

## 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.)

Date: April 16, 1998 Revised: \_\_\_\_\_

Subject: Florida School District Review Trust Fund

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Chasteen</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable/CS</u>
2.	<u>Krasovsky</u>	<u>Krasovsky</u>	<u>RC</u>	<u>Favorable/CS</u>
3.	<u>                    </u>	<u>                    </u>	<u>WM</u>	<u>                    </u>
4.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

### I. Summary:

This committee substitute creates the Florida School District Review Trust Fund and specifies that it is to be administered by the Office of Program Policy Analysis and Government Accountability (OPPAGA). The funds must be credited for the purpose of conducting best financial management practices audits for school districts. Unless terminated sooner, the trust fund is terminated on June 30, 2002. OPPAGA is directed to make a recommendation to the Legislature regarding whether the trust fund should be terminated or continued.

The effective date of the committee substitute is upon becoming a law, but it is not effective unless enacted by a three-fifths vote of the membership of each house of the Legislature.

This committee substitute creates an unspecified section of the Florida Statutes. This bill amends section 230.23025, F.S.

### II. Present Situation:

Section 11.45, F.S., specifies that the Auditor General must make annual financial audits of the accounts and records of all state agencies, district school boards, and of all district boards of trustees of community colleges. The Auditor General may at any time make financial audits and performance audits of all governmental entities created pursuant to law.

Section 11.515, F.S., specifies that any performance review of a school district pursuant to the section must be conducted by a private firm selected by OPPAGA through a formal request for proposal process. In developing the scope of the review, OPPAGA must seek input from the school district subject to the review, and must address at least the following: 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; and safety and security.

Section 230.2302, F.S., specifies that each school district may be subject to a performance review pursuant to s. 11.515, F.S. The Legislature, via the General Appropriations Act, designates those school districts subject to a performance review. Such school districts must have expressed a desire, by majority vote of the school board, to undergo the review. The Legislature must designate at least one small, one medium, and one large school district in each General Appropriations Act.

Section 230.23025, F.S., directs OPPAGA and the Office of the Auditor General to develop a system for jointly reviewing the financial management practices of school districts to determine if they meet the following minimum criteria for “best financial management practices” :

Efficient use of resources, including assessments of facilities construction and maintenance practices, use of state and district construction funds, use of lottery proceeds, student transportation and food service operations, management structures, and personnel systems and benefits;

Compliance with generally accepted accounting principles and state and federal laws relating to financial management;

Performance accountability systems, including performance measurement reports to the public, internal auditing, financial auditing, and information made available to support decision-making; and

Cost control systems, including asset, risk, and financial management, purchasing, and information systems control.

School districts may, by unanimous vote of the members of the school board, apply for a review. OPPAGA must prioritize districts for review based on growth rates and demonstrated need for a review. Districts must contribute 50 percent of the cost of the review unless funding for the full review is specifically appropriated by the Legislature, or the review is performed pursuant to s. 11.515 or s. 230.2302, F.S.

District reviews must be completed within six months of commencement. OPPAGA must issue a report to the district regarding financial management practices and cost savings recommendations within 60 days of review completion. If a district does not conform to best financial management practices, the report must contain an action plan detailing how conformance can be reached within two years. Districts school boards agreeing to institute the action plan must submit an annual report to OPPAGA, the Auditor General, and the Commissioner of Education on progress made toward implementing the plan and whether changes have occurred in other areas of operation which would affect compliance with the best practices. Such districts must be annually reviewed by OPPAGA, in addition to the financial audit required by s. 11.45, F.S., to determine if

compliance with best financial management practices has been achieved. Those school districts found in compliance receive a “Seal of Best Financial Management” from the State Board of Education (SBE), effective for 3 years, after which the district may reapply for the designation to be granted after another financial management practices review. During the designation period, the district must annually notify OPPAGA, the Auditor General, and the SBE of any changes that do not conform with the state’s best financial management practices. The SBE may revoke the designation at any time if it determines that the district is not in compliance.

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

Section 1 creates the Florida School District Review Trust Fund and specifies that it is to be administered by the Office of Program Policy Analysis (OPPAGA). Funds must be credited to the trust fund as provided in s. 230.23025, F.S., or as otherwise appropriated by the Legislature for the purposes set forth in that section.

Section 2 specifies that OPPAGA use the funds deposited in the trust fund to pay the costs of conducting best financial practices in school districts in accordance with s. 230.23025, F.S. Funds must be used to pay the expenses of reviews conducted by OPPAGA, by the Auditor General, or by private consultants at the discretion of the director of OPPAGA. Such expenses may include professional services, travel expenses of OPPAGA and the Auditor General, and any other necessary expenses incurred as a result of a best practices review. OPPAGA is authorized to refund any portion of funds contributed by a school district which are deemed unnecessary for completion of a requested review.

Section 3 specifies that in accordance with s. 19(f)(2), Art. III, State Constitution, the Florida School District Review Trust Fund is terminated on July 1, 2002. Before the regular legislative session just prior to the scheduled termination date, OPPAGA must make a recommendation to the President of the Senate and the Speaker of the House of Representatives as to whether the trust fund should be terminated or re-created. If the trust fund is terminated, OPPAGA is directed to pay any outstanding debts or obligations as soon as practicable, to be followed by closure of any associated accounts by the Comptroller. Any balance remaining in the trust fund at the end of any fiscal year must remain in the trust fund and be available for carrying out the purposes of the trust fund.

Section 4 amends s. 230.23025, F.S., relating to best financial practices reviews, to specify that any moneys contributed by a school district toward the cost of a complete best-financial-management-practices review or a component review must be deposited into the Florida School District Review Trust Fund administered by OPPAGA.

Section 5 specifies that the act is effective July 1, 1998, if enacted by a three-fifths majority in both houses of the Legislature.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

Article III, s. 19 (f)(2), State Constitution, requires that a trust fund be created in a separate bill for that purpose only. This bill complies with that requirement.

Under the provisions of s. 19(f)(2), Art. III, State Constitution, a trust fund must be terminated no more than 4 years after the effective date of the act that creates the trust fund. The trust fund shall be terminated on July 1, 2002, unless terminated sooner.

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

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Specific Appropriation 135A of SB 2500, 1st Eng. (The Senate General Appropriations Act), provides \$500,000 for school district operational performance audits conducted pursuant to ss. 11.515 and 230.2302, F.S. There is presently no allocation for the best financial management practices reviews conducted under s. 230.23025, F.S., for which the Florida School District Review Trust Fund is being established.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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

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