

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 790

SPONSOR: Senator Sullivan

SUBJECT: School Districts/Financial Mgmt.

DATE: February 1, 2000 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	O'Farrell	O'Farrell	ED	Favorable
2.			RC	
3.				
4.				
5.				

## I. Summary:

The legislation being considered would combine the two types of school district management reviews currently being conducted by the Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) into one fully funded, mandatory review process. In addition, OPPAGA would be required to recommend a 10-year cycle for reviewing districts, subject to approval by the Legislature through the General Appropriations Act. The office would also recommend to the President of the Senate and the Speaker of the House of Representatives school districts to be reviewed each ensuing fiscal year. The Legislature would specify, in the General Appropriations Act each year, funds appropriated and districts to receive reviews. If the Legislature implemented the 10-year plan all 67 districts would be reviewed over the 10-year span of time.

The stated purpose of the management practices review is to improve school district management and resource utilization, and to identify potential district cost savings. The legislation provides for: modifying and updating the list of best management practices, the procedure a school district must follow to obtain a Seal of Best Financial Management, and follow-up activities for OPPAGA and the districts after a review has been completed.

This bill amends sections: 11.51, 11.515, 230.23025, 230.23026, and 235.2197 of the Florida Statutes, and repeals section 230.2302, Florida Statutes.

## II. Present Situation:

The 1994 Government Accountability Act created the Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) as a review and advisory entity that would assist with the improvement of performance and accountability in state government. Primarily a research unit, OPPAGA conducts studies of Florida governmental agencies and programs for the purpose of improving services to citizens and reducing governmental costs. Two of these

activities are specifically targeted to the management practices of public school districts: the school district performance review and the best financial management practices review. The school district performance review program was created by the Legislature in 1994 to assist the school districts in: identifying ways to save money, improve management, and increase program efficiency and effectiveness. The program is fully funded by the state, and the Legislature annually designates the districts to be reviewed in the General Appropriations Act. The reviews are conducted by private consulting firms selected by OPPAGA through a request for proposal process. School districts retain any cost savings realized by implementing review recommendations.

Section 11.515, F.S., provides that school district performance reviews must examine 11 areas associated with school district management and operation:

- School district organization and management
- Educational service delivery
- Community involvement
- Facilities use and management
- Personnel management
- Asset and risk management
- Financial management
- Purchasing
- Transportation
- Food service
- Safety and security

OPPAGA also works with the districts being reviewed to tailor the scope of the review so it addresses district issues.

Nine school districts have undergone performance reviews: Hamilton, Hillsborough, Lee, Clay, Glades, Orange, Broward, Brevard, and Martin. The 1999 Legislature appropriated \$30,000 for post review evaluations of the Hamilton, Hillsborough, and Lee County school systems. No funding was provided to conduct any additional district reviews during the 1999-2000 fiscal year.

In response to a 1997 Legislative directive, OPPAGA and the Florida Auditor General developed a process for reviewing the financial management practices of school districts. A set of best financial management practices was developed and adopted by the Commissioner of Education. A best practices review must address the following areas:

- Management structures
- Performance accountability systems
- Use of lottery proceeds
- Use of state and district construction funds
- Facilities construction
- Facilities maintenance
- Personnel systems and benefits
- Cost control systems
- Student transportation
- Food service operations

Local school boards must request, by a unanimous vote of the board, a best management practices review from OPPAGA. Review requests are prioritized by OPPAGA based on district growth rates and demonstrated need for review. Districts selected share the cost of the review with the state on a 50-50 basis. The law (s. 230.23025, F.S.) authorizes OPPAGA to contract with private consulting firms to conduct the reviews.

The Manatee County School District was the first district to request and undergo a best financial management practices review. OPPAGA published a report of the review in 1998. A possible net savings to the district of \$35 million was identified by review recommendations. The school board voted to implement all the recommendations, and OPPAGA is now reviewing a district report of the changes experienced to date.

In 1999 a best financial management practices review was conducted for Polk County, and combined performance and best financial management practices reviews were conducted in the Brevard and Martin County School Districts. The estimated combined savings to the districts, if all the review recommendations were implemented, would exceed \$30 million over five years.

The 1999 Legislature, through the General Appropriations Act, required OPPAGA to follow up on performance reviews conducted in 1996-97. According to OPPAGA preliminary results from this effort have revealed several problems with performance reviews that are effectively addressed through the best financial management practices review process. Highlights of the findings indicate:

- Performance review recommendations are very broad and lack detail which makes implementation and evaluation by the district difficult. Best practices reviews are required to have detailed action plans.
- The performance review law does not require a follow up to determine whether recommendations have been implemented and projected cost savings realized. Best practices reviews require annual reports on implementation.
- More frequent communication between school districts and the consultants conducting performance reviews would make the review findings and recommendations more useful to the districts. This process is a part of best practices reviews.

While best financial management practices reviews have many superior features to the performance reviews, the 50-50 cost sharing requirement may be preventing many school boards from requesting the service. An OPPAGA survey of school board chairmen and superintendents revealed that 11 districts did not plan to request best practices reviews and cited cost as a factor in their decisions. Review cost is of particular concern in small school districts.

### **III. Effect of Proposed Changes:**

The bill under consideration combines school district performance reviews with best financial management practices reviews to create one mandatory school district review process, the best financial management practices review. According to OPPAGA the benefits of consolidation would be to:

- Eliminate overlap between the two reviews
- Resolve school district confusion about the two reviews
- Provide for consistent application of criteria in reviewing school districts
- Enable all districts to participate
- Resolve areas needing improvement in performance reviews

The purpose of the new, consolidated best financial management practices review is to improve a school district's management and use of resources, and to identify cost savings. The Director of OPPAGA is authorized to hire outside consultants through a request for proposals process to conduct all or part of the reviews. The reviews would be required to include, but would not be limited to, the following areas:

- Management structures
- Educational service delivery
- Community involvement
- Facilities
- Personnel systems and benefits
- Student transportation
- Food service operations
- Safety and security
- Performance accountability
- Use of lottery proceeds
- Cost control systems
- Instructional and administrative technology

The list includes the elements of the two current reviews and adds the area of administrative and instructional technology. The legislation also gives OPPAGA the authority to develop additional best practices and submit them to the Commissioner of Education for adoption. The best financial management practices adopted by the Commissioner must be used in school district best practices reviews.

The expressed intent of the Legislature is that each of the 67 school districts shall undergo a best financial management practices review. In order to carry out this intent, OPPAGA is required to recommend a schedule to review all school districts on a 10-year cycle. The schedule is subject to approval by the Legislature through the General Appropriations Act. In addition to the schedule design, OPPAGA must recommend to the President of the Senate and the Speaker of the House of Representatives school districts to be reviewed during the next fiscal year. The recommendation must be submitted by December 31st each year. In turn, the Legislature will annually designate, through the General Appropriations Act, the districts that will receive a fully funded best financial management practices review.

Districts that are found to utilize the best financial management practices will receive a Seal of Best Financial Management from the State Board of Education. The seal is good for five years and certifies the district is adhering to the state's best financial management practices. If a district is not in compliance with the best practices at the time of the review, the review report must

contain a recommended action plan detailing how the district can meet the best practices standards and become eligible for the Seal of Best Financial Management. The district school board must vote to implement or reject the recommended action plan within 90 days of receiving the report. A school board voting to implement the action plan has two years to meet the best practices standards in order to be considered for a Seal of Best Financial Management. The board must also report to the Legislature, the Governor, the SMART Schools Clearinghouse, OPPAGA, the Auditor General, and the Commissioner of Education on progress toward implementing the action plan. The first progress report is due no later than one year after receipt of the report of the best financial management practices review. A second report is due one year later. OPPAGA will also assess the district's implementation of the plan and progress for the two years after the school board's vote to comply with review recommendations.

Section 230.2302, F.S., which provides for school district performance reviews is repealed by the legislation.

The bill takes effect July 1, 2000.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

None.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

#### **V. Economic Impact and Fiscal Note:**

##### **A. Tax/Fee Issues:**

None.

##### **B. Private Sector Impact:**

Financial benefits would accrue to private consulting firms selected to conduct district best financial management practices reviews.

##### **C. Government Sector Impact:**

The estimated cost of each best financial management practices review is based on the size of the school district as determined by student enrollment. OPPAGA estimates that the

combined costs of three reviews of medium size districts would be approximately \$750,000. A reviews of a very large districts would cost \$600,000, a large district \$500,000, a medium district \$250,000, and a small district \$135,000. Because most school districts are in the medium and small categories, the estimated average cost of a review is \$250,000.

If the Legislature chooses to review all the school districts based on a 10-year cycle, OPPAGA estimates the annual cost at \$3.45 million. This includes the cost of private consultants to conduct the reviews, and the cost of seven additional OPPAGA staff to oversee and participate in the reviews each year.

If the Legislature chooses to phase in the best financial management practices reviews, the annual cost would be less. OPPAGA estimates that, based on its current mandated workload, it has sufficient capacity to contract for and monitor three best financial management practices reviews in FY 2000-01. This would allow the review of up to three medium size districts at a total cost of \$750,000. OPPAGA cautions the if the Miami-Dade County School District is selected for review, the estimated cost would be \$750,000 and it would be the only district reviewed during the fiscal year.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.