	227,447,973		
TOTAL DEBT SERVICE	41,613,915		
TOTAL	874,864,973		
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	7,059,949	PECO	10,855,835
CLASS SIZE REDUCTION-OPERATING	72,675,725	PRESCHOOL PROJECTS	167,883
COMPREHENSIVE K-12 READING	3,051,495	SAFE SCHOOLS	1,867,311
DISTRICT DISCRETIONARY LOTTERY FUNDS	3,540,695	SCHOOL RECOGNITION	6,061,666
EXCELLENT TEACHING	4,625,611	STUDENT TRANSPORTATION	12,817,188
FLORIDA TEACHERS LEAD	1,337,071	SUPPLEMENTAL ACADEMIC INSTRUCTION	22,349,390
INSTRUCTIONAL MATERIALS	7,400,581	VOLUNTARY PRE-K PROGRAM	2,325,023

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

Broward
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	236,469,713	TOTAL EXPENDITURES	1,850,626,362
PERCENT OF TOTAL REVENUE	8.41%		
TOTAL STATE REVENUE	1,132,545,163	BASIC (K-12) AND ESOL TOTAL	1,248,949,445
PERCENT OF TOTAL REVENUE	40.28%	EXPENDITURES PER FTE	6,462
TOTAL LOCAL REVENUE	1,442,413,429	BASIC K-3	338,445,500
PERCENT OF TOTAL REVENUE	51.31%	BASIC 4-8	415,295,409
TOTAL REVENUE	2,811,428,305	BASIC 9-12	356,739,998
		ESOL	138,468,538
		EXCEPTIONAL STUDENTS	467,702,426
		EXPENDITURES PER FTE	12,020
		CAREER 9 - 12	37,419,229
		EXPENDITURES PER FTE	6,109
		ADULT*	
		CONTINUING WORKFORCE ED.	5,944,402
		CAREER CERTIFICATE	35,733,126
		APPLIED TECHNOLOGY DIPLOMA	922,232
		APPRENTICESHIP	3,878,410
		ADULT GENERAL EDUCATION	50,077,092
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
TOTAL CURRENT EXPENDITURES	2,344,351,361		
TOTAL CAPITAL OUTLAY	469,181,100		
TOTAL DEBT SERVICE	214,157,243		
TOTAL	3,027,689,704		
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	63,193,699	PECO	42,524,130
CLASS SIZE REDUCTION-OPERATING	266,688,120	PRESCHOOL PROJECTS	691,432
COMPREHENSIVE K-12 READING	10,946,263	SAFE SCHOOLS	6,627,034
DISTRICT DISCRETIONARY LOTTERY FUNDS	13,011,809	SCHOOL RECOGNITION	12,690,696
EXCELLENT TEACHING	6,546,417	STUDENT TRANSPORTATION	35,655,344
FLORIDA TEACHERS LEAD	4,648,872	SUPPLEMENTAL ACADEMIC INSTRUCTION	60,660,242
INSTRUCTIONAL MATERIALS	25,374,005	VOLUNTARY PRE-K PROGRAM	2,089,924

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

Duval
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	106,902,604	TOTAL EXPENDITURES	865,850,629
PERCENT OF TOTAL REVENUE	8.87%		
TOTAL STATE REVENUE	577,863,418	BASIC (K-12) AND ESOL TOTAL	642,439,907
PERCENT OF TOTAL REVENUE	47.97%	EXPENDITURES PER FTE	6,571
TOTAL LOCAL REVENUE	519,964,313	BASIC K-3	239,744,373
PERCENT OF TOTAL REVENUE	43.16%	BASIC 4-8	225,581,466
		BASIC 9-12	157,779,085
TOTAL REVENUE	1,204,730,335	ESOL	19,334,983
		EXCEPTIONAL STUDENTS	205,905,881
		EXPENDITURES PER FTE	9,812
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		CAREER 9 - 12	17,504,841
TOTAL CURRENT EXPENDITURES	1,044,000,412	EXPENDITURES PER FTE	6,790
TOTAL CAPITAL OUTLAY	158,115,928	ADULT*	
TOTAL DEBT SERVICE	35,546,333	CONTINUING WORKFORCE ED.	0
TOTAL	1,237,662,673	CAREER CERTIFICATE	0
		APPLIED TECHNOLOGY DIPLOMA	0
		APPRENTICESHIP	0
		ADULT GENERAL EDUCATION	0
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	6,034,210	PECO	17,027,463
CLASS SIZE REDUCTION-OPERATING	127,617,920	PRESCHOOL PROJECTS	0
COMPREHENSIVE K-12 READING	5,256,663	SAFE SCHOOLS	4,177,416
DISTRICT DISCRETIONARY LOTTERY FUNDS	6,186,777	SCHOOL RECOGNITION	5,223,765
EXCELLENT TEACHING	2,504,056	STUDENT TRANSPORTATION	21,164,550
FLORIDA TEACHERS LEAD	2,277,096	SUPPLEMENTAL ACADEMIC INSTRUCTION	33,256,388
INSTRUCTIONAL MATERIALS	12,263,947	VOLUNTARY PRE-K PROGRAM	362,101

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

Hillsborough
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	249,495,252	TOTAL EXPENDITURES	1,305,089,854
PERCENT OF TOTAL REVENUE	12.08%		
TOTAL STATE REVENUE	1,034,236,258	BASIC (K-12) AND ESOL TOTAL	876,273,571
PERCENT OF TOTAL REVENUE	50.08%	EXPENDITURES PER FTE	6,043
TOTAL LOCAL REVENUE	781,625,875	BASIC K-3	254,527,432
PERCENT OF TOTAL REVENUE	37.84%	BASIC 4-8	286,469,027
		BASIC 9-12	223,394,687
TOTAL REVENUE	2,065,357,385	ESOL	111,882,425
		EXCEPTIONAL STUDENTS	346,199,086
		EXPENDITURES PER FTE	10,222
		CAREER 9 - 12	44,242,874
		EXPENDITURES PER FTE	6,544
		ADULT*	
		CONTINUING WORKFORCE ED.	5,256,218
		CAREER CERTIFICATE	12,399,387
		APPLIED TECHNOLOGY DIPLOMA	801,638
		APPRENTICESHIP	2,763,069
		ADULT GENERAL EDUCATION	17,154,011
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
TOTAL CURRENT EXPENDITURES	1,708,506,552		
TOTAL CAPITAL OUTLAY	336,082,272		
TOTAL DEBT SERVICE	89,930,579		
TOTAL	2,134,519,403		
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	32,337,930	PECO	30,576,132
CLASS SIZE REDUCTION-OPERATING	194,832,622	PRESCHOOL PROJECTS	0
COMPREHENSIVE K-12 READING	8,008,523	SAFE SCHOOLS	5,230,501
DISTRICT DISCRETIONARY LOTTERY FUNDS	9,492,395	SCHOOL RECOGNITION	9,277,316
EXCELLENT TEACHING	4,866,215	STUDENT TRANSPORTATION	35,832,275
FLORIDA TEACHERS LEAD	3,486,198	SUPPLEMENTAL ACADEMIC INSTRUCTION	44,161,541
INSTRUCTIONAL MATERIALS	18,671,721	VOLUNTARY PRE-K PROGRAM	22,098,760

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

Miami-Dade
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	434,301,957	TOTAL EXPENDITURES	2,675,293,365
PERCENT OF TOTAL REVENUE	11.17%		
TOTAL STATE REVENUE	1,431,106,534	BASIC (K-12) AND ESOL TOTAL	1,771,877,660
PERCENT OF TOTAL REVENUE	36.79%	EXPENDITURES PER FTE	7,380
TOTAL LOCAL REVENUE	2,024,188,466	BASIC K-3	581,225,066
PERCENT OF TOTAL REVENUE	52.04%	BASIC 4-8	639,238,292
		BASIC 9-12	393,413,085
TOTAL REVENUE	3,889,596,957	ESOL	158,001,217
		EXCEPTIONAL STUDENTS	729,270,727
		EXPENDITURES PER FTE	10,454
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		CAREER 9 - 12	60,814,271
TOTAL CURRENT EXPENDITURES	3,454,581,824	EXPENDITURES PER FTE	6,225
TOTAL CAPITAL OUTLAY	941,152,381	ADULT*	
TOTAL DEBT SERVICE	546,073,488	CONTINUING WORKFORCE ED.	46,226
TOTAL	4,941,807,693	CAREER CERTIFICATE	38,808,296
		APPLIED TECHNOLOGY DIPLOMA	0
		APPRENTICESHIP	1,415,183
		ADULT GENERAL EDUCATION	73,061,002
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	54,680,128	PECO	40,825,395
CLASS SIZE REDUCTION-OPERATING	347,517,813	PRESCHOOL PROJECTS	0
COMPREHENSIVE K-12 READING	14,169,343	SAFE SCHOOLS	11,611,194
DISTRICT DISCRETIONARY LOTTERY FUNDS	16,872,577	SCHOOL RECOGNITION	12,519,235
EXCELLENT TEACHING	8,403,628	STUDENT TRANSPORTATION	29,465,075
FLORIDA TEACHERS LEAD	6,228,676	SUPPLEMENTAL ACADEMIC INSTRUCTION	133,539,442
INSTRUCTIONAL MATERIALS	33,946,167	VOLUNTARY PRE-K PROGRAM	12,803,140

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

Okaloosa
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	24,954,069	TOTAL EXPENDITURES	209,966,983
PERCENT OF TOTAL REVENUE	8.41%		
TOTAL STATE REVENUE	115,497,556	BASIC (K-12) AND ESOL TOTAL	149,656,091
PERCENT OF TOTAL REVENUE	38.90%	EXPENDITURES PER FTE	6,842
TOTAL LOCAL REVENUE	156,432,934	BASIC K-3	45,120,049
PERCENT OF TOTAL REVENUE	52.69%	BASIC 4-8	55,147,261
TOTAL REVENUE	296,884,559	BASIC 9-12	45,969,134
		ESOL	3,419,647
		EXCEPTIONAL STUDENTS	52,741,810
		EXPENDITURES PER FTE	9,644
		CAREER 9 - 12	5,320,319
		EXPENDITURES PER FTE	5,765
		ADULT*	
		CONTINUING WORKFORCE ED.	450,507
		CAREER CERTIFICATE	1,798,256
		APPLIED TECHNOLOGY DIPLOMA	0
		APPRENTICESHIP	0
		ADULT GENERAL EDUCATION	0
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
TOTAL CURRENT EXPENDITURES	254,932,787		
TOTAL CAPITAL OUTLAY	61,963,353		
TOTAL DEBT SERVICE	8,997,881		
TOTAL	325,894,022		
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	2,769,177	PECO	4,085,797
CLASS SIZE REDUCTION-OPERATING	27,611,491	PRESCHOOL PROJECTS	65,000
COMPREHENSIVE K-12 READING	1,248,170	SAFE SCHOOLS	669,499
DISTRICT DISCRETIONARY LOTTERY FUNDS	1,382,223	SCHOOL RECOGNITION	2,379,414
EXCELLENT TEACHING	863,833	STUDENT TRANSPORTATION	6,254,984
FLORIDA TEACHERS LEAD	549,847	SUPPLEMENTAL ACADEMIC INSTRUCTION	9,601,701
INSTRUCTIONAL MATERIALS	3,047,898	VOLUNTARY PRE-K PROGRAM	189,002

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

Orange
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	159,246,211	TOTAL EXPENDITURES	1,239,717,217
PERCENT OF TOTAL REVENUE	8.18%		
TOTAL STATE REVENUE	726,790,710	BASIC (K-12) AND ESOL TOTAL	860,295,982
PERCENT OF TOTAL REVENUE	37.32%	EXPENDITURES PER FTE	6,420
TOTAL LOCAL REVENUE	1,061,363,506	BASIC K-3	215,337,759
PERCENT OF TOTAL REVENUE	54.50%	BASIC 4-8	259,509,018
		BASIC 9-12	210,108,373
TOTAL REVENUE	1,947,400,427	ESOL	175,340,832
		EXCEPTIONAL STUDENTS	328,774,798
		EXPENDITURES PER FTE	10,766
		CAREER 9 - 12	16,537,592
		EXPENDITURES PER FTE	5,776
		ADULT*	
		CONTINUING WORKFORCE ED.	999,867
		CAREER CERTIFICATE	16,853,654
		APPLIED TECHNOLOGY DIPLOMA	509,708
		APPRENTICESHIP	1,847,445
		ADULT GENERAL EDUCATION	13,898,171
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
TOTAL CURRENT EXPENDITURES	1,512,178,363		
TOTAL CAPITAL OUTLAY	414,322,940		
TOTAL DEBT SERVICE	105,698,146		
TOTAL	2,032,199,449		
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	0	PECO	24,147,999
CLASS SIZE REDUCTION-OPERATING	179,862,481	PRESCHOOL PROJECTS	0
COMPREHENSIVE K-12 READING	7,371,257	SAFE SCHOOLS	5,206,193
DISTRICT DISCRETIONARY LOTTERY FUNDS	8,737,525	SCHOOL RECOGNITION	8,469,779
EXCELLENT TEACHING	4,895,887	STUDENT TRANSPORTATION	30,223,276
FLORIDA TEACHERS LEAD	3,153,782	SUPPLEMENTAL ACADEMIC INSTRUCTION	42,907,117
INSTRUCTIONAL MATERIALS	17,013,937	VOLUNTARY PRE-K PROGRAM	4,541,034

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

Volusia
Profiles of Florida School Districts
2007-2008

REVENUE - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)		GENERAL FUND EXPENDITURES BY PROGRAM (SOURCE: SCHOOL DISTRICT COST REPORT)	
TOTAL FEDERAL REVENUE	52,471,307	TOTAL EXPENDITURES	462,067,691
PERCENT OF TOTAL REVENUE	7.50%		
TOTAL STATE REVENUE	260,756,600	BASIC (K-12) AND ESOL TOTAL	297,306,390
PERCENT OF TOTAL REVENUE	37.26%	EXPENDITURES PER FTE	6,191
TOTAL LOCAL REVENUE	386,691,926	BASIC K-3	89,894,973
PERCENT OF TOTAL REVENUE	55.25%	BASIC 4-8	104,102,099
TOTAL REVENUE	699,919,833	BASIC 9-12	85,777,152
		ESOL	17,532,166
		EXCEPTIONAL STUDENTS	152,461,182
		EXPENDITURES PER FTE	11,328
		CAREER 9 - 12	12,300,119
		EXPENDITURES PER FTE	6,625
		ADULT*	
		CONTINUING WORKFORCE ED.	0
		CAREER CERTIFICATE	0
		APPLIED TECHNOLOGY DIPLOMA	0
		APPRENTICESHIP	0
		ADULT GENERAL EDUCATION	0
EXPENDITURES - ALL GOVERNMENTAL FUNDS (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
TOTAL CURRENT EXPENDITURES	552,836,582		
TOTAL CAPITAL OUTLAY	149,253,938		
TOTAL DEBT SERVICE	55,446,606		
TOTAL	757,537,126		
MAJOR STATE CATEGORICAL AND SPECIAL ALLOCATION REVENUES (SOURCE: SCHOOL DISTRICT ANNUAL FINANCIAL REPORT)			
CLASS SIZE REDUCTION-CAPITAL OUTLAY	10,107,881	PECO	9,126,330
CLASS SIZE REDUCTION-OPERATING	62,199,048	PRESCHOOL PROJECTS	0
COMPREHENSIVE K-12 READING	2,637,093	SAFE SCHOOLS	1,762,412
DISTRICT DISCRETIONARY LOTTERY FUNDS	3,046,139	SCHOOL RECOGNITION	3,414,356
EXCELLENT TEACHING	2,342,294	STUDENT TRANSPORTATION	12,018,230
FLORIDA TEACHERS LEAD	1,190,907	SUPPLEMENTAL ACADEMIC INSTRUCTION	19,874,120
INSTRUCTIONAL MATERIALS	6,550,547	VOLUNTARY PRE-K PROGRAM	495,182

* Adult FTE not available for 2007-2008

NOTE: SLIGHT DISCREPANCIES MAY OCCUR DUE TO ROUNDING

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Per Pupil Expenditures, 2007-08

District Number	School Number	District Name	School Name	UNIQUE ID	Regular	Exceptional	At-Risk	Vocational	Total
1	21	ALACHUA	CHARLES W. DUVAL ELEM SCHOOL	010021	\$7,751	\$11,123	\$0	\$0	\$8,586
1	31	ALACHUA	J. J. FINLEY ELEMENTARY SCHOOL	010031	\$8,449	\$10,463	\$7,472	\$0	\$8,909
1	41	ALACHUA	STEPHEN FOSTER ELEMENTARY SCHOOL	010041	\$7,139	\$10,793	\$4,931	\$0	\$8,554
1	52	ALACHUA	A. QUINN JONES/EXCEP. STUDENT CENTER	010052	\$0	\$29,298	\$0	\$0	\$29,298
1	71	ALACHUA	LAKE FOREST ELEMENTARY SCHOOL	010071	\$8,464	\$14,207	\$0	\$0	\$10,431
1	81	ALACHUA	SIDNEY LANIER CENTER	010081	\$0	\$26,389	\$0	\$0	\$26,389
1	82	ALACHUA	HOSPITAL HOMEBOUND	010082	\$0	\$98,624	\$0	\$0	\$98,624
1	91	ALACHUA	LITTLEWOOD ELEMENTARY SCHOOL	010091	\$7,138	\$9,796	\$6,655	\$0	\$8,099
1	101	ALACHUA	W. A. METCALFE ELEMENTARY SCHOOL	010101	\$8,646	\$21,077	\$6,984	\$0	\$12,183
1	111	ALACHUA	JOSEPH WILLIAMS ELEMENTARY SCHOOL	010111	\$8,279	\$7,992	\$0	\$0	\$8,143
1	112	ALACHUA	ABRAHAM LINCOLN MIDDLE SCHOOL	010112	\$6,916	\$9,983	\$9,172	\$0	\$7,564
1	121	ALACHUA	HOWARD W. BISHOP MIDDLE SCHOOL	010121	\$7,596	\$7,905	\$8,390	\$0	\$7,766
1	141	ALACHUA	WESTWOOD MIDDLE SCHOOL	010141	\$6,472	\$7,204	\$11,107	\$0	\$6,979
1	151	ALACHUA	GAINESVILLE HIGH SCHOOL	010151	\$5,333	\$8,915	\$7,007	\$6,010	\$6,134
1	161	ALACHUA	ALACHUA ELEMENTARY SCHOOL	010161	\$6,392	\$9,525	\$4,898	\$0	\$7,415
1	171	ALACHUA	ARCHER COMMUNITY SCHOOL	010171	\$8,660	\$11,382	\$0	\$0	\$9,484
1	201	ALACHUA	HAWTHORNE MIDDLE/HIGH SCHOOL	010201	\$8,310	\$11,203	\$0	\$8,192	\$9,324
1	221	ALACHUA	A. L. MEBANE MIDDLE SCHOOL	010221	\$7,117	\$8,451	\$7,436	\$0	\$7,560
1	261	ALACHUA	NEWBERRY HIGH SCHOOL	010261	\$6,813	\$10,630	\$7,525	\$6,810	\$7,972
1	271	ALACHUA	SANTA FE HIGH SCHOOL	010271	\$5,051	\$7,734	\$5,364	\$4,659	\$5,360
1	281	ALACHUA	CHESTER SHELL ELEMENTARY SCHOOL	010281	\$9,408	\$12,536	\$9,056	\$0	\$10,304
1	291	ALACHUA	WALDO COMMUNITY SCHOOL	010291	\$8,425	\$12,614	\$0	\$0	\$9,418
1	311	ALACHUA	MYRA TERWILLIGER ELEMENTARY SCHOOL	010311	\$7,177	\$11,195	\$6,407	\$0	\$8,281
1	321	ALACHUA	IDYLVILD ELEMENTARY SCHOOL	010321	\$7,016	\$11,584	\$6,826	\$0	\$8,028
1	331	ALACHUA	GLEN SPRINGS ELEMENTARY SCHOOL	010331	\$7,122	\$10,305	\$6,337	\$0	\$8,136
1	341	ALACHUA	MARJORIE KINNAN RAWLINGS ELEMENTARY SCHOOL	010341	\$8,058	\$18,023	\$0	\$0	\$10,018
1	343	ALACHUA	CHARACTER COUNTS CENTER	010343	\$13,105	\$14,271	\$0	\$0	\$13,343
1	411	ALACHUA	LOFTEN HIGH SCHOOL	010411	\$14,987	\$16,912	\$0	\$20,535	\$16,238
1	412	ALACHUA	HORIZON CENTER, ALTERNATIVE SCHOOL	010412	\$15,500	\$14,138	\$0	\$0	\$14,871
1	421	ALACHUA	EASTSIDE HIGH SCHOOL	010421	\$6,068	\$8,900	\$6,089	\$8,935	\$6,795
1	431	ALACHUA	F. W. BUCHHOLZ HIGH SCHOOL	010431	\$5,069	\$8,699	\$8,652	\$6,017	\$5,659
1	461	ALACHUA	HIGH SPRINGS COMMUNITY SCHOOL	010461	\$6,690	\$9,261	\$8,036	\$0	\$7,353
1	481	ALACHUA	FORT CLARKE MIDDLE SCHOOL	010481	\$6,118	\$7,453	\$5,783	\$0	\$6,585
1	482	ALACHUA	HIDDEN OAK ELEMENTARY SCHOOL	010482	\$5,814	\$7,849	\$4,908	\$0	\$6,373
1	500	ALACHUA	PRAIRIE VIEW ACADEMY	010500	\$11,244	\$13,067	\$0	\$0	\$11,512
1	501	ALACHUA	KIMBALL WILES ELEMENTARY SCHOOL	010501	\$6,540	\$9,426	\$5,599	\$0	\$7,362
1	502	ALACHUA	KANAPAHA MIDDLE SCHOOL	010502	\$5,538	\$8,168	\$5,590	\$0	\$6,560

FINAL (5)

01/14/2009
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REPORT NO. 01

FLORIDA DEPARTMENT OF EDUCATION
DIVISION OF SUPPORT SERVICES
OFFICE OF FUNDING AND FINANCIAL REPORTING
PROGRAM COST ANALYSIS REPORT SERIES
PROGRAM COST REPORT WITH SELECTED COSTS AS PERCENTAGES OF REVENUE
GENERAL FUND EXPENDITURES
STATE SUMMARY TOTALS

FILE NO. 05.187-1
2007-08

JUNE ACTUAL FTE

P R O G R A M N A M E A N D N O.	SALARIES	EMPLOYEE BENEFITS	PURCHASED SERVICES	MATERIALS & SUPPLIES	OTHER EXPENSES	CAPITAL OUTLAY	TOTAL DIRECT COSTS
K-3 BASIC	1,856,953,387	500,834,099	41,670,097	91,537,746	20,448,870	17,131,686	2,528,575,885
4-8 BASIC	1,936,857,017	533,915,774	61,366,407	85,782,778	23,327,951	20,804,560	2,722,373,448
9-12 BASIC	1,492,479,884	402,715,238	75,366,407	95,286,129	20,463,311	22,799,307	2,109,053,276
SUBTOTAL FOR BASIC PROGRAMS	5,346,290,288	1,437,155,108	178,975,678	272,606,650	64,239,332	60,735,553	7,360,002,609
ESOL	525,514,105	144,633,453	12,735,766	20,671,539	5,271,181	3,470,228	712,296,272
PK-3 BASIC WITH ESE SERVICES	738,678,064	200,342,172	28,495,344	26,754,594	7,977,172	4,453,905	1,006,702,251
4-8 BASIC WITH ESE SERVICES	2,407,949	245,146,972	33,972,385	31,034,159	10,034,159	7,333,945	1,243,579,646
9-12 BASIC WITH ESE SERVICES	938,597,949	138,419,022	32,262,388	24,481,940	6,813,595	6,459,045	1,736,783,234
EXCEPTIONAL STUDENT LEVEL 4	162,463,137	150,693,170	21,686,346	5,918,837	1,804,384	1,598,470	264,164,334
EXCEPTIONAL STUDENT LEVEL 5	72,170,923	21,928,406	7,477,157	2,215,185	1,774,058	1,869,851	111,436,034
SUBTOTAL FOR EXCEPTIONAL PROGS	2,443,314,869	656,529,742	123,895,434	91,026,634	27,203,508	20,695,216	3,362,665,403
VOCATIONAL 9-12	215,087,432	56,467,718	8,307,436	13,232,499	3,058,639	4,604,465	300,768,189
SUBTOTAL FOR ALL FEFP PROGRAMS	8,530,216,694	2,294,786,021	323,914,314	397,537,322	99,772,660	89,505,462	11,735,732,473
CONTINUING WORKFORCE EDUCATION	7,561,003	1,954,808	1,087,955	393,842	276,194	704,757	11,978,559
AGRICULTURE AND NATURAL RESOURCE	694,367	190,204	67,812	31,161	87,023	36,376	1,106,943
BUSINESS EDUCATION	8,750,799	2,429,668	955,346	336,181	469,165	643,202	13,584,361
FAMILY AND CONSUMER SERVICE	2,059,006	576,310	142,329	64,711	112,905	145,347	3,100,607
HEALTH SCIENCE	17,937,031	5,031,235	2,478,865	856,605	921,707	1,352,319	28,577,762
INDUSTRIAL (DISTRIBUTIVE)	27,932,899	7,843,738	3,139,515	1,240,869	1,677,124	2,022,474	43,856,619
MARKETING (DISTRIBUTIVE)	7,763,948	2,093,729	57,357	30,462	1,115,601	556,409	1,233,508
PUBLIC SERVICE	3,108,931	706,963	1,264,382	512,527	424,605	379,407	6,393,815
OTHER CTE	1,435,642	369,701	120,667	64,153	37,970	89,274	2,117,417
SUBTOTAL FOR ADULT VOC CERT	62,679,622	17,357,548	8,226,273	3,136,679	3,846,100	4,724,808	99,971,030
HEALTH SCIENCE	1,081,223	290,021	89,211	35,864	57,425	67,672	1,621,416
CLASSROOM INSTRUCTION (RTI)	1,543,845	429,111	2,035,490	57,900	120,542	160,870	4,347,758
ON-THE-JOB (OJT)	3,886,644	1,132,774	2,828,659	87,256	201,771	313,155	6,449,259
SUBTOTAL FOR APPRENTICESHIP	5,429,489	1,561,885	2,864,149	145,156	322,313	474,028	10,797,017

**EDUCATIONAL FUNDING ACCOUNTABILITY ACT
EXPENDITURE REPORTING REQUIREMENTS
FY 2007-08**

**PHASE 2
Educational Funding Accountability Act
Expenditure Reporting Requirements
FY 2007-08**

District School Board of Alachua County

District No. 01

	General Fund	Special Revenue Funds	Totals
Instructional Support:			
Instruction	\$ 112,853,263	\$ 7,986,945	\$ 120,840,208
Instructional Support Delivered at Schools:			
Student Personnel Services	13,009,562	1,713,086	14,722,648
Instructional Media	4,927,133	0	4,927,133
Curriculum Development	5,499,417	2,896,448	8,395,865
Facilities Acquisition	277,179	0	277,179
Central Services	2,702,126	46,810	2,748,936
Administrative Technology Services	2,565	0	2,565
School Administration (Support Expenditures)	5,147,950	0	5,147,950
Operation of Plant	23,661,381	9,823	23,671,204
Maintenance of Plant	5,214,950	0	5,214,950
Instructional Staff Training	1,704,462	2,991,992	4,696,454
Instruction Related Technology	3,479,316	0	3,479,316
Subtotal	178,479,304	15,645,104	194,124,408
Less Adult Program Costs	(1,196,766)	(2,464)	(1,199,230)
Student Transportation	11,087,698	124,588	11,212,286
Food Services	0	12,018,564	12,018,564
Total K-12 Costs of Instructional Support	\$ 188,370,236	\$ 27,785,792	\$ 216,156,028

	General Fund	Special Revenue Funds	Totals
Administration:			
School Board	\$ 639,357	\$ 0	\$ 639,357
General Administration	789,024	0	789,024
School Administration (Excluding Support Expenditures)	8,137,082	0	8,137,082
Fiscal Services	1,569,452	0	1,569,452
District Administration of Support Functions:			
Student Personnel Services	370,612	0	370,612
Instructional Media	192,649	0	192,649
Curriculum Development	1,335,624	0	1,335,624
Facilities Acquisition	0	0	0
Central Services	594,639	0	594,639
Administrative Technology Services	1,560,295	0	1,560,295
Subtotal	15,188,734	0	15,188,734
Less Adult Program Costs	(101,765)	0	(101,765)
Total K-12 Costs of Administration	\$ 15,086,969	\$ 0	\$ 15,086,969

K-12 Unweighted Full-time Equivalent (UFTE) Students

27,557.05

**EDUCATIONAL FUNDING ACCOUNTABILITY ACT
REPORTING REQUIREMENTS
FY 2007-08**

**PHASE 2
Educational Funding Accountability Act
Reporting Requirements 2007-08**

District School Board of Alachua County

District No. 01

District Employees By Classification:

	Regular Full-Time	Regular Part-Time	Totals	%
A Instructional Personnel	1,678	56	1,734	40.32%
B Instructional Specialists	430	193	623	14.48%
C Instructional Support Personnel	484	25	509	11.83%
D Administrative Personnel	101	0	101	2.35%
E Managers	40	0	40	0.93%
F Educational Support Personnel	1,269	25	1,294	30.09%
Totals	4,002	299	4,301	100.00%

Costs of Administration per K-12 UFTE

K-12 Unweighted Full-time Equivalent (UFTE) Students	<u>27,557.05</u>
Total K-12 Costs of Administration - General Fund	<u>\$ 15,086,969</u>
Costs of Administration per K-12 UFTE - General Fund	<u>\$ 547.48</u>
Total K-12 Costs of Administration - Special Revenue Funds	<u>\$ 0</u>
Costs of Administration per K-12 UFTE - Special Revenue Funds	<u>\$ 0.00</u>

CHAPTER 2009-74

Committee Substitute for Committee Substitute for Senate Bill No. 1796

An act relating to governmental financial information; amending s. 11.40, F.S.; directing the Legislative Auditing Committee to provide oversight and management of a state website providing information on governmental appropriations and expenditures; creating s. 215.985, F.S.; providing a short title; providing definitions; requiring the Executive Office of the Governor to establish a website providing information relating to each appropriation in the General Appropriations Act; requiring the committee to propose providing additional state information and a format for collecting and displaying information from other governmental entities on the website; requiring the committee to develop a schedule by a certain date for adding other information to the website and submit it to the President of the Senate and the Speaker of the House of Representatives; requiring all branches of state government to establish allotments in the Florida Accounting Information Resource Subsystem for planned expenditures; requiring the committee to coordinate with the Financial Management Information Board in developing certain website information; requiring governmental entities to provide information as necessary; excepting certain small municipalities and special districts from the requirements of the act; requiring the Office of Policy and Budget in the Executive Office of the Governor to ensure that all data added to the website remains accessible to the public for a certain time; requiring an annual report to the Governor and Legislature on progress toward establishing the website; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Subsection (4) of section 11.40, Florida Statutes, is amended to read:

11.40 Legislative Auditing Committee.—

(4) The Legislative Auditing Committee:

(a) May take under investigation any matter within the scope of an audit, review, or examination either completed or then being conducted by the Auditor General or the Office of Program Policy Analysis and Government Accountability, and, in connection with such investigation, may exercise the powers of subpoena by law vested in a standing committee of the Legislature.

(b) Shall provide oversight and management of the website developed pursuant to s. 215.985.

Section 2. Section 215.985, Florida Statutes, is created to read:

215.985 Transparency in government spending.—

(1) This section may be cited as the “Transparency Florida Act.”

(2) As used in this section, the term:

(a) “Governmental entity” means any state, regional, county, municipal, special district, or other political subdivision whether executive, judicial, or legislative, including, but not limited to, any department, division, bureau, commission, authority, district, or agency thereof, or any public school district, community college, state university, or associated board.

(b) “Website” means a site on the Internet which is easily accessible to the public at no cost and does not require the user to provide any information.

(c) “Committee” means the Legislative Auditing Committee created in s. 11.40.

(3) The Executive Office of the Governor, in consultation with the appropriation committees of the Senate and the House of Representatives, shall establish a single website, directly accessible through the state’s official Internet portal, which provides information relating to each appropriation in the General Appropriation Act for each branch of state government and state agency.

(a) At a minimum, the information provided must include:

1. Disbursement data for each appropriation by the object code associated with each expenditure established within the Florida Accounting Information Resource Subsystem. Expenditure data must include the name of the payee, the date of the expenditure, the amount of the expenditure, and the statewide document number.

2. For each appropriation, any adjustments, including vetoes, approved supplemental appropriations included in legislation other than the General Appropriations Act, budget amendments, other actions approved pursuant to chapter 216, and any other adjustments authorized by law.

3. Status of spending authority for each appropriation in the approved operating budget, including released, unreleased, reserved, and disbursed balances.

4. Position and rate information for positions provided in the General Appropriations Act.

(b) All data provided through the website must be data currently available in the state’s financial management information system referenced in s. 215.93.

(4) The committee shall propose providing additional state fiscal information, which may include, but is not limited to, the following information for state agencies:

(a) Details of nonoperating budget authority established pursuant to s. 216.181.

(b) Trust fund balance reports, including cash available, investments, and receipts.

(c) General revenue fund balance reports, including revenue received and amounts disbursed.

(d) Fixed capital outlay project data, including original appropriation and disbursements throughout the life of the project.

(e) A 10-year history of appropriations indicated by agency.

(f) Links to state audits or reports related to the expenditure and dispersal of state funds.

(g) Links to program or activity descriptions for which funds may be expended.

(5) The committee shall recommend a format for collecting and displaying information from state universities, public schools, community colleges, local governmental units, and other governmental entities receiving state appropriations.

(6) By March 1, 2010, the committee shall develop a schedule for adding other information to the website by type of information and governmental entity, including timeframes and development entity. The schedule shall be submitted to the President of the Senate and the Speaker of the House of Representatives. Additional information may include:

(a) Disbursements by the governmental entity from funds established within the treasury of the governmental entity, including, for all branches of state government, allotment balances in the Florida Accounting Information Resource Subsystem.

(b) Revenues received by each governmental entity, including receipts or deposits by the governmental entity into funds established within the treasury of the governmental entity.

(c) Information relating to a governmental entity's bonded indebtedness, including, but not limited to, the total amount of obligation stated in terms of principal and interest, an itemization of each obligation, the term of each obligation, the source of funding for repayment of each obligation, the amounts of principal and interest previously paid to reduce each obligation, the balance remaining of each obligation, any refinancing of any obligation, and the cited statutory authority to issue such bonds.

(d) Links to available governmental entity websites.

(7) A counter shall be established on the website to show the number of times the website has been accessed.

(8) By August 31 of each fiscal year, each executive branch agency, the state court system, and the Legislature shall establish allotments in the

Florida Accounting Information Resource Subsystem for planned expenditures of state appropriations.

(9) The committee shall coordinate with the Financial Management Information Board in developing any recommendations for including information on the website which is necessary to meet the requirements of s. 215.91(8).

(10) Functional owners as defined in s. 215.94 and other governmental entities shall provide information necessary to accomplish the purposes of this section.

(11) Any municipality or special district having a population of 10,000 or fewer is exempt from this section. Population determinations must be based on the most recent population estimates prepared pursuant to s. 186.901.

(12) This section does not require or permit the disclosure of information that is considered confidential by state or federal law.

(13) The Office of Policy and Budget in the Executive Office of the Governor shall ensure that all data added to the website remains accessible to the public for 10 years.

(14) The committee shall prepare an annual report detailing progress in establishing the single website and providing recommendations for enhancement of the content and format of the website and related policies and procedures. The first report shall be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives by November 1, 2011, and annually by November 1 thereafter.

Section 3. This act shall take effect upon becoming a law.

Approved by the Governor May 27, 2009.

Filed in Office Secretary of State May 27, 2009.

**Presentation of OPPAGA Report No. 10-15,
Several Options Are Available for Modifying
the Florida Retirement System's Structure
to Reduce System Costs, and
presentation of reviews concerning
DROP and state employee benefits**



Changes to the Florida Retirement System Could Reduce Costs

Joint Legislative Auditing Committee

February 15, 2009

Florida Legislature Office of Program Policy Analysis & Government Accountability

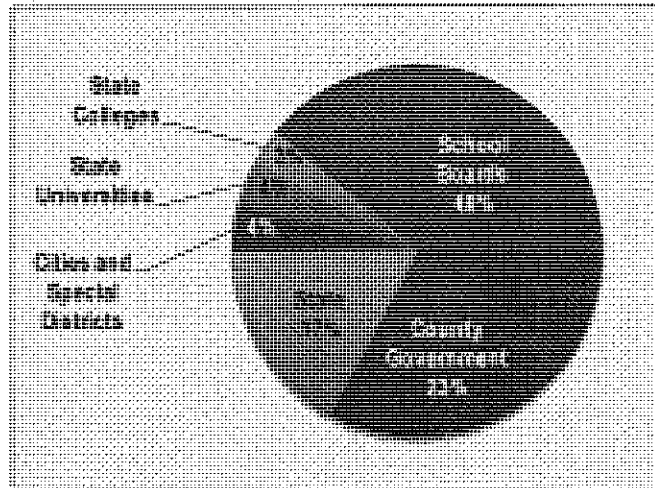
Overview

- FRS includes both state and local government employees
- System costs will substantially increase
- FRS's two plans have differing advantages
- There are options to reduce FRS costs
 - Changing membership classes
 - Changing contribution levels
 - Shifting to defined contribution plan
 - Modifying DROP

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Most FRS Members Are Local Government Employees



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3

FRS Has Two Plans

- Pension Plan – provides a defined benefit payment to retirees
- Investment Plan – provides a defined contribution to employees' individual investment account; payments to retirees will vary based on investment performance

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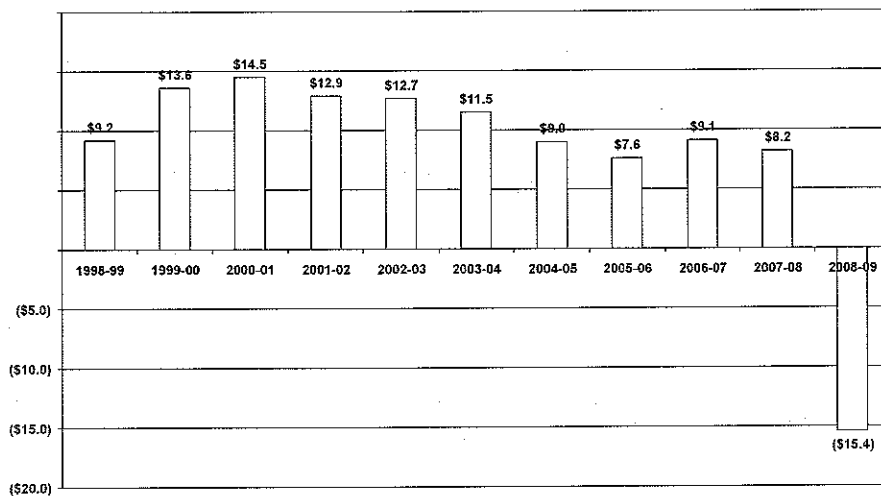
FRS Pension Plan as of 6/30/09

- 572,887 participants, 288,216 retiree annuitants
- \$99 billion in net assets
- Major investment loss in FY 2008-09 (-19%)
some losses have been recovered
- \$15.3 billion actuarial deficit – 88.5% funding ratio

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Pension Plan Had a Surplus but Now Has a Deficit



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FRS Investment Plan as of 6/30/09

- 95,529 participants -- 21,139 retirees
- \$4 billion in net assets – (down \$297 million for year)

FRS Benefit Formula Has Not Changed

Years of Service X Accrual Rate X Average Final Compensation = Annual Pension Benefit

Accrual rate is the percentage value awarded for each year of creditable service

Average Final Compensation was the average of the five best years of the last ten years of service

FRS Class Structure Has Changed Initial (1970) Structure

	Regular	Special Risk
Vesting	10 Years	10 Years
Normal Retirement	Age 62 with 10 Years of Service or 35 Years of Service	Age 55 with 10 Years of Service or 25 Years of Service
Accrual Rate	1.6% - 1.68%	2%
Employee Contribution Rate	4%	6%

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FRS Has Evolved Significantly

- 1970: Created as Contributory System with 2 Classes
- 1972: Elected State Officers' Class added
- 1975: Employee contributions eliminated for Regular and Special Risk Class employees
- 1981: Non-contributory for all classes
- 1982: Special Risk Administrative Support added

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FRS Has Evolved Significantly

(continued)

- 1986: Senior Management Service Class added
- 1998: Deferred Retirement Option Program (DROP)
- 2002: Investment Plan created
- Other benefits enhanced over time
 - Vesting periods reduced
 - Expanded classes, increased accrual rates, added in-line of duty disability benefits

Current Accrual Rates Vary

- Regular: 1.6% - 1.68%
- Special Risk: 3%
- Special Risk Administrative Support: 1.6% - 1.68%
- Senior Management: 2%
- Elected Officers'
 - Judicial: 3.3%
 - Legislature/Cabinet/Attorneys: 3%
 - County: 3%

Average Benefits Vary By Class

Class	Average Initial Benefit for Retirees in Fiscal Year 2007-08
Regular	\$9,248
Special Risk	\$24,230
Special Risk Administrative Support	\$26,274
Elected Officers	\$21,027
Senior Management	\$28,993

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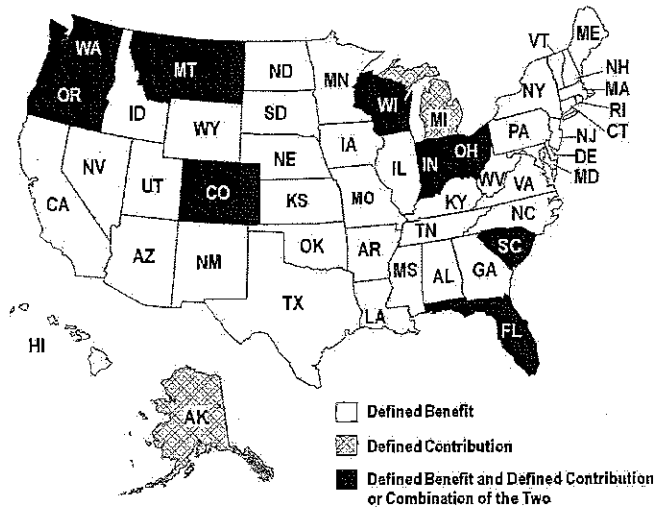
FRS Is Similar to Systems Offered by Other States

- All have multiple classes
- 45 require Regular Class contributions
 - 5% contribution rate
 - 2% accrual rate
- 43 require Special Risk contributions
 - 7.5% contribution rate
 - 2.5% accrual rate
 - 10 states have accrual rates of 3% or higher; 9 are contributory
- Senior Management Service Class is Rare

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Most States Offer Only One Plan



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The Two Plans Have Differing Advantages

- Defined Contribution Plans
 - Predictable costs
 - No need for actuarial studies
 - Shifts investment risk to employee, who may attain higher (or lower) benefits
 - Benefits are portable and have shorter vesting period
 - Favored by non-career employees

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The Two Plans Have Differing Advantages

- **Defined Benefit Plans**
 - Typically have higher investment returns
 - Typically have lower investment costs
 - May achieve surpluses that can defray costs
 - Favored by career employees

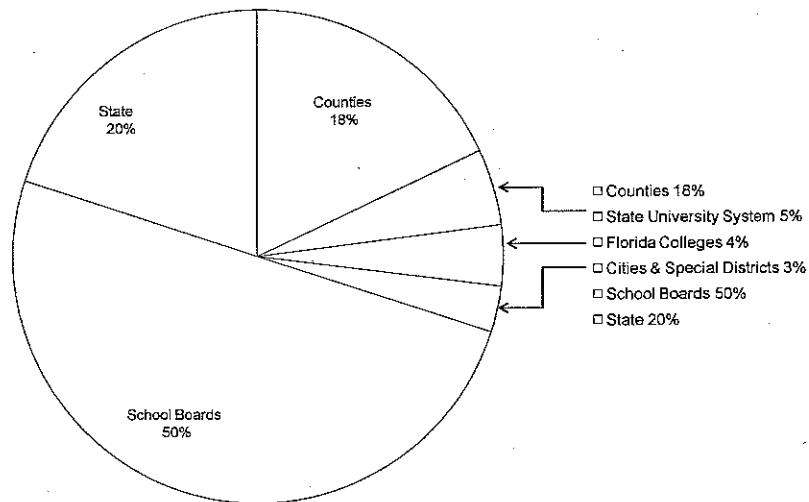
DROP Was Created in 1998

- **Purpose not articulated; two schools of thought:**
 - Encourage higher paid employees to retire
 - Retain skilled employees
- **Allows members to retire and continue working**
 - 5 Years: Most members
 - 8 Years: K-12 Instructional Personnel
- **Pension benefits accumulate in the FRS Trust fund**
 - Earn 6.5% interest + 3% COLA
- **Members must terminate FRS employment after completing DROP**

Recent Legislation Changed DROP

- Members who retire or exit DROP after July 1, 2010
 - Cannot be reemployed by an FRS employer within 6 months
 - Are ineligible to earn additional pension benefits
 - Elected officials may only earn interest on their accounts for the specified DROP period, even if their term of office extends beyond the expiration date.

Most DROP Participants Are Local Government Employees



Cost Reduction Options

Option – Offer Only the Defined Contribution Plan

- FRS costs would have been \$183 million lower if all employees hired since July 1, 2002 had been in Defined Contribution Plan
- However, closing Pension Plan would increase its contribution rate
- Actuarial study of costs now being done

Option – Reduce Retirement Classes

For example, FRS initially included only two classes.
Reinstating initial design would save \$359 million

	Class 1	Class 2
Class Criteria	Can complete 30-year career without endangering self, coworkers, or public	Cannot complete 30-year career without endangering self, coworkers, or public
Normal Retirement	Age 62 with 10 Years of Service or 35 Years of Service	Age 55 with 10 Years of Service or 25 Years of Service
Accrual Rate	1.6% to 1.68%	2%
Membership	20% of current Special Risk and all Regular, Senior Management, Elected Officers' Class members	80% of current Special Risk members

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Option - Revisit Special Risk Class Membership

- Number of employee classes in Special Risk Class has substantially increased overtime
- For example, could restrict Special Risk membership to only law enforcement officers, Firefighters, and Corrections officers
- Would save \$83 million

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Option – Modify Accrual Rates

- For example, could reinstate accrual rates that were used when FRS was created in 1970

Class	Current Accrual Rate	Original Accrual Rate
Regular	1.6% - 1.68%	1.6% - 1.68%
Elected Officers'	3% - 3.3%	1.6% - 1.68%
Senior Management	2%	1.6% - 1.68%
Special Risk	3%	2%
Special Risk Administrative	1.6% - 1.68%	1.6% - 1.68%

- Would save \$327 million

Option – Require Employees to Contribute to System

- Each 1% contribution would generate \$275 million
- Would not reduce employer contributions on a dollar-for-dollar basis
 - Employee contributions are refundable
 - 70% of FRS employees leave prior to meeting the 6-year vesting requirement

Option – Modify DROP

- DROP cost \$41.7 million in FY 2008-09
- Costs vary by membership class
 - Regular Class = .09%
 - Special Risk = .46%
 - Special Risk Administrative Support = -.04%
 - Senior Management Service Class = .04%
 - Elected Officers' Class = .06% to .35%
- Has been funded through blended rate that shifts costs among employers

DROP Shifts Cost to Regular Class Employers

FRS Fiscal Year 2010-11 Blended Rates							
	Regular	Senior Management	Special Risk	Special Risk Administrative Support	Judicial	L/A/C	Counties
Rates	11.66%	21.56%	28.57%	27.21%	32.27%	32.08%	37.36%
DROP	20.07%	20.07%	20.07%	20.07%	20.07%	20.07%	20.07%
Difference	+8.41%	-1.49%	-8.5%	-7.14%	-12.2%	-12.01%	-17.29%

Many States Implement Drop Differently

- At least 12 other states offer DROP
 - Four offer DROP to all members
 - Six limit to Special Risk only
 - Six provide a guaranteed interest rate (typically lower)
 - Four provide COLAs
 - Six allow members to defer enrollment after meeting eligibility requirements

Options for Modifying DROP

- Define purpose
- Fund by membership class
- Standardize requirements
- Base interest rate on current economic conditions
- Eliminate DROP – potential annual savings of \$41 million

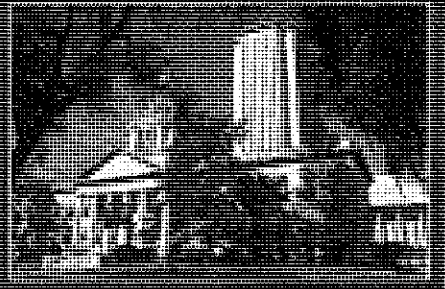
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Reports Available online at:
www.oppaga.state.fl.us/reports/pdf/1015rpt.pdf
www.oppaga.state.fl.us/reports/pdf/1019rpt.pdf



Several Options Are Available for Modifying the Florida Retirement System's Class Structure to Reduce System Costs

at a glance

The Florida Retirement System has evolved since its creation, which has increased state and local government costs. The Legislature could consider several options for modifying the system's retirement class structure to reduce system costs, including consolidating employee retirement classes, restricting class membership, modifying benefits for some classes, and requiring employees to contribute to the retirement system. These options would generally shift FRS back to the model that existed when the system was established in 1970, move the system closer to the model used by most other states, and recognize the longer life expectancy of current employees. By doing so, the options would reduce benefits for affected employees. Therefore, when considering these options, the Legislature should consider the overall system of employee compensation and how changing the Pension Plan and the Investment Plan would affect that system.

Scope

As directed by the Legislature, this is the second of a series of reports that reviews components of the Florida Retirement System (FRS). This report focuses on the system's retirement class structure and answers four questions.

1. What membership class structure did the Legislature establish when it created the FRS?

2. How has the FRS class structure evolved over time and what are the effects of these changes?
3. What class structures do other state and federal government retirement programs use?
4. How could the Legislature revise the FRS to reduce costs?

Background

The Legislature established the Florida Retirement System (FRS) in 1970 to serve a wide variety of government employees. The system provides retirement, disability, and death benefits to retirees or their designated beneficiaries, and offers a wide range of information services to non-retired members. Plan members may participate in a traditional defined benefit pension plan (the FRS Pension Plan) or a defined contribution plan (the FRS Investment Plan).¹

Membership in the FRS is compulsory for all full-time and part-time employees working in a regularly established position for a state agency, county government, district school board, state

¹ The FRS Pension Plan provides vested members a defined monthly benefit upon retirement. Retirement benefits are computed based on age and/or years of service, average final compensation, and service credit. The FRS Investment Plan has no guaranteed retirement benefit. Employer contributions are directed to the employee's account and distributed to various investment funds based on the employee's chosen allocation of the contribution. Employee benefits are based on the performance of investment funds, and benefits cease when account balances are depleted, regardless of retiree age or circumstances.

university, community college, or participating city or special district. Elected officials and certain local government managers may elect not to participate in the system. Individuals who work for a government agency in a temporary or independent contractor position are not eligible for FRS membership.

Two state agencies administer the FRS - the Department of Management Services' Division of Retirement and the State Board of Administration (SBA). The division handles the administrative portion of the FRS, including enrolling employers and employees; receiving employer contributions; calculating retirement benefits; and disbursing retirement checks. The SBA is responsible for administering the Investment Plan and investing FRS monies to help ensure that the retirement plans have sufficient assets to fund current and future retiree pensions.

Currently, the FRS consists of five retirement classes.

- **Regular Class:** Includes all employees not assigned to any other class. It is the largest class with 582,568 members in 2009. Its members have the lowest average annual compensation at \$38,915.
- **Special Risk Class:** Includes employees who are law enforcement officers, firefighters, correctional officers, emergency medical technicians, paramedics, and others who meet membership criteria (see Appendix A for a detailed description of membership criteria). The class had 75,640 members in 2009 with an average annual compensation of \$53,220.
- **Special Risk Administrative Support Class:** Includes former Special Risk Class members who are reassigned to support positions that are not classified as special risk (e.g., an instructor or career development specialist). It is the smallest class with 76 members in 2009 with an average annual compensation of \$44,974.
- **Senior Management Service Class:** Includes employees who fill management positions assigned by law to the Senior Management Service Class or authorized by law as eligible

for Senior Management Service Class designation. This class had 7,725 members in 2009 with an average annual compensation of \$80,290.

- **Elected Officers' Class:** Includes elected state and county officers, and municipal or special district officers whose governing body has chosen that its elected officers participate in the class. The class is divided into three groups — judges; legislators, Governor, Lieutenant Governor, Cabinet members, state attorneys, and public defenders; and county elected officials. The class had 2,304 members in 2009 with an average annual compensation of \$78,089.

Employers pay all required contributions to fund the FRS. The contribution, which varies by class, is based on a percentage of an employee's salary, as shown in Exhibit 1.

**Exhibit 1
Fiscal Year 2009-10 Employer Contribution Rates
Differ Significantly Across Retirement Classes**

Employee Class	2009-10 Uniform Employer Contribution ¹
Regular	8.69%
Special Risk	19.76%
Special Risk Administrative Support	11.39%
Senior Management Service	11.96%
Elected Officers:	
Judges	18.40%
Legislators, Governor, Cabinet Members, State Attorneys, Public Defenders	13.32%
County	15.37%

¹The uniform contribution rate is the rate necessary to fund the benefit obligations of the FRS Pension Plan and Investment Plan.

Source: Section 121.71, *Florida Statutes*.

The basic formula for calculating a member's unreduced annual retirement benefit under the FRS Pension Plan is the same for all classes:

Years of Service	×	Accrual Rate	×	Average Final Compensation	=	Annual Pension Benefit
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Average final compensation is the average of an employee's five highest fiscal years of compensation. The accrual rate, which varies by class, is the percentage of the average final compensation that is awarded for each year

of service. (Appendix B shows the normal retirement age, required years of service, and accrual rates for each class.) As shown in Exhibit 2, Regular Class members who retired between 1970 and 2009 received an average initial annual retirement payment of \$11,174, while Senior Management Service Class members had the highest average initial annual payment of \$33,593.

Exhibit 2
Average Annual Initial Retirement Payment to Employees in Various Membership Classes Retiring Between 1970 and 2009 Ranged from \$11,174 to \$33,593

Class	Number of Members Retiring ¹	Average Years of Service	Average Initial Annual Retirement Payment
Regular	253,872	20.94	\$11,174
Special Risk	23,896	20.40	\$22,885
Special Risk Administrative Support	164	25.34	\$23,133
Senior Management	2,007	24.18	\$33,593
Elected Officers	2,048	20.83	\$31,090

¹ Does not include active DROP participants.

Source: Division of Retirement.

Questions and Answers —

What membership class structure did the Legislature establish when it created the FRS?

When the Legislature created the Florida Retirement System in 1970, it established a contributory system that consisted of two membership classes—the Special Risk Class and the Regular Class. Special Risk Class membership included law enforcement officers, corrections officers, and firefighters. All other FRS members were assigned to the Regular Class. Special Risk Class members and employers each contributed 6% of gross compensation to the pension fund (for a total of 12%), and Regular Class members and employers each contributed 4% (for a total of 8%). Members of both classes were required to complete 10 years of service to vest (i.e., qualify for a retirement benefit). Vested special risk

members were eligible for normal retirement at age 55 or at any age after completing 25 continuous years of special risk service.² Vested Regular Class members were eligible for normal retirement at age 62 or at any age after completing 35 continuous years of service.³

In creating the Special Risk Class, the Legislature recognized that the duties performed by class members were arduous and physically demanding and that class members may not be able to work until age 62 and perform their duties without endangering themselves, their co-workers, or the public. Anticipating that special risk members would likely retire at a younger age and with fewer years of service, the Legislature chose to award this class more retirement credit (i.e., accrual rate) to ensure that they did not suffer ‘economic deprivation’ when compared to Regular Class members. Thus, the accrual rate for Special Risk Class members was set at 2% for each year of service, while the accrual rate for Regular Class members was set at 1.6% per year of service.⁴ Using this approach, members of both classes would receive approximately 50% of their final average salary after completing a normal career.

How has the FRS class structure evolved over time, and what are the effects of these changes?

Between 1970 and 2009, the Florida Retirement System changed considerably. These changes have resulted in significant differences between and within membership classes and increased FRS costs.

Since the FRS was created, the class structure has changed substantially. In 1972, two years after creating the FRS, the Legislature established the Elected State Officers’ Class and merged it with

² Vested members who retired before their normal retirement dates would have their benefits reduced by five-twelfths of 1% for each month by which their early retirement dates preceded their normal retirement dates.

³ Chapter 77-466, *Laws of Florida*, made vested Regular Class members eligible for normal retirement at 30 years.

⁴ The Regular Class accrual rate increases to a maximum of 1.68% when a vested employee completes 33 years of service or reaches age 65.

the Judicial Retirement System.⁵ Membership was compulsory for any Governor, Lieutenant Governor, cabinet officer, legislator, Supreme Court justice, district court of appeal judge, circuit judge, or public service commissioner on or after July 1, 1972, who was not already a member of an existing system or FRS class when elected or appointed to office. In 1974, county court judges were added to this class. Elected class members and their employers each initially contributed 8% of the members' gross compensation to the pension fund; the accrual rate for non-judicial members was 3% while the accrual rate for judges and justices was 3.3% of their average final salaries. Placing these elected officials in this class had the effect of increasing FRS system costs by approximately \$142 million between 1973 and 2009.

In 1975, the Legislature converted both the Regular Class and Special Risk Class to non-contributory status, with employers assuming full responsibility for funding the retirement system. Similarly, between 1979 and 1981 the Elected Officers' Class was converted to non-contributory status. The Division of Retirement reported that the Legislature eliminated automatic pay raises and longevity increases for state employees to offset the cost of converting the FRS to a non-contributory system.⁶

The Regular Class remained relatively unchanged until 2001 when the Legislature reduced the vesting requirement for all classes to six years.^{7,8} The vesting requirement prior to 2001 varied from 7 to 10 years, depending on membership class.⁹ The change will have a total fiscal impact of

approximately \$4.6 billion when amortized over 30 years.¹⁰

While the Regular Class has remained relatively unchanged, the Special Risk Class has been modified several times to increase benefits and expand membership criteria, with an associated estimated cost of more than \$2 billion. The most significant changes occurred in 2000 when retirees with special risk service between 1978 and 1992 who retired prior to July 1, 2000 were provided a one-time 12% benefit increase. This change will have a fiscal impact of more than \$1 billion when amortized over 30 years. During 2000, Special Risk Class accrual rates were increased from 2% to 3% for all years between 1978 and 1993 for all members retiring on or after July 1, 2000; the Legislature funded this \$696.8 million change from an actuarial surplus in the FRS trust fund over a three-year period. Also, in 2000, the minimum special risk in-line of duty disability benefit was increased from 42% to 65% of average final compensation (the minimum in-line-of-duty disability benefit for all other classes remained at 42%). This change generated a recurring annual cost of approximately \$2.9 million. Other significant Special Risk Class changes are detailed in Appendix C.

In 1982, the Special Risk Administrative Support Class was created to allow special risk members who were reassigned to administrative support positions to accrue pension benefits at the Regular Class rate, but retain the right to retire at age 55 after completing at least 10 years of creditable special risk service.¹¹

In 1987, the Legislature created the Senior Management Service Class for state employees who served in executive-level positions.¹² To

⁵ The Elected State and County Officers' Class was renamed the Elected Officers' Class in 1998 by Ch. 98-413, *Laws of Florida*.

⁶ The decision to eliminate automatic pay raises applied only to state employees and did not affect the pay provisions of other FRS employers, such as county governments and school boards.

⁷ Vesting refers to the age and length of service requirement to be eligible for a retirement benefit.

⁸ The national average to vest in a state retirement plan is 6.16 years.

⁹ The Senior Management Service Class vesting requirement was 7 years; the Elected Officers' Class vesting requirement was 8 years; and the Regular Class and the Special Risk Class vesting requirement was 10 years.

¹⁰ Milliman and Robertson, Inc. May 2000 analysis of House Bill 2393 and 2003 *FRS Experience Study*.

¹¹ Establishing this class increased the Florida Retirement System's actuarial accrued liability by \$4.2 million. Contribution rates were increased to amortize this cost over 30 years.

¹² The State Personnel System is composed of state employees in the Career Service, Selected Exempt Service, and Senior Management pay plans. FRS members employed by state universities, the Judicial Administration System, the State Court System, the Legislature, the Florida Lottery, the Governor's Office, the School for the Deaf and the Blind, and the Florida National Guard are not members of the State Personnel System.

control class size, the Legislature initially limited membership to no more than 500 members. Since then, the Senior Management Service Class has increased to more than 8,300 members due to several expansions of its membership criteria.

- 1990 – Local senior managers, including community college presidents, school district superintendents, city and county managers, and selected legislative managers were added to the class.
- 1991 – State University System managers and State Board of Administration managers were added.
- 1994, 1999, 2001, 2002 – Judicial branch employees were added to the class.¹³

Since 1987, the cost to create and expand the Senior Management Service Class has totaled approximately \$157 million.

Changes to the FRS system have resulted in significant differences between and within classes. In 1978, the Legislature changed the normal career requirements for Regular Class members from 35 years of continuous service to 30 years of service, but did not change the 25-year normal career requirement for Special Risk Class members. The legislative intent for the difference in the career lengths was the physically demanding duties performed by Special Risk Class members (e.g., law enforcement officers, firefighters, and corrections officers) rather than the inherent risks associated with the duties.

In addition, the Legislature has extended Special Risk Class membership to some former Regular Class members who do not perform as physically demanding duties but have other risk factors associated with their jobs (e.g., polygraph examiners, fingerprint technicians, and workers employed by medical examiners). However, this expansion has been piecemeal and has not included other FRS members who work in environments with similar risks. For example, the Department of Corrections' registered nurses are classified as being in the Special Risk Class while

the department's licensed practical nurses are Regular Class members. Similarly, Department of Health medical personnel who work in the county jails are not Special Risk Class members, nor are unit treatment rehabilitation specialists who work directly with patients in forensic facilities.

What class structures do other state and federal government retirement programs use?

Similar to Florida, other states and the federal government have established multiple retirement classes. For example, all states have a class equivalent to Florida's Regular Class. However, most states (44) and the federal government require employees in the regular class to contribute a portion of their pay to the retirement system. The median employee contribution rate for all states and the federal government is 5.00%, ranging from .8% for federal employees to 11.25% for Nevada employees (Florida is non-contributory). The median regular class accrual rate for a 30-year career for all states and the federal government is 2.00% compared to 1.6% in Florida.¹⁴

The federal government and all other states also have a class equivalent to Florida's Special Risk Class. However, in many states this class is restricted to law enforcement and corrections officers and firefighters. The federal government and 42 states require special risk employees to contribute a portion of their salaries to the retirement plan (median contribution for all members of 7.5%), ranging from 1% to 19%, and the median accrual rate for all members who serve at least 25 years is 2.5%. Ten states, including Florida, have a special risk accrual rate that averages 3% or more for a 25-year career. However, unlike Florida, each of these states requires employees to contribute to the pension system.

Few other states offer a pension class similar to Florida's Senior Management Service Class, and those that do restrict it to relatively few employees. For example, the federal government,

¹³ Changes in the judicial employee class occurred over eight years and included the addition of 14 employee groups, including public defenders and state attorneys in each of the 20 judicial districts.

¹⁴ This figure includes defined benefit and hybrid plans, but does not include Alaska, Michigan, and Nebraska, which offer defined contribution and cash balance plans to their regular class members.

the Georgia Employees' Retirement System, the New York State and Local Employees' Retirement System, and the Texas Employees' Retirement System do not have a unique class for senior managers. Pennsylvania and California have such classes but membership is very restricted—Pennsylvania has only 380 members in its Senior Management Service, while California has only 1,448 Career Executive Assignment positions. In comparison, Florida had 8,353 persons in the Florida Retirement System's Senior Management Service Class in 2008.¹⁵

Like Florida, the federal government and other states have separate retirement classes for elected officials, with these programs varying significantly by government entity. For example, members of the Pennsylvania Assembly and Texas Legislature are required to contribute to their retirement system, while Florida and New York legislators do not make such contributions. Retirement accrual values also vary substantially among states. Members of the Georgia Assembly are awarded \$36 per month for each year of service while members of the California Assembly are only eligible for Social Security benefits. Exhibit 3 displays the contribution rates and accrual rates for elected officials in the federal government and selected states.

Exhibit 3
Elected Officer Employee Contribution and Accrual Rates Vary Significantly by Government Entity

Retirement System	Employee Contribution	Non-Judicial Accrual Rate
Florida State and Local Elected Officials	0%	3%
U.S. Congress	1.3%	1.7% (first 20 years) and 1% (each year after 20 years)
California Assembly	0%	Social Security only
Georgia Assembly	4%	\$36 per year of service
New York Legislature	0%	2.5%
Pennsylvania Assembly	7.5%	3%
Texas Legislature	8%	2.3%

Source: Retirement system handbooks for selected states and the federal government.

¹⁵ Includes DROP participants.

How could the Legislature revise the FRS to reduce costs?

The Legislature could consider several options to modify the Florida Retirement System Investment Plan and Pension Plan structures to reduce system costs. These options include consolidating employee retirement classes (Option 1); limiting the Special Risk Class to only law enforcement, firefighter, and correctional officers (Option 2); modifying accrual values for employee classes (Option 3); and requiring FRS members to contribute to the system (Option 4). These options would generally shift FRS back to the model that existed when the system was established in 1970, move the system closer to the model used by most other states, and recognize the longer life expectancy of current employees. By doing so, the options would reduce benefits for affected employees. Therefore, when contemplating these options, the Legislature should consider the overall system of employee compensation and how changes to the Pension Plan and the Investment Plan would affect that system.

Option 1: Consolidate employee retirement classes based on ability to work a normal 30-year career. Under this option, the Legislature would amend the law to consolidate the current five retirement classes into two classes. It would essentially return FRS to the structure that existed in 1970 when the Legislature established the system. Implementing this option could reduce annual employer costs by approximately \$359 million.¹⁶

Class 1 would be identical to the current Regular Class and would include all FRS members who could be expected to reach normal retirement age (e.g., 30 years of service at any age or 6 years of service at age 62). The base accrual rate for the class would be 1.6% - 1.68%.

Class 2 would include all members whose duties preclude them from working more than 25 years or beyond age 55 without endangering themselves, the public, or their coworkers (i.e.,

¹⁶ OPPAGA analysis of data provided by the Division of Retirement.

law enforcement officers, firefighters, and corrections officers). Current Special Risk Class members who would be expected to work a normal 30-year career would not be eligible for Class 2 membership. This class would be eligible for retirement after completing 25 years of Class 2 service or completing 6 years of Class 2 service at age 55. The accrual rate for the class would be 2%.¹⁷

The advantages of this option are that

- it would yield significant cost savings;
- all employees could retire at the end of a normal career with approximately 50% of their final average compensation; and
- since a reduced accrual rate will generate a reduced pension benefit, employees may choose to defer retirement, allowing employers to retain trained employees for a longer period.

This option would reduce benefits for employees in the Special Risk, Elected Official, and Senior Management Service Classes who currently earn higher pension credits; these employees would have to work longer to earn the same retirement benefit.

Option 2: Limit the Special Risk Class to law enforcement, firefighters, and correctional officers. Under this option, the Legislature would limit the Special Risk Class to law enforcement, firefighters, and corrections officers, the original employee groups covered by the class when the FRS was established in 1970. This option recognizes the physical demands faced by these employees and provides for their earlier retirement, but excludes other employees who may face greater risks than typical employees (e.g., medical personnel who work in correctional facilities).

The potential savings from this option depends on how many employees would be transferred from the Special Risk Class to the Regular class. If 20% of the Special Risk Class members transferred to the Regular Class and the remaining members

continued to accrue pension benefits at 3% per year, the annual savings would be approximately \$83 million.¹⁸ Persons transferred out of the Special Risk Class would no longer receive retirement compensation for their higher employment risks and would be required to work longer to receive the same benefits provided by the current system.

Option 3: Reduce accrual rates for employee classes. By implementing this option, the Legislature would establish comparable pension benefits for all FRS members, regardless of class, similar to that offered by most other states. Specifically, the Legislature could reduce the Special Risk Class accrual value to 2% and all other class accrual values to the current Regular Class base accrual rate of 1.6% - 1.68%. Implementing this option would reduce annual employer contributions by \$327.5 million.¹⁹ Exhibit 4 shows the cost reduction by class.

Affected employees would need to work longer to earn the same retirement income due to the reduced accrual value of their pension benefit.

**Exhibit 4
Reducing Accrual Values Would Reduce Annual Employer Costs**

Class	Annual Savings (in millions)
Special Risk	\$295.61
Senior Management	16.57
Elected Officers	15.33
Judicial	6.92
Legislators/Attorneys/Cabinet	.94
County	7.47
Total	\$327.51

Source: OPPAGA analysis of Division of Retirement data.

Option 4: Require employees to contribute a percentage of their salary to the retirement system. Under this option, the Legislature would convert the FRS to an employee contributory system as is used in most states and existed in Florida when the system was created in 1970. Requiring all members to contribute 1% of their salaries to the system would generate \$275 million annually and would also produce a reduction in

¹⁷ The in-line-of duty disability retirement benefits would be 42% for both classes.

¹⁸ OPPAGA analysis of data provided by the Division of Retirement.

¹⁹ Ibid.

employer contributions.²⁰ Employer contributions will not be reduced on a dollar-for-dollar basis because employees who leave the FRS before vesting are entitled to withdraw their contributions and funds must be available to support this option. An actuarial study would be required to estimate the effect of implementing the option on employer contributions. Exhibit 5 shows the contribution amount, by class, if employees were required to contribute 1%, 3%, or 5% of their salaries.

The major disadvantage of this option is that it would reduce employee compensation unless salary rates were increased to match the level of required pension contributions, which would negate employer savings. To minimize such effects, employee contributions could be phased in over time. Moreover, if this option were implemented, the Division of Retirement would require additional personnel to provide the services associated with calculating and distributing refunds.

²⁰ *Ibid.*

**Exhibit 5
Requiring Employees to Contribute to the Retirement System Would Reduce Employer Contributions¹**

Class	1% Employee Contribution (in millions)	3% Employee Contribution (in millions)	5% Employee Contribution (in millions)
Regular	\$226.71	\$680.13	\$1,133.54
Special Risk	40.26	120.77	201.28
Special Risk Administrative	0.03	0.10	0.171
Senior Management	6.20	18.61	31.01
Elected Officers	1.80	5.40	9.00
Total	\$275	\$825	\$1,375

¹ Employer contributions are not reduced on a dollar-for-dollar basis.
Source: OPPAGA analysis.

Agency Response _____

In accordance with the provisions of s. 11.51(5), *Florida Statutes*, a draft of our report was submitted to the secretary of the Department of Management Services for review and response. The Secretary did not provide a written response to this report.

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

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Gary R. VanLandingham, Ph. D., OPPAGA Director

Appendix A

Special Risk Class Has Many Membership Criteria

Membership in the Florida Retirement System Special Risk Class is dependent upon a number of criteria. The table below describes those criteria for all positions eligible for Special Risk Class designation, including law enforcement officers, firefighters, correctional officers, and others.

Table A-1
Criteria Members of the Special Risk Class Must Meet

Members of the Special Risk Class Must Meet the Criteria Shown Below
<p>1. Employment in one of the positions below</p> <p>a. Law Enforcement Officer</p> <ul style="list-style-type: none"> ▪ A sheriff or elected police chief ▪ A law enforcement officer whose duties require the pursuit, apprehension, and arrest of law violators or suspected law violators ▪ An active member of a bomb disposal unit whose primary responsibility is the location, handling, and disposal of explosive devices ▪ A command officer or supervisor of Special Risk Class members whose duties require the pursuit, apprehension, and arrest of law violators or suspected law violators, or the location, handling, and disposal of explosive devices <p>b. Firefighter</p> <ul style="list-style-type: none"> ▪ A firefighter whose duties and responsibilities include on-the-scene fighting of fires, fire prevention or firefighter training responsibilities, or aerial firefighting surveillance as a fixed-wing pilot employed by the Department of Agriculture and Consumer Services' Division of Forestry ▪ A firefighter whose duties and responsibilities include direct supervision of firefighting units, fire prevention, or firefighter training ▪ A command officer or supervisor of Special Risk Class members whose duties include on-the-scene fighting of fires, fire prevention, or firefighter training <p>c. Correctional Officer and Probation Officer</p> <ul style="list-style-type: none"> ▪ A correctional officer whose primary duty and responsibility is the custody and physical restraint, when necessary, of prisoners or inmates within a prison, jail, or other criminal correction or detention facility, or while on work detail or while being transported outside the facility ▪ A superintendent or assistant superintendent of a correction or detention facility that maintains custody of prisoners or inmates and employs correctional officers. The superintendent is the person directly in charge of the day-to-day operations of a specific correction or detention facility. The assistant superintendent is the person whose responsibilities include direct line authority from the superintendent over all subordinate employees for the day-to-day operations of the facility. If no one employee in a corrections facility has such responsibility, then for retirement purposes there is no assistant superintendent of that facility. ▪ A community-based correctional probation officer whose primary duties and responsibilities are the supervised custody, surveillance, control, investigation, and counseling of assigned inmates, probationers, parolees, or community controllees within the community ▪ A youth custody officer employed by the Department of Juvenile Justice whose primary duties and responsibilities include the supervised custody, surveillance, control, investigation, apprehension, arrest, and counseling of assigned juveniles within the community ▪ A command officer or supervisor of Special Risk Class members whose primary duty and responsibility is the custody and physical restraint, when necessary, of prisoners or inmates within a prison, jail, or other criminal correction or detention facility (or while on work detail or while being transported outside the facility); or the supervised custody, surveillance, control, investigation, and counseling of assigned inmates, probationers, parolees, or community controllees within the community

Members of the Special Risk Class Must Meet the Criteria Shown Below

d. Emergency Medical Technician or Paramedic

- An emergency medical technician or paramedic whose primary duty and responsibility includes on-the-scene emergency medical care and who is employed with a licensed Advance Life Support or Basic Life Support employer
- The direct supervisor of emergency medical technicians or paramedics, or the supervisor or command officer of one or more members who have such supervisory responsibility

e. Certain Professional Health Care Employee in State Correctional or Forensic Facilities or Institutions

- Certain state health care professionals within the Department of Corrections or the Department of Children and Family Services who spend at least 75% of their time performing duties which involve contact with patients or inmates in a correctional or forensic facility or institution; and who are employed in certain specific employment classifications listed in s. 121.0515(2)(f), *Florida Statutes*.

f. Forensic Professionals

- A member employed in certain forensic positions with the Department of Law Enforcement in the crime laboratory, or certain forensic positions with the Division of State Fire Marshal in the forensic laboratory, or certain forensic employees of local government law enforcement agencies or medical examiner's offices who meet the criteria in the retirement laws and rules to qualify for this class.
- A member employed in a forensic position with a local government law enforcement agency or medical examiner's office in order to meet the criteria for Special Risk Class membership must spend 65% of his or her time performing duties that involve the collection, examination, preservation, documentation, preparation, or analysis of human tissues or fluids or physical evidence having potential biological, chemical, or radiological hazard or contamination, or use chemicals, processes, or materials that may have carcinogenic or health damaging properties in the analysis of said evidence, or the member must be the direct supervisor of one or more individuals having such responsibility.

2. Certification or a requirement to be certified as described below:

a. Law Enforcement Officers, Correctional Officers, Community-Based Correctional Probation Officers and Youth Custody Officers

- Certified by the Criminal Justice Standards and Training Commission in compliance with s. 943.1395, *Florida Statutes* (except a sheriff or elected police chief).

b. Firefighters

- Certified by the Firefighters Standards and Training Council in compliance with s. 633.35, *Florida Statutes*.

3. Certification as described below:

a. Emergency Medical Technicians and Paramedics

- Certified by the Department of Health in compliance with s. 401.27, *Florida Statutes*.

Source: *A Retirement Guide for the Special Risk Class*, Florida Division of Retirement, 2009.

Appendix B**Retirement Years of Service and Accrual Rates Vary Significantly by Class**

The Florida Retirement System's five retirement classes have varying years of service requirements and accrual rates. For each class, the table below describes the years of service (or age) needed to achieve "normal retirement." The table also shows the annual accrual rates for each class.

Table B-1
Normal Retirement and Annual Accrual Rates Vary Significantly by FRS Retirement Class

Class	Normal Retirement	Annual Accrual Rate
Regular	30 years of service or age 62 with 6 years of service	1.6% with 30 years of service or age 62 1.63% with 31 years of service or age 63 1.65% with 32 years of service or age 64 1.68% with 33 years of service or age 65
Special Risk	25 years of special risk service, age 55 with 6 years of service, or age 52 with 25 years of service including military service	3% for each year of service
Special Risk Admin Support ¹	25 years of service, age 55 with 6 years of special risk service, or age 52 with 25 years of service including military service	1.6% with 25 years of service or age 55 1.63% with 26 years of service or age 56 1.65% with 27 years of service or age 57 1.68% with 28 years of service or age 58
Senior Management Service	30 years of service or age 62 with 6 years of service	2% per year of service.
Elected Officers	30 years of service or age 62 with six years of service	
Judges & Justices		3.33% per year of service
All Others		3% per year of service

¹ Must have six years of special risk-related service credit.

Source: Division of Retirement.

Appendix C

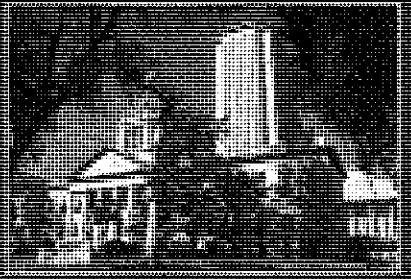
Expansions to the Special Risk Class Have Generated Costs in Excess of \$2 Billion Since 1970

The Legislature has modified the benefits and membership criteria for the Florida Retirement System Special Risk Class numerous times since its creation in 1970. The exhibit below describes the significant statutory amendments and includes the fiscal impact of the changes when such data is available.

**Table C-1
The Legislature Has Modified the Benefits and Membership Criteria for the FRS Special Risk Retirement Class Numerous Times**

Year	Change	Fiscal Impact
1974	Special risk accrual rate increased from 2% to 3%	Cost: \$39.48 million for 4-year period
1978	Special risk accrual rate decreased from 3% to 2%	Savings: \$9.6 million the first year; recurring
1989	Special risk accrual rate increased from 2% to 3% over five years	Cost: \$309.2 million over five years; recurring
1999	Special Risk Class expanded to include emergency medical technicians or paramedics	Cost: \$6.02 million the first year; recurring
2000	Special risk minimum in-line-of-duty disability benefits increased from 42% to 65%	Cost: \$2.9 million for the first year, total of \$11.8 million through June 2003; recurring
2000	One-time 12% benefit increase for retirees with special risk service between October 1, 1978 and December 31, 1992 who retired prior to July 1, 2000	Cost: \$1.025 billion amortized over 30 years
2000	Special Risk Class expanded to include community-based correctional probation officers	Cost: \$36.6 million for first two and one-half years; recurring
2000	Special Risk Class expanded to include certain forensic workers employed by the Department of Corrections or the Department of Children and Family Services	Cost: \$8 million for first two and one-half years; recurring
2000	Special risk retirement credit upgraded for all years between 1978 and 1993 for all members retiring on or after July 1, 2000	Cost: \$697 million from the Trust Fund surplus
2001	Special Risk Class expanded to include fire prevention and training supervisors and fixed-wing pilot firefighters performing aerial surveillance with the Division of Forestry in the Department of Agriculture	Cost: Unknown cost because the number of employees affected by the expansion is unknown. However, employer contributions increased 123% for each employee, recurring
2005	Special Risk Class expanded to include specified forensic workers employed by law enforcement agencies or medical examiners' office	Cost: \$1.4 million for the Florida Department of Law Enforcement in the first year. Unknown cost for other state and local FRS employers since the number of employees affected is unknown.
2008	Special Risk Class criteria changed for forensic workers in the Department of Law Enforcement or Division of State Fire Marshal	Savings: \$514,657 the first year, recurring

Sources: Milliman and Robertson, Inc., Division of Retirement, legislative staff, and OPPAGA analyses.



February 2010

Report No. 10-19

Florida Retirement System Funds and Investment Returns Declined with the Economy; the SBA Reports That Its Investment Strategy Is Designed to Withstand Losses

at a glance

Membership in the Florida Retirement System (FRS) is open to all public employers in the state, with school districts (48%) and counties (23%) currently comprising nearly three-quarters of the membership. Members can choose between three retirement plans: the Pension Plan, the Investment Plan, and the Hybrid Plan. The FRS is managed by the Department of Management Services' Division of Retirement and the State Board of Administration.

FRS Pension Plan investment returns declined with the economy during the past fiscal year. At the end of Fiscal Year 2008-09, the Pension Plan's rate of return was a negative 19.03%, and the fund decreased by \$27 billion from the previous year. Results for the Investment Plan were similar, with a rate of return of negative 15.16% and a decrease in fund assets of \$293 million. As of June 30, 2009, the FRS Pension Plan had 88.5% of the monies needed to pay all current and future expected benefits for existing participants and their beneficiaries. However, State Board of Administration managers report that the board's investing horizon is 15 to 30 years and its investment strategy is designed to withstand short-term losses and economic turndowns.

Scope

As directed by the Legislature, this is the first of a series of reports that evaluates the Florida Retirement System (FRS). This report assesses the financial condition of the system as of June 30, 2009 and answers three questions.¹

1. Are FRS Pension Plan funds sufficient to pay retiree benefits?
2. How have recent economic events affected the financial performance of the FRS Pension and Investment Plans?
3. What has been the investment performance of the Pension and Investment Plans' asset classes?

Background

The Legislature established the Florida Retirement System (FRS) in 1970. The system provides retirement, disability, and death benefits to retirees or their designated beneficiaries and offers a wide range of information services to non-retired members. The plan is funded through employer contributions and investment earnings, and serves a wide variety of government employees.

¹ The remaining three reports will examine the FRS retirement class structure; the Deferred Retirement Option Program; and defined benefit versus defined contribution plans.

Two state agencies administer the FRS.

Two state entities manage the FRS: the Department of Management Services and the State Board of Administration (SBA).

The Department of Management Services' **Division of Retirement** administers the FRS Pension Plan. The Pension Plan is a defined benefit plan that provides vested members lifetime pension payments based on a percentage of their salary, years of service, and their age at retirement. The division also handles the administrative portion of the FRS, including tracking enrollment, receiving employer contributions, calculating retirement benefits, and disbursing retirement checks. In addition, it administers eight smaller retirement programs as well as the Retiree Health Insurance Subsidy Program, the Florida Retirement System Preservation of Benefits Plan, and the Deferred Retirement Option Program. The division also oversees and monitors the actuarial soundness of local government retirement systems that are not part of the FRS, as well as pension plans for municipal police and firefighters.

In Fiscal Year 2009, the Legislature appropriated \$35.0 million to the division, with \$15.8 million coming from general revenue and \$19.2 million from the FRS trust fund. The division has 194 authorized positions.

The second state entity that has FRS-related duties and responsibilities is the **State Board of Administration**.² The SBA is responsible for investing FRS monies to help ensure that investment returns are sufficient to fund current and future pensioners. It actively oversees investments made for the Pension Plan, with the plan members having no say in how the funds are invested. It also administers the FRS Investment Plan, a

² The board is composed of the Governor, the Chief Financial Officer, and the Attorney General, who serve as trustees to the retirement fund. The trustees appoint an executive director who directs a staff that oversees the financial management of the FRS and 34 other government funds.

defined contribution plan that does not provide guaranteed lifetime retirement benefits. Employees enrolled in the Investment Plan direct how their retirement funds are invested and choose from a group of 20 investment options selected by the SBA. Modeled after the private sector's 401(k) plans, retirement benefits are based on the employee's investment choices, how well the investments perform, and the strength of the financial markets when the plan member retires. Additionally, to help public employees make informed financial decisions regarding their pensions, the board coordinates with the Division of Retirement to operate the MyFRS Financial Guidance Program, which provides FRS members information and guidance through several methods, including a website and toll-free telephone number.³ The board has a budget of \$50.6 million and 182 authorized positions.⁴

FRS offers three plan options. The Florida Retirement System comprises three primary retirement plans.

- The FRS Pension Plan
- The FRS Investment Plan
- The Hybrid Plan, which is a combination of the Pension Plan and the Investment Plan. The Hybrid Plan allows employees to freeze their Pension Plan participation and direct all future employer contributions to the Investment Plan.

Employer contributions and investment income fund the FRS. The Pension, Investment, and Hybrid plans are all funded primarily from employer contributions made

³ The program includes print and video educational materials; a toll-free guidance line staffed by division counselors and private financial counselors; a website that contains plan choice information and retirement planning applications; and plan choice and retirement planning workshops.

⁴ The Legislature does not appropriate the board funds. The board is funded by management fees it charges for overseeing 35 funds and by employer contributions that are used to cover the costs of administering the Investment Plan and the costs of providing educational services to participants in both the Pension Plan and the Investment Plan.

on behalf of employees, as well as from the State Board of Administration's investment of these contributions in various asset classes, including real estate, stocks, bonds, and alternative investments like venture capital and private equity.⁵

While the SBA determines the investment options offered by the Investment Plan, state law specifies how the board can invest Pension Plan assets. Specifically, for Pension Plan funds, Florida statutes permit the board to invest up to

- 25% of any fund in bonds, foreign currency, notes, and notes secured by first mortgages, mortgage securities, group annuity contracts, real property, and U.S. government obligations;
- 80% of any common stock, preferred stock, and interest-bearing obligations of a corporation having an option to convert into common stock;
- 10% of the entire portfolio in alternative investments defined as investment in private equity, venture, hedge, or distress funds; and
- 1.5% of the entire portfolio in economically targeted investments designed to provide superior returns to the portfolio while also economically benefitting the state.⁶

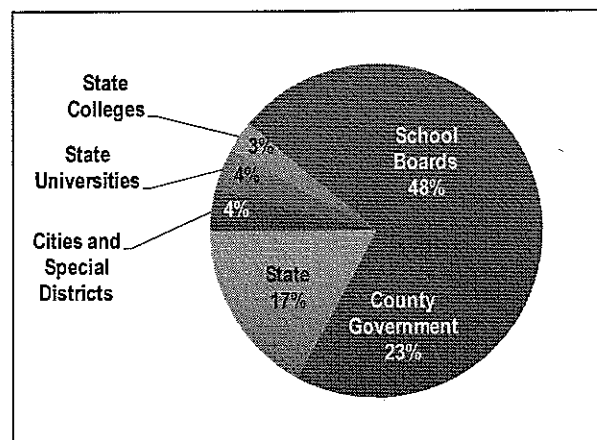
As of June 30, 2009, the net asset value for the Pension Plan was \$99.6 billion while the net asset value for the Investment Plan was \$4.1 billion.

Most FRS members are employed by local government entities. Membership in the Florida Retirement System is compulsory for all full- and part-time employees working in a regularly established position for a state agency, county government, district school

board, state university, state college, or participating city or special district.⁷ Elected officials and certain local government managers may elect not to participate in the system. Individuals who work for a government agency in a temporary or independent contractor position are not eligible for FRS membership.

As of June 30, 2009, 572,887 participants and 288,216 retiree annuitants were in the Pension Plan (see Exhibit 1). As of this date, 95,529 active employees and 21,139 retirees were in the Investment Plan, and 463 were in the Hybrid Plan. As shown in the exhibit, school district employees composed nearly half of the FRS's active members followed by counties, and the state of Florida. State colleges, cities, and special districts employees each composed less than 5% of the FRS's active membership.

Exhibit 1
School Districts Comprise the Largest Portion of FRS Members



Source: Division of Retirement.

⁵ Private equity is stock from companies that are not publicly traded on a stock exchange.

⁶ A 2008 OPPAGA report reviewed the SBA's efforts to implement a targeted investment program. See *Economically Targeted Investment Program Under Development*, OPPAGA Report No. 08-72, December 2008.

⁷ The Florida College System (formerly the Community College System) comprises public postsecondary educational institutions that grant two- and four-year academic degrees.

Questions and Answers –

Are FRS Pension Plan funds sufficient to pay retiree benefits?

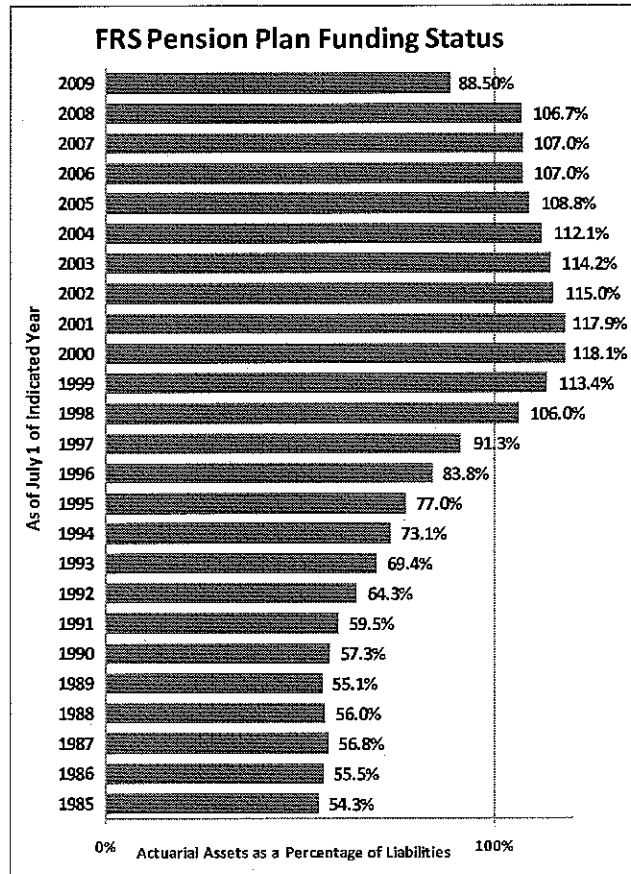
For the first time in 11 years, the FRS Pension Plan’s trust fund will not have a surplus, as its liabilities (i.e., obligated benefits payments) exceeded the value of its assets as of July 1, 2009 (see Exhibit 2). The Division of Retirement’s contracted actuary reported that as of that date, the fund had 88.5% of the monies needed to pay all current and future expected benefits for existing participants and their beneficiaries. In addition, the fund was reported to have an actuarial deficit of \$15.4 billion. In contrast, it had an actuarial surplus of \$8.2 billion at the end of the prior year.⁸ The actuary attributed these results to declining asset values caused by the economic recession as well as participants working longer and retirees living longer than expected. State legislatures typically address such shortfalls by increasing employer contributions, transferring resources from other state programs, or issuing bonds. If Florida’s plan continues to remain underfunded, the Legislature may want to consider taking similar actions.

However, it should be noted that the Pension Plan’s funding status (the ratio of a pension plan’s assets to its liabilities) exceeded most other states’ public pension plans in recent years. In its 2009 national ranking of public pension plans, Standard & Poor’s ranked Florida third in financial strength as measured by its funding ratio.⁹ Standard & Poor’s ranked the FRS as being first and third in its 2007 and 2008 reports.

⁸ From Fiscal Years 1998-99 through 2007-08, the Pension Plan had surplus assets ranging from \$7.6 billion to \$14.5 billion. These surpluses were used in part to reduce employer contributions and increase employee benefits.

⁹ These rankings are based on 2007 data, the most current data available for all 50 states.

Exhibit 2
FRS Pension Plan Liabilities Exceeded Assets in Fiscal Year 2008-09



Source: State Board of Administration.

How have recent economic events affected the financial performance of the FRS Pension and Investment Plans?

The U.S. recession that began in December 2007 and the global economic declines that followed significantly affected investment returns for the 14,000 worldwide securities comprising the Florida Retirement System Pension and Investment Plans. As shown in Exhibit 3, the Pension Plan’s one-year rate of return for June 30, 2009 was negative 19.03%. The value of fund assets as of June 30, 2009, (\$99.6 billion) was \$27 billion lower than the value as of June 30, 2008. State Board of

Administration officials report that investment results for the last four years represent short-term results and that SBA's investing horizon is for 15 to 30 years and its investment strategy is designed to withstand short-term losses and economic downturns.

SBA managers routinely set investment performance goals, or benchmarks, with the goal of achieving an overall fund rate of return of 5% above inflation averaged over a 15-to 30-year period. Benchmarks are based on economic conditions, actuarial projections, and market indices.¹⁰ As shown in Exhibit 3, until Fiscal Year 2008-09, the board generally met its benchmarks. Board officials report that these short-term losses will likely continue until the economy rebounds.

Similar to the FRS Pension Plan's performance, the Investment Plan's returns increased in Fiscal Year 2005-06 and 2006-07, but began declining in Fiscal Years 2007-08 and 2008-09. Exhibit 3 shows that by the end of Fiscal Year 2008-09, the Investment Plan's one-year rate of return was negative 15.16%. The value of the Investment Fund's assets as of June 30, 3009 was \$293 million lower than the value as of June 30, 2008.

¹⁰ A market index tracks and measures changes in the performance of a specific group of stocks, bonds, or other investments from a specific starting point—generally July 1 of each fiscal year for FRS investments. As an example, the SBA domestic equities portfolio's performance is assessed against the Russell 3000 index, which contains 98% of all U.S. stocks.

**Exhibit 3
FRS Pension and Investment Plan Returns
Declined with the Economy but Frequently
Exceeded Benchmarks**

Fiscal Year				
Pension Plan Returns	2005-06	2006-07	2007-08	2008-09
1-Year Return	10.56%	18.07%	-4.42%	-19.03%
Target return benchmark ²	10.03%	17.85%	-4.32%	-17.89%
Met or exceeded benchmark	Yes	Yes	No	No
3-Year Return	12.42%	12.88%	7.66%	-2.96%
Target return benchmark ²	11.87%	12.32%	7.44%	-2.55%
Met or exceeded benchmark	Yes	Yes	Yes	No
5-Year Return	6.08%	11.52%	9.91%	2.17%
Target return benchmark ²	5.84%	11.30%	9.56%	2.16%
Met or exceeded benchmark	Yes	Yes	Yes	Yes
10-Year Return	8.74%	8.46%	5.85%	2.29%
Target return benchmark ²	8.42%	7.98%	5.39%	2.01%
Met or exceeded benchmark	Yes	Yes	Yes	Yes
Fiscal Year				
Investment Plan Returns	2005-06	2006-07	2007-08	2008-09
1-Year Return	10.18%	16.01%	-4.69%	-15.16%
Benchmark return	9.35%	16.29%	-5.99%	-15.45%
Met or exceeded benchmark?	Yes	No	Yes	Yes
3-Year Return	10.98%	11.50%	6.80%	-2.11%
Benchmark return	10.90%	11.38%	6.12%	-2.59%
Met or exceeded benchmark?	Yes	Yes	Yes	Yes
5-Year Return	na³	na³	8.61%	2.31%
Benchmark return	na ³	na ³	8.32%	-1.90%
Met or exceeded benchmark?	na ³	na ³	Yes	Yes

¹ The SBA's performance goal, called target benchmark, is based on actuarial projections and economic conditions. Over the long term (i.e., 15 to 30 years), the board strives to achieve an overall fund benchmark of 5% above inflation.

² The Legislature established the Investment Plan in Fiscal Year 2002-03, so there are no five-year returns for these two fiscal years.

Source: OPPAGA analysis of State Board of Administration data.

What has been the investment performance of the Pension and Investment Plans' asset classes?

Similar to the overall fund results, return rates for Pension Plan and Investment Plan asset classes generally were lower in Fiscal Year 2008-09 than in the three preceding years. Exhibit 4 shows that for the Pension Plan, all asset classes had lower returns than previous years, with the largest negative return for the strategic investments (negative 34.58%), followed by the foreign equities (negative 29.49%), and the domestic equities (negative 26.34%).¹¹ Returns within the asset

¹¹ Strategic investments include real estate debt city, county, and state infrastructure projects; timberland; and corporate governance activist funds designed to improve returns on undervalued companies.

classes for the Investment Plan also showed losses, with the largest decreases in the foreign equities (negative 28.50%) and domestic equities (negative 26.54%) (see Exhibit 5). Most of the market indices associated with both plans' asset classes experienced negative returns as well, reflecting the general state of the economy at end of Fiscal Year-2008-09.

Agency Response _____

In accordance with the provisions of s. 11.51(5), *Florida Statutes*, a draft of our report was submitted to the executive director of the State Board of Administration and the secretary of the Department of Management Services for review and response. The executive director's written response is included in Appendix A. The Secretary's written response is included in Appendix B.

Exhibit 4

Financial Performance Declined for All Pension Plan Asset Classes in Fiscal Year 2008-09

Asset Class	PNS Pension Plan Returns by Asset Class			
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Domestic Equities – Stocks exclusively from U.S. companies	0.04%	10.91%	-12.52%	-25.13%
Benchmark return	9.55%	20.07%	-12.68%	-26.56%
Met or exceeded benchmark?	No	No	Yes	Yes
Percentage of fund	50.40%	42.9%	35.50%	35.29%
Foreign Equities – Stocks exclusively from countries outside of the U.S.	26.43%	29.82%	-6.52%	-29.49%
Benchmark return	27.90%	29.62%	-7.62%	-30.20%
Met or exceeded benchmark?	No	Yes	Yes	Yes
Percentage of fund	15.20%	16.4%	18.70%	20.46%
Fixed Income – Investments that yield a regular (or fixed) return, e.g., bonds	0.02%	6.32%	5.10%	2.05%
Benchmark return	-0.50%	6.53%	7.12%	6.05%
Met or exceeded benchmark?	Yes	No	No	No
Percentage of fund	21.30%	22.9%	27.6%	26.10%
Real Estate – Office, retail, industrial, and apartment buildings as well as real estate investment trusts, which are publicly traded real estate securities	23.48%	16.11%	8.69%	-21.16%
Benchmark return	9.09%	6.41%	10.12%	-24.47%
Met or exceeded benchmark?	Yes	Yes	No	Yes
Percentage of fund	4.90%	6.0%	7.70%	7.81%
Cash and Short-term Securities – High quality securities that can be sold within less than one year without a loss of value	4.31%	5.43%	0.86%	-5.37%
Benchmark return	4.35%	5.30%	4.44%	1.72%
Met or exceeded benchmark?	No	Yes	No	No
Percentage of fund	0.80%	2.9%	0.90%	0.86%
Private Equity – Stocks in companies that are not publicly traded on a stock exchange	13.15%	12.90%	7.52%	-25.41%
Benchmark return	14.06%	24.60%	-8.19%	-22.06%
Met or exceeded benchmark?	No	No	Yes	No
Percentage of fund	3.10%	3.20%	3.40%	3.60%
High Yield – Bonds that have a high potential of return to compensate for their higher risk	NA ²	NA ²	0.99%	-2.44%
Benchmark return	NA ²	NA ²	0.09%	-1.77%
Met or exceeded benchmark?	NA ²	NA ²	Yes	No
Percentage of fund	NA ²	NA ²	2.20%	2.51%
Strategic Investments – Real estate debt, city, county, and state infrastructure projects, timberland, and corporate governance activist funds designed to improve returns on undervalued companies	NA ³	NA ³	-8.86%	-34.58%
Benchmark Return	NA ³	NA ³	-8.51%	-22.00%
Met or exceeded benchmark?	NA ³	NA ³	No	No
Percentage of fund	NA ³	NA ³	4.10%	3.37%

¹ The SBA's 2006-07 and 2007-08 Investment Report lists returns that are both higher and lower than reported here, stating in footnotes that certain trades were included while others excluded from their calculations. The numbers presented here reflect all trades executed by the SBA.

² These funds were not in existence during this period.

³ This is a new asset class that received initial funding in June 2007.

Source: OPPAGA analysis of State Board of Administration data.

**Exhibit 5
Financial Performance Declined for Most Investment Plan Asset Classes In Fiscal Year 2008-09**

Asset Class	FRS Investment Plan Returns by Asset Class			
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Domestic Equities – Stocks exclusively from U.S. companies	12.06%	18.84%	-11.91%	-26.54%
Benchmark Return	10.83%	19.57	-13.24%	-26.70%
Met or exceeded benchmark?	Yes	No	Yes	Yes
Percentage of Fund	35.50%	31.90%	26.10%	22.28%
Foreign/Global Equities – Stocks from both the U.S. and foreign countries	25.2%	26.67%	-6.46%	-28.50%
Benchmark Return	23.78%	26.16%	-9.59%	-30.97%
Met or exceeded benchmark?	Yes	Yes	Yes	Yes
Percentage of Fund	8.80%	12.10%	11.20%	7.71%
Fixed Income – Investments that yield a regular (or fixed) return, e.g., bonds	-0.31%	6.41%	6.98%	5.18%
Benchmark Return	-0.32%	6.61%	6.21%	4.76%
Met or exceeded benchmark?	Yes	No	Yes	Yes
Percentage of Fund	9.10%	8.10%	9.00%	10.19%
Treasury Inflation-Protected Securities – Inflation-indexed bonds issued by the U.S. Treasury whose interest rate is linked to inflation	-1.63%	3.94%	15.30%	-0.93%
Benchmark Return	-1.64%	3.99%	15.09%	-1.12%
Met or exceeded benchmark?	Yes	No	Yes	Yes
Percentage of Fund	3.00%	2.10%	4.00%	4.10%
Cash Equivalents – Cash and high quality securities that that can be sold in less than one year with little loss of value	4.42%	5.49%	4.13%	1.11%
Benchmark Return	4.34%	5.48%	4.45%	1.72%
Met or exceeded benchmark?	Yes	Yes	No	No
Percentage of Fund	9.60%	8.80%	11.80%	18.60%
Balanced Fund – Stocks, bonds, and money market funds	10.35%	16.68%	-4.68%	15.15%
Benchmark Return	9.81%	16.84%	-4.98%	-15.97%
Met or exceeded benchmark?	Yes	No	Yes	Yes
Percentage of Fund	34.10%	37.00%	37.90%	37.12%

Source: OPPAGA analysis of State Board of Administration data.

Appendix A



**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

1801 HERMITAGE BOULEVARD
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CHARLIE CRIST
GOVERNOR
AS CHAIRMAN
ALEX SINK
CHIEF FINANCIAL OFFICER
AS TREASURER
BILL MCCOLLEUM
ATTORNEY GENERAL
AS SECRETARY
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

January 27, 2010

Mr. Gary R. VanLandingham
Director
OPPAGA
Claude Pepper Building, Room 312
111 West Madison Street
Tallahassee, FL 32399

Dear Mr. VanLandingham:

We reviewed OPPAGA's preliminary and tentative report entitled, *Florida Retirement System Funds and Investment Returns Declined with the Economy; SBA Reports That Investment Strategy Is Designed to Withstand Losses*. We have no objection or questions in regard to the information presented in the report.

We welcome OPPAGA's efforts and, as always, we appreciate your diligence and professionalism.

Sincerely,

A handwritten signature in cursive script, reading "Ashbel C. Williams".

Ashbel C. Williams
Executive Director & CIO

cc: Ms. Florida Rivera-Alsing, Chief of Internal Audit, State Board of Administration
Ms. Sarabeth Snuggs, Director, Florida Division of Retirement
Mr. Steve Rumph, Inspector General, Department of Management Services
Ms. Kim Mills, Director of Auditing, Chief Inspector General's Office

Appendix B



Governor Charlie Crist

Office of the Secretary
4050 Esplanade Way
Tallahassee, Florida 32399-0950
Tel: 850.488.2786
Fax: 850.922.6149
www.dms.MyFlorida.com

Secretary Linda H. South

February 2, 2010

Mr. Gary R. VanLandingham, Director
Office of Program Policy Analysis and
Government Accountability
111 West Madison St., Room 312
Tallahassee, FL 32399-1450

Dear Mr. VanLandingham:

We have reviewed your preliminary and tentative reports, ***Several Options are Available for Modifying the Florida Retirement System's Class Structure to Reduce System Costs and Florida Retirement System Funds and Investment Returns Declined with the Economy; SBA Reports that Investment Strategy Designed to Withstand Losses.***

The department will implement or assist other entities in implementing any options the Legislature should choose to designate.

We appreciate your staff's efforts and cordial working relationship over the past few months. If you need additional information, please contact Steve Rumph, Inspector General, at 488-5285.

Sincerely,

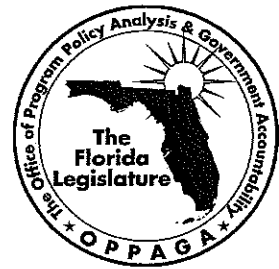
A handwritten signature in black ink, appearing to read 'L. South'.

Linda H. South
Secretary

cc: Ken Granger, Chief of Staff
David Faulkenberry, Deputy Secretary
Sarabeth Snuggs, Director of Retirement
Elizabeth Irvin, Legislative Affairs Director
Linda McDonald, Communications Director

We serve those who serve Florida.

The Florida Legislature
Office of Program Policy Analysis
and Government Accountability



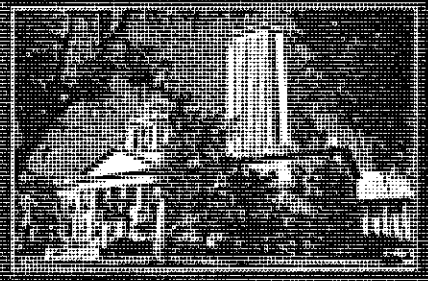
OPPAGA provides performance and accountability information about Florida government in several ways.

- Reports deliver program evaluation, policy analysis, and Sunset reviews of state programs to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government better, faster, and cheaper.
- PolicyCasts, short narrated slide presentations, provide bottom-line briefings of findings and recommendations for select reports.
- Government Program Summaries (GPS), an online encyclopedia, www.oppaga.state.fl.us/government, provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
- The Florida Monitor Weekly, an electronic newsletter, delivers brief announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.
- Visit OPPAGA's website at www.oppaga.state.fl.us

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

OPPAGA Website: www.oppaga.state.fl.us

Project supervised by Kara Collins-Gomez (850/487-4257)
Project conducted by Linda Vaughn (850/487-9216) and Ed Madden
Gary R. VanLandingham, Ph.D., OPPAGA Director



FRS Defined Contribution Plan Costs Are Typically Lower and More Predictable; Fiscal Impact of Requiring New Employees to Join the Plan Is Influenced by Many Factors

at a glance

Most states (39) provide only defined benefit retirement plans to their employees, although defined contribution plan costs are more predictable. The Florida Legislature has considered several proposals to close the defined benefit Pension Plan and require all new employees to join the defined contribution Investment Plan. This action would provide increased certainty in the level of required employer contributions to the FRS over time and would reduce certain costs. We estimate that if all employees hired after July 1, 2002 had been required to enroll in the Investment Plan, employers would have saved approximately \$183 million compared to what they would have paid if those same employees had been enrolled in the Pension Plan. However, closing the Pension Plan would increase funding requirements for those employees who remain in the plan. Future costs of the two plans are dependent on many variables, and the Legislature has requested an actuarial study to estimate these costs.

Scope

As directed by the Legislature, this is the third of a series that evaluates the Florida Retirement System (FRS). This report compares the FRS's defined benefit Pension Plan to its defined contribution Investment Plan and answers three questions.

1. What are the major advantages and disadvantages of defined benefit and defined contribution plans?
2. What types of retirement plans are offered by other states?
3. How would requiring all new employees to join the defined contribution plan affect employer costs?

Background

The two largest retirement plans within the Florida Retirement System (FRS) are the defined benefit Pension Plan and the defined contribution Investment Plan.

The defined benefit Pension Plan, established in 1970, provides members with a lifetime pension payment based on their age, years of service, average salary, and retirement membership class.¹ During Fiscal Year 2008-09, the Pension Plan had 572,887 active participants and 289,602 retirees. The plan had a net asset market value of \$99.6 billion as of June 30, 2009.²

The defined contribution Investment Plan, created in Fiscal Year 2000-01 and first offered in

¹ The FRS consists of five retirement classes—regular, special risk (law enforcement officer, firefighters, etc), special risk administrative support, senior management service (e.g., employees who fill management positions), and elected officers.

² An additional 32,921 members were in the Deferred Retirement Option Plan.

Fiscal Year 2002-03, does not provide members with guaranteed lifetime retirement benefits. Benefits are based on how much the employer contributes to the plan, the types of investment options selected by the employee (e.g., stock and bond mutual funds), and how well these investments perform over the employee's career. As of June 30, 09, the Investment Plan had 95,529 active participants. In addition, 21,139 individuals had left the plan, placing their funds in another employer's retirement plan or taking their funds in a lump sum. The plan had a net asset market value of \$4.08 billion as of June 30, 2009.

Most FRS members are employed by local government entities. Membership in the Florida Retirement System is compulsory for all full- and part-time employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or participating city or special district. As shown in Exhibit 1, school board and county government employees comprise more than two-thirds of active members in both the Pension Plan and the Investment Plan.

Two state agencies administer the Pension Plan and the Investment Plan. The Department of Management Services' Division of Retirement and the State Board of Administration (SBA) manage the two retirement plans. The Division of Retirement provides administrative services to both plans by tracking enrollment, receiving employer contributions, and publishing membership statistics in its annual report. For the defined benefit plan, the division calculates retirement benefits and disburses retirement checks. The State Board of Administration is responsible for investing FRS monies to help ensure that investment returns are sufficient to fund current and future pensioners. It actively oversees investments made for the defined benefit Pension Plan, with the plan members having no say in how the funds are invested. It also administers the defined contribution Investment Plan. Additionally, to help public employees make informed financial decisions regarding their pensions, the board coordinates

with the Division of Retirement to operate the MyFRS Financial Guidance Program, which provides FRS members information and guidance through several methods, including a website and toll-free telephone number.

Employer contributions and investment income fund the two plans. Pension benefits for members of the defined benefit plan are funded primarily by employer contributions and returns generated by fund investments.³ Defined contribution plan benefits are funded primarily by employer contributions and investment earnings.

Employer contribution rates for the *defined benefit Pension Plan* are established to cover the plan's normal costs and amortize its unfunded actuarial liability. Normal costs are the portion of the actuarial present value of pension benefits allocated to a specific year. The Division of Retirement's contracted actuary estimates the value of future pension benefits by applying to plan data various demographic assumptions, such as member's life expectancy, age at retirement, terminations prior to vesting, disability rates, and economic assumptions, such as the plan's rate of return on investments. The actuary then computes a normal cost rate which represents a constant percentage of payroll required to be contributed each year beginning with the date from which benefits initially accrue to the projected date of retirement, to cover the expected cost of benefits. The actuary also estimates the plan's unfunded actuarial liability, which represents the amount of pension liabilities not covered by contributions made at the normal cost rate or plan assets. Unfunded actuarial liabilities are created when a plan's actual experience does not match the demographic and/or economic assumptions (e.g., members live longer than predicted or the rate of return is lower than expected). Florida statutes require that the Pension Plan's unfunded liability be amortized over a 30-year period.⁴

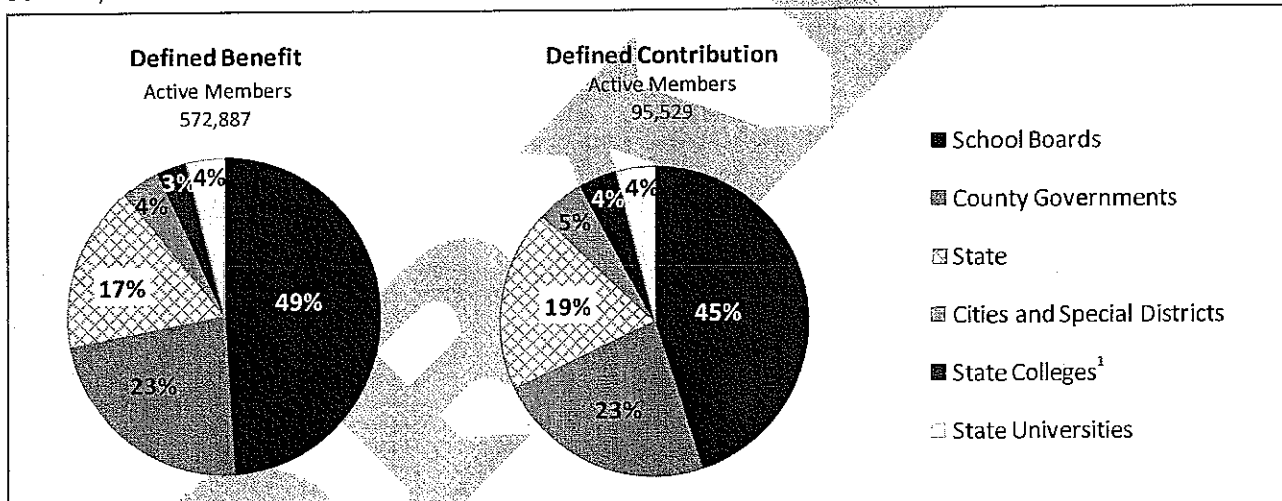
³ The SBA reported that over the past 20 years, approximately 64% of Pension Plan benefit payments have been funded by investment gains.

For the *defined contribution Investment Plan*, the Legislature established an employer contribution rate designed to mirror the defined benefit Pension Plan's normal cost rate for each membership class in Fiscal Year 1999-00. The contribution rates for this plan have not been changed since they were implemented.

Once costs for the two plans are determined, the Legislature requires all FRS employers to use a uniform contribution rate system. Under this system, employer contributions are based on blended rates equal to the percentage of the total payroll for each FRS membership class or subclass regardless of which retirement plan a

member elects to join. For Fiscal Year 2009-10, the blended employer contribution rates for both plans ranged from 8.69% for Regular Class members to 19.76% for Special Risk Class members. Using blended rates is intended to help provide greater stability and certainty in budgeting; provide greater fiscal equity and uniformity for FRS employers; and allow employees to make their retirement plan selection decisions free of circumstances that may cause them to favor one plan choice over another.

Exhibit 1
Most Members of the FRS Defined Benefit and Defined Contribution Plans Are Employed by Local Governments, Schools, and Universities



¹ The Florida College System (formerly the Community College System) comprises public post secondary educational institutions that grant two- and four-year academic degrees.

Source: The Division of Retirement.

Questions and Answers —

What are the major advantages and disadvantages of defined benefit and defined contribution plans?

Defined benefit and defined contribution plans each have advantages and disadvantages. As shown in Exhibit 2, a major advantage of defined contribution plans is that their costs are generally more predictable than the costs of

defined benefit plans. With a defined contribution plan, elected officials or their designated representatives (e.g., a board of trustees) decide what percentage of payroll to deposit into participants' accounts, and the employer has little or no financial responsibility once these contributions are made. Government entities offering defined contribution plans are not responsible for covering shortfalls should the contributions be inadequate or investment returns be insufficient to cover retirement

benefits, and they do not need to fund actuarial studies of the plans' funding status. However, a disadvantage of defined contribution plans is that funding requirements may be higher because individual accounts typically are more expensive to manage than are the aggregated funds of employees in large defined benefit pension plans; these large plans may be able to reduce their investment costs through economies of scale. In addition, defined contribution plans may be less attractive to individuals who seek long-term public service careers. Research indicates that long-term career employees value employment and retirement security, and are more likely to be attracted to defined benefit plans.

Defined benefit plans also have various advantages and disadvantages. For example, defined benefit plans are managed by professional money managers rather than employees and tend to generate higher investment returns than defined contribution plans. However, defined benefit plans carry investment risks as the government is responsible for covering shortfalls if investment returns are lower than anticipated or if other actuarial assumptions are not met.⁵ In addition, defined benefit plans typically do not offer employees the ability to transfer plan assets to another program, which may not be attractive to individuals who do not intend to remain with one employer throughout their careers.

⁵ Contribution levels for defined benefit plans are established by actuarial studies that estimate future benefit costs based on key demographic and economic assumptions, such as projected employee pay raises, attrition, disability, and life expectancy, and investment return rates.

**Exhibit 2
Defined Contribution and Defined Benefits Plans Offer Advantages and Disadvantages to Employers and Plan Members**

	Defined Benefit Plans	Defined Contribution Plans
Description	Provide retired participants a lifetime guaranteed benefit payment based on the participant's years of service, average salary, membership class, and age at retirement.	Employers contribute a guaranteed amount that can be invested by participants during the course their career, within the investment options provided by the employer. The amount accumulated at retirement is based on the performance of these investments.
Investment returns	Investment returns generally are higher because professional money managers invest fund assets for the long term, spreading market risks over all participants and taking advantage of buying opportunities.	Investment returns are generally lower because employees tend to pick low-risk, low-return investments.
Investment costs	Investment costs (e.g., fees paid to investment managers) tend to be lower for large public plans due to economies of scale.	Costs are typically higher because individual accounts must be managed.
Administrative costs	Administrative costs vary, depending on the complexity of plan. Benefit levels of individual employees must be tracked over time, and regular actuarial valuations must be conducted to determine appropriate contribution rates.	Administrative costs vary, depending on complexity of plan. Individual investment accounts must be maintained, and some plans, including Florida's Investment Plan, provide investment education services to members.
Investment risks	The employer assumes investment risks.	Investment risk is assumed by participants. Poor investment choices by participants may reduce their retirement benefits.
Portability	Pension accruals are not portable, cannot be transferred to another employer's plan, and employees forfeit pension benefits if they leave prior to the vesting period.	After a short vesting period, the participant is entitled to transfer pension accruals to another employer's qualified plan.
Types of employees attracted to plan	Defined benefit plans are attractive to long-term career employees who desire retirement security.	Defined contribution plans are attractive to short-term employees who wish to participate in a plan that is portable and do not plan to have a career with a single employer.

Source: OPPAGA literature review.

What types of retirement plans are offered by other states?

Most states (39) provide only a defined benefit plan for the majority of their employees. However, as shown in Exhibit 3, two states—Alaska and Michigan—require all newly hired regular class employees to enter a defined contribution plan.⁶ The remaining nine states, including Florida, either offer employees a choice between enrolling in a defined benefit plan or a defined contribution plan, or operate a system that has elements of both types of plans.⁷ Some states also restrict eligibility for their plans (see Appendix A).

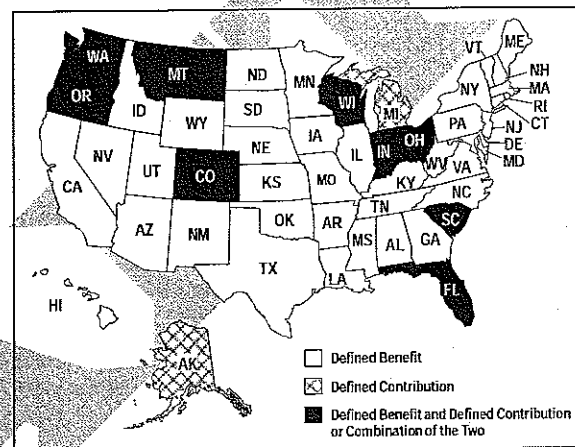
Two states, Nebraska and West Virginia, have recently closed their defined contribution plans to new members because these systems had produced insufficient retirement income for employees. Nebraska has required the majority of its public employees to enroll in a defined contribution plan since 1964. However, over the 20 years leading up to 2002, the average return for defined contribution plan investments was lower than the average return for defined benefit plan investments (7% versus 11%). As a result, employees in the defined contribution plan received considerably lower pension incomes than those who retired from the defined benefit plan. In 2003, Nebraska gave defined contribution plan members the choice of remaining in the plan or enrolling in a cash balance plan that provided a guaranteed 5% minimum rate of return on their individual accounts.⁸

In 1991, West Virginia required new school employees to enroll in a defined contribution plan. However, in 2005, the state determined

⁶ Alaska requires all employees to enroll in the defined contribution plan.
⁷ For example, Indiana and Oregon require employees to enroll in plans that combine aspects of both defined benefit and defined contribution plans, while Washington gives employees a choice between a defined benefit plan and a plan that combines aspects of both defined benefit and defined contribution plans.
⁸ A cash balance plan is a defined benefit plan in which assets are managed by the employer, employees have individual accounts, and investment returns above a pre-determined level remain the assets of the employer.

that these employees had difficulty retiring because their investment accounts had low balances—the average account had a balance of \$33,944, and participants over age 60 had balances of \$23,193. The state subsequently closed its defined contribution plan to new members and required them to join a defined benefit plan.

**Exhibit 3
 Most States Offer Public Employees Defined Benefit Plans**



Source: OPPAGA review of state retirement system publications, summer 2009.

How would requiring all new employees to join the defined contribution plan affect employer costs?

In recent years, the Legislature has considered proposals to close the FRS defined benefit plan and require all new employees to join the defined contribution Investment Plan. This action would provide increased certainty in the level of required employer contributions to the Florida Retirement System over time, as investment risks would be increasingly shifted to employees.

To date, employer contribution rates for the defined benefit Pension Plan and defined contribution Investment Plan have been the same since the Investment Plan was established in 2002. This is the result of a statutory requirement that employer contributions be based on a uniform

contribution rate for all membership classes that is sufficient to fund the benefit obligations of both retirement plans.⁹

We estimate that if all employees hired after July 1, 2002 had been required to enroll in the defined contribution Investment Plan, employers would have saved approximately \$183 million compared to what they would have paid if those same employees had been enrolled in the defined benefit Pension Plan (see Appendix B).

⁹ The Legislature has used surpluses in the defined benefit plan to reduce contributions to both the Pension Plan and the Investment Plan. These surpluses existed between Fiscal Years 1999-2000 through 2008-09, and ranged up to \$14.5 billion in Fiscal Year 2000-01. The Legislature used \$12.3 billion of these surpluses to reduce employer contributions. The surpluses primarily existed because investment returns exceeded the levels actuarially required to fund pension obligations and employee turnover rates were higher than anticipated (when employees leave prior to completing their vesting period, they forfeit contributions made on their behalf to the FRS. These surpluses are now depleted, and in Fiscal Year 2008-09 the pension plan incurred an actuarial deficit of \$15.4 billion. As a result, required contributions to the FRS will increase beginning in Fiscal Year 2010-11 unless changes are made in the system.

However, as noted by a February 2009 Division of Retirement analysis of a bill that would have closed the Pension Plan to new members, compulsory participation in the Investment Plan would increase the required uniform contribution for those employees who would be grandfathered in the Pension Plan. This would occur due to several factors, including the cost of funding Pension Plan benefits being spread among a decreasing number of members, fewer plan participants leaving employment prior to vesting, and the age of plan participants increasing more than would otherwise be expected. The Legislature has requested that the Division of Retirement commission an actuarial study to estimate the overall fiscal impact of closing the defined benefit Pension Plan to new members. This study will be completed during the 2010 Legislative Session.

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

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Gary R. VanLandingham, Ph. D., OPPAGA Director

Appendix A

Some States Restrict Eligibility for Retirement Plans

Most states (39) offer their public employees defined benefit retirement plans, while three offer a defined contribution plan only and nine offer employees a choice between the two types of plans or a single plan with aspects of each. Some states restrict eligibility for the various plans, as described in Table A-1 below.

Table A-1
Several States Have Restrictions on Who May Join Specific Retirement Plans

State	Plans
California	Employees must enroll in the Alternate Retirement Program, a mandatory savings plan for certain new, first-time state employees hired on or after August 11, 2004. Alternative retirement program members are converted to the defined benefit plan after two years.
Hawaii	Vested employees can switch from a defined benefit plan to a defined contribution plan if the employee terminates employment prior to reaching the normal retirement age.
Indiana	Police and firefighters participate in a defined benefit plan, and all other employees participate in a combination plan, which includes a defined benefit plan and a supplemental annuity savings account.
Louisiana	Employees of the Board of Regents, University of Louisiana System Board of Trustees, Board of Supervisors of Louisiana State University and Agricultural and Mechanical College, Louisiana Community and Technical Colleges Board of Supervisors and other boards that manage institutions of higher education may elect to participate in a defined contribution plan.
Maryland	Faculty members and administrators employed by public higher education institutions may choose to participate in a defined contribution plan.
Michigan	State police and public school employees participate in a defined benefit plan while state employees hired on or after March 31, 1997, participate in a defined contribution plan.
Minnesota	Members of the governor's staff, legislative staff, and elected officials have the option of participating in a defined contribution plan.
Mississippi	Most employees participate in a defined benefit plan. Some members employed by institutions of higher learning may choose to participate in a defined contribution plan.
Montana	New employees may choose to participate in a defined benefit or defined contribution plan.
Nebraska	Judges, state patrol, and school employees participate in a defined benefit plan. Employees participating in the state and county retirement system have a cash balance plan, which is a defined benefit plan in which employees have individual accounts that are managed by professional money managers who determine how all employee monies will be invested.
Ohio	Employees may choose to participate in a defined benefit plan, a defined contribution plan, or a plan that combines elements of a defined benefit plan and a defined contribution plan.
Washington	Employees may choose to participate in a defined benefit plan or a plan that combines elements of a defined benefit plan and a defined contribution plan.
Wisconsin	Employees participate in defined benefit and defined contribution plans simultaneously. Upon retirement, the employees' benefits are calculated for both plans and the employees' retirement benefits are based on the higher of the two calculations.

Source: OPPAGA review of state retirement publications, summer 2009.

Appendix B

Methodology to Estimate Cost of Defined Benefit versus Defined Contribution Plans

To compare the employer costs of the two plans, we calculated what the contributions would have been if all employees hired between July 1, 2002 and June 30, 2009, were enrolled in the defined benefit plan based on their actual salaries and the normal cost rates for their FRS membership classes. We also calculated what the employer contributions would have been for these same employees if they had all enrolled in the defined contribution plan.

We estimated that over this seven-year period, total employer contributions for the defined contribution Investment Plan would have been approximately \$183 million lower than the total contributions for the defined benefit Pension Plan (see Table B-1).

Table B-1

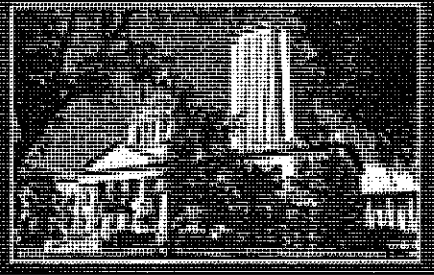
Employer Normal Costs for the Defined Benefit Pension Plan Were Higher Than the Statutory Contribution Rates for the Defined Contribution Investment Plan

Fiscal Year	Defined Benefit Plan Normal Costs (in millions)	Defined Contribution Costs (in millions)	Cost Difference Between the Plans (in millions)
2002-03	\$98.42	\$91.29	\$7.13
2003-04	267.44	250.57	16.87
2004-05	433.58	405.50	28.08
2005-06	620.88	601.08	19.80
2006-07	844.18	815.51	28.67
2007-08	1,034.97	996.04	38.93
2008-09	1,135.79	1,092.13	43.66
Total Cost	\$4,435.26	\$4,252.12	\$183.14

Source: OPPAGA analysis of Division of Retirement data

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Month 2010

Report No. 10-xx

DROP Could Be Improved by Defining Its Purpose, Standardizing Requirements, and Ensuring That Benefits Are Equitably Funded

at a glance

The Deferred Retirement Option Program (DROP) allows public employees to officially retire but continue working for up to five years. During this period, these employees continue to receive their regular salary while their pension payments are deposited into an account that is statutorily guaranteed to earn 6.5% annually and provide a 3% cost of living adjustment. Although all FRS employers incur additional costs to fund DROP, there is substantial cost shifting between employer groups because the system uses a single contribution rate for all participants. As a result, entities such as school districts that primarily employ workers in FRS's Regular Class subsidize contributions for other entities that have DROP participants in other retirement classes such as special risk law enforcement personnel.

At least 12 other states offer programs similar to DROP, although these states have varying eligibility and participation requirements. Recent legislation changed FRS reemployment provisions and benefits associated with DROP. The Legislature could consider additional changes to DROP, such as defining the program's purpose, establishing differing DROP contribution rates for the varying retirement classes, standardizing participation requirements; changing the interest rate guarantee on DROP accounts to a level that matches current economic conditions, and eliminating the program.

Scope

As directed by the Legislature, this report is part of a series that reviews the Florida Retirement System (FRS), and examines the Deferred Retirement Option Program (DROP). This report addresses four questions.

1. How has DROP affected FRS employer costs?
2. How do other states implement and fund their deferred retirement option programs?
3. How did recent FRS legislation affect Florida's Deferred Retirement Option Program?
4. What options could the Legislature consider for DROP?

Background

The Deferred Retirement Option Program allows most eligible participants in the Florida Retirement System to officially retire but continue working in their position for up to five years. The pension benefit for DROP participants is calculated upon program entry and is not increased due to additional years of service or pay raises because participants are considered to be retired. DROP participant pension benefits are calculated using the formula on page 2, which applies to all FRS retirees.

Years of Service	×	Accrual Rate	×	Average Final Compensation	=	Pension Benefit
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Average final compensation is the average of an employee's five highest fiscal years of compensation. The accrual rate, which varies by class, is the percentage of the average final compensation that is awarded for each year of service.

While in DROP, participating employees continue to receive their regular salary and their pension payments are deposited into an account that is statutorily guaranteed to provide both a 6.5% annual interest rate and an annual 3% cost of living increase. DROP is funded primarily by employer contributions and, to a lesser extent, investment returns from the FRS pension plan. When employees complete DROP, they may receive their account balances in a lump sum payment, a partial lump sum, or rollover the funds into another eligible retirement plan authorized by the Internal Revenue Service.

FRS members are eligible to enroll in DROP when they meet one of four milestones.

- Age 62, with at least six years of service
- Age 57, with at least 30 years of service
- Age 55, if the worker is a police officer, firefighter, or other Special Risk Class member with at least six years of service
- Age 52, if the worker is a Special Risk Class member with at least 25 years of service.

Employees who meet one of these milestones have one year from their eligibility date to enroll in DROP. For every month they delay enrollment during this one-year window, their program eligibility is reduced by a corresponding month. The only exceptions to these milestones are for instructional personnel teaching kindergarten through twelfth grade; these employees can enroll in DROP any time after their initial eligibility and may remain in DROP for eight years rather than five.

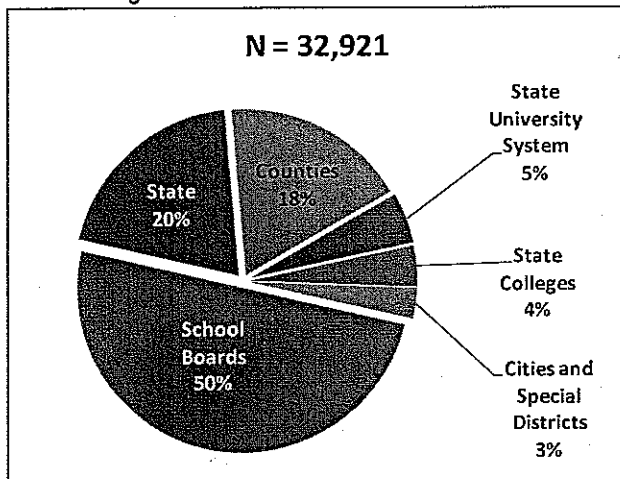
DROP is open to all FRS employees. As of June 30, 2009, there were 32,921 employees participating in DROP, representing all FRS membership classes.

- **Regular Class** includes employees who do not fall within the other retirement classes, and employees in this class comprise 89% of DROP participants.
- **Special Risk Class** comprises 8% of DROP participants and includes police, firefighters, corrections officers and others who meet specific eligibility criteria.
- **Special Risk Administrative Class** comprises less than 1% of DROP participants and includes former Special Risk Class members who have been transferred to a non-special risk support position.
- **Senior Management Service Class** comprises 2% of DROP participants, including community college presidents, city and county managers, appointed district school superintendents, and, with certain restrictions, all designated senior managers in state and local governments.
- **Elected Officers Class** comprises less than 1% of the DROP participants, including persons who hold specific city, county, state, and school board elected positions.

FRS employers include state agencies, counties, school districts, the state university system, and state colleges), and special districts. As of June 30, 2009, FRS had 964 participating employers, and all had employees enrolled in DROP. As shown in Exhibit 1, half of these participants were employed by school districts. State employees were the second largest group, followed by county employees.

Exhibit 1

Most DROP Employees Are from Educational Institutions Such as School Boards, Universities, and State Colleges



Source: Division of Retirement.

Two state entities administer DROP.

The Department of Management Services' Division of Retirement and the State Board of Administration administer the program. The Division of Retirement tracks DROP enrollment, receives employer contributions, calculates DROP benefits, and disburses DROP payments when employees complete the program. Division staff also provides information to help employees decide whether to enter the program, including data on what their pension benefits would be with and without DROP participation.

The State Board of Administration invests FRS monies, including those from DROP, with the goal of ensuring that investment returns are sufficient to meet pension and DROP obligations. The board also coordinates with the Division of Retirement to operate the MyFRS Financial Guidance Program, which provides employees information and guidance through several methods, including a website and toll-free telephone number.¹

¹ The program includes print and video educational materials; a toll-free guidance line staffed by division counselors and private financial counselors; a website that contains plan choice information and retirement planning applications; and plan choice and retirement planning workshops.

Questions and Answers –

How has DROP affected FRS employer costs?

We estimated that in Fiscal Year 2008-09, the FRS paid an additional \$41.7 million to fund DROP. This higher cost occurred because DROP participants retire earlier than typical employees, which increases the length of the time that they draw pension benefits while reducing the number of years in which employers can fund their retirement benefits. Employers thus must pay higher contribution rates to fund these employees' shorter careers and longer times spent in retirement. As shown in Appendix A, the Division of Retirement's contracted actuary recently projected that employer contribution rates in Fiscal Year 2010-11 will need to be 0.47% to 1.67% higher for employees in DROP than for those who have not entered the program.²

While all employers incur an additional expense for DROP, some incur disproportionate costs because the program is funded through a uniform contribution rate, which results in substantial cost shifting among retirement classes. Although FRS membership classes have varying benefits and incur varying costs, DROP uses a uniform employer contribution rate for all persons in the program regardless of their FRS membership class. This rate is currently 9.8% of each participant's salary. In contrast, FRS requires employers to contribute differing percentages of salary for the various retirement membership classes for persons who have not entered DROP; these percentages range from 8.69% of salary for members of the FRS Regular Class, to 19.76% for members of the Special Risk Class. These contribution rates are based on the actuarial costs of providing retirement benefits for individuals in the different retirement classes.

We estimated that as a result of this cost shifting, the FRS paid an additional \$20.3 million in Fiscal Year 2008-09 to fund Regular Class DROP

² This is based on OPPAGA's analysis of the January 2010 Division of Retirement contracted actuary's special report on incorporating DROP participation in each membership class. These contribution levels reflect the normal cost requirements to fund benefits for employees in the individual retirement classes.

participants (see Appendix B for a discussion of the contribution costs for each FRS class). In contrast, we estimate that the FRS costs for members employed in the other retirement classes (e.g., law enforcement personnel in the Special Risk Class employed by cities, counties, and state agencies) would have been reduced by \$23.2 million when these employees entered DROP, as the normal cost rate for these employees would be lower (from between 1.02% and 11.07%, depending on membership class) than the uniform DROP rate.³ Establishing contribution rates for DROP participants based on their retirement class would avoid these cost shifts, which predominantly affects school boards, universities, and state colleges as almost all of their workers are in the Regular Class (99%, 99%, and 97%, respectively).⁴ The Division of Retirement's contracted actuary prepared an estimate of the normal costs associated with funding DROP within each employee class beginning in Fiscal Year 2010-11 (see Appendix A).

As the purpose of DROP is not specified in statute, it is unclear if the Legislature intended for this practice to be followed.

How do other states implement and fund their deferred retirement option programs?

At least 12 other states have established deferred retirement option programs, many of which are similar to Florida's program. As shown in Appendix C, these states have criteria for entering the program (age and years of service) and place limits on how long workers can participate (the most frequent period is 60 months). Like Florida, four states — Alabama, Arkansas, Louisiana, and South Carolina — offer DROP to all retirement system members. In addition, six states — Alabama, Arkansas, Arizona, Maryland, Michigan,

and Oklahoma — provide a guaranteed interest rate on DROP funds, ranging from 2% in Oklahoma to 8.5% in Arizona. Florida's guaranteed rate of 6.5% falls within this range. Moreover, like Florida, four states have cost-of-living provisions in their DROP plans. Oklahoma's cost-of-living adjustment is set annually by the Legislature while cost of living adjustments in Maryland, Missouri, and South Carolina are linked to the changes in the Consumer Price Index.

However, other states' deferred retirement programs also have provisions that vary significantly from Florida's program. For example, Arizona, Indiana, Maryland, Nebraska, Ohio, and Oklahoma have a separate DROP system for special risk employees (e.g., state police and firefighters). In addition, six states - Alabama, Indiana, Louisiana, Ohio, Oklahoma, and South Carolina - allow employees who meet eligibility requirements to enroll in DROP whenever they choose. Three states allow eligible employees who have already surpassed DROP age and years of service requirements to enroll retroactively; these "Back DROP" or "Reverse DROP" plans are offered by Arizona, Missouri, and Oklahoma.

Other states also vary in how interest is earned on DROP accounts. For example, Nebraska's members place their accounts in 1 of 13 investment options offered through the state's Deferred Compensation Plan; a member's account earns the rate of return of the selected investment option. In Ohio, non-highway patrol public employees can participate in a program similar to DROP that allows the employees to take a partial lump sum payment that cannot be less than 6 times or more than 36 times the monthly amount that would be payable to the members under their selected payment plan.

How did recent FRS legislation affect Florida's Deferred Retirement Option Program?

The 2009 Legislature made numerous changes to the Florida Retirement System, three of which affected DROP participants.⁵ First, the Legislature amended provisions that governed when

³ Between Fiscal Years 2000-01 and 2008-09, employers of Regular Class members paid an additional \$262.3 million for DROP employees while Special Risk Class employers saved \$133.8 million. This period represents the most complete DROP data available; data for the program's first two years were maintained in an information system that is not currently accessible.

⁴ Milliman, Inc. *Study to Revise Florida Retirement System (FRS) Funding Valuation to Incorporate Deferred Retirement Option Program (DROP) Participation in Each Membership Class*, January 15, 2009.

⁵ Chapter 2009-209, *Laws of Florida*.

individuals could return to FRS employment after retirement. Previously, those who retired or exited DROP had to wait one month before they could be re-hired by a FRS employer. Effective July 1, 2010, such individuals must wait six months before being re-employed. Employees and employers who violate these restrictions are liable to the FRS for any benefits paid.

Second, the 2009 legislation prohibited individuals who retire or exit DROP from earning credits toward a second FRS pension if an FRS employer subsequently reemploys them. As a result, employers who hire such persons are no longer required to make retirement contributions for these workers unless the FRS pension plan experiences an unfunded actuarial liability.⁶

Third, the legislation modified the period for elected officials' DROP accounts to earn interest. Currently, elected officials already in DROP can continue earning interest on their accounts beyond their DROP completion date and until they finish their current or re-elected term of office. Effective July 1, 2010, elected officials who begin DROP will no longer earn interest on the account after the DROP period has been completed.

What options could the Legislature consider for DROP?

If the Legislature wishes to make additional changes to Florida's deferred retirement program, it could consider five options.

1. Statutorily define DROP's purpose.
2. Establish DROP employer contribution rates for each membership class.
3. Standardize DROP requirements.
4. Change the interest rate for DROP accounts to a rate based on current economic conditions.
5. Eliminate DROP.

Establish legislative intent for DROP. Currently, the purpose of DROP is not stated in law, and opinions vary regarding its overall goal. One

perspective holds that DROP is intended to be an early retirement incentive to reduce long-term costs by encouraging older, and presumably higher paid employees to leave the workforce. In contrast, another perspective holds that DROP is intended to be a tool for retaining highly experienced employees in the workforce and avoiding training and turnover costs. Clarifying the legislative intent for DROP would provide a basis for evaluating the program's success and the need for further changes.

Standardize DROP participation requirements.

Currently, most FRS members can participate in DROP for a maximum of five years, while school district K-12 instructional personnel can participate in the program for eight years. In addition, school instructional personnel also are not required to enroll in DROP within 12 months of becoming eligible for retirement, as are all other participants. The Legislature authorized these enhanced benefits for school personnel in an effort to retain qualified teachers when the state was experiencing a statewide teacher shortage. However, while there are shortages in selected areas of the state and within certain teaching disciplines, there is no longer a statewide shortage. The Legislature could standardize these requirements by either reducing the length of time that teachers may remain within DROP to five years.

In addition, the Legislature could consider allowing members to defer DROP entry to a time of their choosing after they meet normal retirement date. Currently most members are required to make their DROP participation decision when they reach their normal retirement date. If members were allowed to defer DROP entry to any date after meeting normal retirement requirements, FRS costs could be reduced because pension payments for participating employees would begin at a later age, the payments would be paid over a shorter lifetime, and there would be more time to fund pension benefits.

Once the Legislature determines the primary purposes of DROP, it may wish to standardize program requirements in accordance with these goals. The advantages of standardizing DROP enrollment windows and participation periods

⁶An unfunded actuarial liability occurs when plan assets are insufficient to meet the pension payments to current and future pensioners within the Florida Retirement System. Florida law requires that unfunded actuarial liabilities be amortized over a 30-year period.

option are that such changes would make the program's participation equitable among all FRS workers and would reduce employer costs. However, this option could negatively affect school district K-12 instructional personnel and make it harder for the districts to retain qualified personnel.

Establish separate DROP employer contribution rates for each membership class. Florida law provides that employee benefits should be funded in a manner that is fair, orderly, and equitable.⁷ As such, the Legislature may wish to revisit how DROP is funded and establish a system that ties contribution rates to the types of workers employed by FRS employers. The Legislature could do so by establishing different contribution rates for each membership class (i.e., the mechanism currently used for FRS regular retirement contributions). This option would reduce DROP costs for entities that primarily employ Regular Class employees (e.g., school boards, universities, and state colleges, but would increase costs for entities that primarily employ special risk employees (e.g., county sheriffs, city police, and state law enforcement agencies). Thus, the main disadvantage of this option is that those employers whose costs are currently being subsidized would be required to pay the full cost for program participants.

Link the interest rate guaranteed for DROP accounts to a rate based on current economic conditions. As noted previously, DROP provides a 6.5% guaranteed annual rate of return. As an alternative, the Legislature could tie the guaranteed rate to a benchmark such as the Consumer Price Index, the one-year Treasury Bill yield, or the prime interest rate charged by major banks. Linking the rate to such a benchmark would likely reduce program costs.

Eliminate DROP. In 2009, the FRS paid approximately \$42 million more to fund DROP than it would have paid if the program did not exist. To reduce employer costs, the Legislature could eliminate the program by closing it to new participants effective July 1, 2010. If the program were discontinued, FRS employers would have to pay the costs associated with current participants until these members exit the program. This

would take up to five years for most employers and up to eight years for those who employ K-12 instructional personnel. However, once all participants had exited DROP, the state and local governments that participate in FRS would realize annual savings. The amount of these savings would depend on several factors, including future pay increases and whether employees who would have entered DROP remain in the workforce or retire.

The decision on whether to eliminate DROP depends in part on the Legislature's intent regarding the program's purpose. If the Legislature determines that the fundamental purpose of DROP is to produce savings by encouraging older employees to commit to a date at which they will leave government employment, then eliminating the program could result in such persons continuing to work, as they would no longer be able to collect up to five years of pension benefits as a lump sum and use these monies to help fund their retirement. Participating governments would incur lower pension costs while these individuals continued to work, as contribution rates on average are currently lower for workers who are not in DROP. However, if the Legislature determines that DROP is intended to encourage older, highly qualified experienced employees to remain in the workforce, eliminating the program could affect this outcome.

⁷ Section 112.61, F.S.

Appendix A

Employer Contribution Costs Will Increase in Fiscal Year 2010-11

The Division of Retirement's contracted actuary recently conducted a valuation of the FRS pension fund and determined that employer contribution rates will significantly increase beginning July 1, 2010. The rate increase is due to the elimination of a funding surplus that was used to reduce employer contributions and the creation of an unfunded actuarial liability due to poorer than expected investment performance. Table A-1 below shows the current and projected revised FRS employer normal cost as well as the cost of funding DROP within each membership class.

Table A-1
Contribution Costs Vary Among Membership Classes and Will Increase in the Next Fiscal Year

Membership Class	Fiscal Year 2009-10 Revised FRS Normal Cost Rates ¹	Projected Fiscal Year 2010-11 Revised FRS Normal Cost Rates ²	Increased Cost to Fund DROP Within Each Membership Class	Projected Fiscal Year 2010-11 Employer Rates if DROP is Funded by Each Membership Class
Regular	8.59	12.01%	0.47%	12.48%
Special Risk	19.47	29.67%	1.15%	30.82%
Special Risk Administrative	11.29	31.29%	.87%	32.16%
Senior Management Services	12.18	24.04%	.49%	24.53%
Elected Officials				
Judicial	18.29	32.99%	1.35%	34.34%
Legislature/ Attorneys/Cabinet	13.14	38.63%	1.67%	40.30%
Counties	14.95	43.54%	0.97%	44.51%
DROP - All Classes	9.80%	20.07%	N/A	N/A

¹ Reflects the use of the surplus to reduce employer contribution rates.

² Reflects the increased normal cost rates and unfunded actuarial liabilities based on the July 1, 2009, valuation of the FRS pension fund. The actual employer contribution rate may be reduced by blending the Pension Plan and Investment Plan contribution rates. The current blended rates are not available.

Source: Department of Management Services' Division of Retirement and Division of Retirement's contracted actuary's January 2010 special study results.

Appendix B

DROP Is Funded Through a Uniform Rate That Shifts Program Costs

DROP is funded through a uniform employer contribution rate for all participants. In Fiscal Year 2008-09, entities that employed staff in the FRS’s Regular Class contributed 8.69% of these employees’ salary to the FRS Pension Plan for workers who were not in DROP and 9.80% of salary for employees who had entered DROP. Entities with staff assigned to all other retirement classes also contributed 9.80% of salary for DROP participants; however, these entities’ contribution rates for employees not in DROP were significantly higher, ranging from 11.39% for staff in the Special Risk Administrative Support Class members to 19.96% for Special Risk Class members. As a result, entities that had Regular Class workers in DROP subsidized the cost of program benefits for all other membership classes.

Table B-1 below demonstrates these costs shifts. It identifies the FRS costs (including employer contributions and surplus funds) that were paid for each membership class in Fiscal Year 2008-09. The FRS actuarial valuation for that year did not identify the normal cost contribution that would have been needed to fund DROP for each retirement class during the year. As shown in Appendix A, these costs for Fiscal Year 2010-11 will range from 0.47% of salary to 1.67% for the different retirement classes. Column B in Table B-1 shows the normal DROP cost incurred for each retirement class under the uniform rate. Column C shows the cost that would have been incurred if the workers in each retirement class had not entered DROP but had stayed employed in their existing class. The values in this column are estimates of the amount that would have been paid if FRS did not use a uniform rate for DROP (actual costs would have been somewhat larger as these figures do not include the DROP costs which likely would have had a range similar to the 0.47% to 1.67% costs for Fiscal Year 2010-11). Column D shows the difference between these two amounts for each retirement class. As a result of the cost shifting, Regular Class costs were \$20.3 million more in Fiscal Year 2008-09 while Special Risk Class costs were \$19.9 million less than they would have been in the absence of the uniform DROP rate.

Table B-1
Cost Shifting Results In Regular Class Employers Subsidizing the Costs of Other Membership Classes

(A) Employment Membership Class	(B) Fiscal Year 2008-09 FRS Costs of Employees Enrolled in DROP (in millions)	(C) FRS Costs if Employees Had Not Entered DROP (in millions)	(D) Difference in FRS Costs For DROP Participants (in millions) ¹
Regular	\$163.8	\$143.5	\$20.3
Special Risk	\$19.7	\$39.6	-\$19.9
Special Risk Administrative	\$0.43	\$0.47	-\$0.04
Senior Management Service	\$5.8	\$7.1	-\$1.3
Elected Officers	\$2.7	\$4.7	-\$2.0

¹Excludes actuarial costs for DROP participation, which were estimated in the Division of Retirement’s contracted actuary’s January 2010 special actuarial study. The study calculated that these costs would range from 0.47% of salary for employees in the Regular Class to 1.67% of salary for legislators in the Elected Officers Class. The column does not sum to zero due to because there was a difference in the anticipated level of participation and the actual level of participation for each membership class.

Source: Division of Retirement documents.

Appendix C

States Vary in Deferred Retirement Program Eligibility and Implementation Requirements

At least 12 other states have established deferred retirement option programs for their public employees that are similar to Florida's DROP. As shown below, these states have criteria for entering the program (age and years of service), and place limits on how long workers can participate. Some states restrict program enrollment, while others allow employees to enroll retroactively. Several states tie account cost of living increases and interest earnings to legislative rule and current economic indices to control their cost obligations.

Table C-1
States Vary in Deferred Retirement Program Eligibility and Implementation Requirements

State	Eligibility	DROP Duration	Annual Interest and Cost of Living Increases
Florida	Open to all membership classes that meet age and years of service eligibility. While participating in the program, the member's retirement benefit is deposited into the FRS Trust Fund, earning tax-deferred interest. At the conclusion of DROP, the member must terminate from all FRS employers. All DROP members currently can rejoin the FRS as a renewed class member after a one-month break in service. However, effective July 1, 2010, DROP members will have to wait six months.	60 months 96 months for instructional personnel teaching kindergarten through 12 th grade.	6.5% interest 3% cost of living
Alabama	Open to all membership classes with 25 years of service and age 55 (age 52 for state police members).	36 – 60 months	4% Interest 0% cost of living
Arkansas	Members of the Public Employee Retirement System may enroll in DROP after 28 years of service, regardless of age. Employers contribute 63% of the employee's salary into the DROP account. Additionally, they contribute ½ of 1% for each month of service over 28 years up to a maximum of 75% for 30 or more years of service.	84 months	6% Interest 3% cost of living after the first year
Arizona	Members of the Public Safety Personnel Retirement System with 20 or more years of service, regardless of age, may participate in a DROP or Reverse DROP. Reverse DROP allows members to retroactively retire once they have more than 20 years of service. For example, members could work 25 years, and then decide to have their pensions based on 20 years of service and have their last five years credited to the Reverse DROP plan. Pension benefits are recalculated and reduced based on the date members chose to enter Reverse DROP.	60 months	8.5% Interest for DROP 3.5% Interest for Reverse DROP
Indiana	Police officers and firefighters who are 52 years old and have at least 20 years of service may enroll in DROP. Those with less than 32 years of service must contribute 6% of their salary to their DROP accounts.	12-36 months	0% Interest 0% cost of living
Louisiana	All members who are eligible for retirement. Eligibility varies depending on membership class and years of service.	36 months	0% Interest 0% cost of living
Maryland	Open to state police and local law enforcement officers. State police participation cannot extend beyond age 60 or 28 years of service. Local law enforcement must have a minimum of 25 years of service and the DROP period cannot extend the officer's total years of service beyond 30 years.	Up to 48 months for state police and 60 months for law enforcement officers	6% Interest Cost of living is tied to the Consumer Price Index
Michigan	Open to members of state police who have at least 25 years of service. A percentage of member's salary is deposited in a DROP account based on how long the employee participates in the program. Percentages are as follows: less than one year–30%; one year but less than two years–50%; two years but less than three years–60%; three years but less than four years–70%; four years but less than five years–80%; five years but less than six years–90%; six years–100%.	72 months	3% Interest 0% cost of living

State	Eligibility	DROP Duration	Annual Interest and Cost of Living Increases
Missouri	Members must work at least two years beyond their normal retirement eligibility date, which varies by when they were hired. They may then retroactively enroll in a DROP for up to five years after they were initially eligible. Upon entering DROP, pension benefits are recalculated and reduced based on the date members choose to enter the plan and, at termination, they receive a lump sum payment that equals 90% of the pension earned during the DROP period.	60 months	Pension benefits are deposited in a DROP account that earns interest at a rate which, depending on a members hire date, is generally 80% of the change in the Consumer Price index.
Nebraska	Restricted to state patrol officers between ages 50 and 60 who have at least 25 years of service. Members must terminate service after five years of DROP or age 60.	60 months	The member's DROP account is placed in one of 13 investment options offered by the program. The DROP account earns the rate of return achieved by the selected investment option.
Ohio	Open to Ohio Highway Patrol Retirement System members until they turn age 60 1) they are at least 48 years old with 25 years of service, or 2) they are at least 52 years old with 20 years of service. Employees must contribute 10% of their salary to a DROP account. Those entering DROP before age 52 must serve at least three years in DROP while those age 52 or older must serve two years. Employees who discontinue DROP participation before serving the minimum number of years must forfeit any accrued interest.	96 months	Interest rate set annually by the State Retirement Board. 3% cost of living applied after age 53
Ohio This program serves as an alternative to DROP	The Public Employee Retirement System has a program similar to DROP that allows members eligible to retire to take a lump sum payment that cannot be less than 6 times or more than 36 times the monthly amount that would be payable to the members under their selected payment plan, and that cannot be less than 50% of their monthly pension benefit. Members may take advantage of this program after they have reached one of three milestones: 1) at any age after 30 years of service, 2) at age 55 with 25 years of service, or 3) at age 60 with five years of service. Employees retiring with fewer than 30 years of service or under age 65 receive reduced retirement benefits.		N/A
Oklahoma	Members of the Oklahoma Law Enforcement Retirement System may participate in Back-DROP and DROP. Back DROP allows members to retroactively enter DROP. Their pension benefits are then reduced and based on the years of service they had as of their Back DROP entry date. Back DROP and DROP are open to members with more than 20 years of service regardless of age. After completing either program, employees must terminate employment.	60 months	DROP or Back-DROP earns 2% interest below the rate of return earned by the retirement system's pension fund but no less than the actuarial assumed interest rate certified by the division's contracted actuary. Cost of living is determined annually by the legislature.
South Carolina	Open to all members who have 28 years of service or who are age 65. A Members contribute 6.5% their salaries to the program.	60 months	0% Interest cost of living adjustments tied to the Consumer Price Index

Source: OPPAGA review of state's retirement handbooks and documents, fall 2009.