

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 2374

SPONSOR: Education Committee and Senator Posey

SUBJECT: School Food Services

DATE: April 20, 2004 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>deMarsh-Mathues</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>GO</u>	_____
3.	_____	_____	<u>AED</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill requires each school district to:

- analyze the operational efficiency of the school food services program;
- report to the DOE and the district school board by a time certain;
- identify all indirect costs relating to the program when preparing the program efficiency analysis; and
- prorate the costs to the program if they relate to other district operations.

The bill specifies the content of the analysis and the methodology for calculating the program's profit and loss. The bill states that school food services programs should strive to operate in an efficient manner and encourages school districts to collaborate with school administrators.

DOE must prepare an annual report to the Legislature and the State Board of Education that identifies each district's school food services expenditures.

This bill amends ss. 1006.06, 1010.20, and 1010.21, F.S.

The bill provides an effective date of upon becoming a law.

II. Present Situation:

Generally, participation in the federal National School Lunch Program and cash food sales account for the majority of revenue for school food services programs, while food costs, salaries, and benefits represent the majority of expenditures.¹ If revenues do not cover costs, then districts must subsidize these operations through their general operating budgets. The Office of Program

¹ *Best Financial Practices Review, Alachua County School District, OPPAGA, October 2003.*

Policy Analysis and Government Accountability (OPPAGA) developed best practices for food services in the district, including regularly assessing the benefits of service delivery alternatives, such as contracting and privatization, and implementing changes to improve efficiency and effectiveness. Also, one of the indicators for effectively managing the costs of these programs is a reporting system that provides accurate and timely information.

OPPAGA's Best Financial Management Practices reviews have identified issues related to indirect costs for food services departments. OPPAGA noted that the food service fund operates as an enterprise fund and should be charged for all costs associated with operating food services. According to OPPAGA, many "best practice districts" charge the food services fund for all costs associated with operating the food service program, including utilities. This practice, coupled with maintaining a reserve fund balance for unanticipated emergencies, contributes to the healthy financial position of a program.

According to the Department of Education, school district annual reports contain separate accounting and reporting for food service operations in the special revenue fund for food services, as established by the uniform accounting structure prescribed in a statewide manual, *Financial and Program Cost Accounting and Reporting for Florida Schools*. The report's format is based upon generally accepted accounting principles for governments. Districts must report all food service operating revenues and expenditures, (including indirect costs), as well as other financing sources and uses (including transfers from other funds). The annual financial report must be provided to the DOE by September 11, following the end of the fiscal year (June 30).

III. Effect of Proposed Changes:

School Districts

This bill amends s. 1006.06, F.S., relating to school food services programs, to require each school district (beginning with the 2004-2005 school year) to analyze the operational efficiency of the school food services program. The analysis must contain a review of the following aspects of the school food services program:

- the financial condition of the program presented in a specified format; and
- the revenues and expenditures for the current and prior four fiscal years.

The calculation of the program's profit and loss must include all revenue and costs, including indirect costs, as defined in s. 1010.21(2), F.S., and must be reported to the DOE and the district school board within 60 days after the end of the district's fiscal year.

The bill states that school food services programs should strive to operate in an efficient manner and encourages school districts to ensure that the authority, accountability, and responsibility for all revenues and costs be vested in the district school food services directors, in collaboration with school administrators. School districts must ensure that this authority does not interfere with a school administrator's ability to provide for the safety and welfare of students.

The bill amends s. 1010.21, F.S., to require districts to identify all indirect costs relating to the school food services program when preparing the program efficiency analysis.² These indirect costs must be prorated to the program if they relate to other district operations.

Department of Education (DOE)

The bill amends s. 1010.20, F.S., to require DOE to prepare an annual report to the Legislature and the State Board of Education (by October 1 of each year) that identifies each district's school food services expenditures that are reported under s. 1006.06(6), F.S., including the extent to which school food services are a self-supporting endeavor.

The bill provides an effective date of upon becoming a law.

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:

None.

C. Government Sector Impact:

According to DOE, school districts will incur significant costs for the preparation of reports, including separate cost reports for food service operations. Current annual financial reports from the districts to DOE identify expenditure for food services, as well as transfers from the General Fund. These reports do not presently contain the level of information for indirect costs specified in the bill. The expenses associated with the

² Indirect costs include building maintenance and depreciation, utilities, waste removal, pest control, insurance, storage and distribution, printing, administration of payroll, employee benefits and retirement, purchasing, human resources, accounts payable and receivable processing, and all other administrative services performed by district staff that benefit the school food services program.

additional cost reports may be mitigated to some extent, if the existing cost reports can be modified to capture new data elements.

VI. Technical Deficiencies:

None.

VII. Related Issues:

While the bill requires more discrete information related to district food services costs, there is no corresponding requirement to verify the self-reported information. As well, the DOE noted that the bill requires a report to the Legislature on October 1, prior to the reconciliation of district financial reports that are due September 11. This may result in a delay in providing complete information for the report.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
