

STORAGE NAME: h1853.ed

DATE: April 6, 1999

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
EDUCATION APPROPRIATIONS
ANALYSIS**

BILL #: HB 1853

RELATING TO: School district best financial management practices reviews

SPONSOR(S): Committee on Education Innovation

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) EDUCATION INNOVATION YEAS 6 NAYS 0
 - (2) COMMUNITY AFFAIRS
 - (3) EDUCATION APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

The bill combines school district performance reviews with best financial management practices reviews into one review for the school districts, the best financial management practices review. According to the Office of Program Policy Analysis and Government Accountability (OPPAGA), the benefits of consolidating these reviews would be to:

- Eliminate overlap between two types of reviews.
- Simplify administration of school district reviews.
- Resolve confusion among school districts about the reviews.
- Provide a consistent application of criteria for reviewing the performance and use of best practices among school districts.
- Enable all districts to participate.

The purpose of the consolidated best financial management practices review is to improve a school district's management and use of resources, and to identify cost savings.

HB 1853 requires OPPAGA to establish a five-year cycle of review in which all school districts must participate, unless otherwise determined by the Director of OPPAGA and the Legislature. No later than December 31 of each year OPPAGA is to recommend to the President of the Senate and the Speaker of the House of Representatives the districts proposed to undergo review and the maximum number of districts to be reviewed during the next fiscal year.

If the reviews are mandated and fully funded by the Legislature, OPPAGA estimates the cost to be \$3.45 million. If the reviews are mandatory and require a 50 percent match from the districts, the estimated cost to the state is \$1.73 million. House Bill 1789, the General Appropriations Bill, has an appropriation of \$780,000 for School District Operational Performance Audits for three school districts.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

The Office of Program Policy Analysis and Government Accountability (OPPAGA)

The 1994 Legislature created the Office of Program Policy Analysis and Government Accountability (OPPAGA) to help improve the performance and accountability of state government. OPPAGA is a research unit that conducts studies on Florida agencies and programs to identify opportunities to improve services to citizens and reduce government costs.

OPPAGA produces policy analyses and performance reviews on state government programs. These studies assess the efficiency, effectiveness, and long-term implications of state policies and programs, and make recommendations to Florida government. OPPAGA also produces program evaluation and justification reviews of Florida agencies that are operating under Performance-Based Program Budgeting (PB²).

Currently, OPPAGA administers or conducts two types of reviews of Florida school districts, the performance reviews of Florida school districts and best financial management practices reviews.

School District Performance Reviews

The 1996 Florida Legislature created the school district performance review program to assist Florida school districts in identifying ways to save funds, improve management, and increase efficiency and effectiveness. Pursuant to s. 230.2302, F.S., the Legislature annually designates the districts to undergo a review. These reviews are conducted by private consulting firms selected by OPPAGA using a request for proposal (RFP) process and are fully funded by the state. Participating school districts retain any cost savings resulting from the implementation of review recommendations.

According to s. 11.515, F.S., School District Performance Reviews must examine the following 11 broad school district management and operational areas:

- 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,

OPPAGA works with school districts undergoing a review to refine the scope to address specific district issues. Six districts have undergone this review: Hamilton, Hillsborough, Lee, Clay, Glades, and Orange. None of these reviews were completed by OPPAGA; a private consultant was utilized for each review.

Best Financial Management Practices Reviews

The 1997 Legislature directed the Office of Program Policy Analysis and Government Accountability (OPPAGA) and Florida's Auditor General to develop a system for reviewing the financial management practices of the school districts. OPPAGA and the Auditor General developed best financial management practices for Florida school districts (s. 230.23025, F.S.). The best practices were then adopted by the Commissioner of Education. OPPAGA and the Auditor General jointly examine school district operations to determine whether they are using the best financial management practices. Best financial management practices reviews are designed to encourage school districts to:

- use performance and cost-efficiency measures to evaluate programs;

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- use appropriate benchmarks based on comparable school districts, government agencies, and industry standards to assess their operations and performance;
- identify potential cost-savings through privatization and alternative service delivery; and
- link financial planning and budgeting to district priorities, including student performance.

OPPAGA published the first best financial management practices review, a review of Manatee County School District, in October of 1998. The possible net savings to the district as a result of this review *could* surpass \$35 million if the school board follows through with the implementation of this plan. OPPAGA is currently conducting a best financial management practices review for the Polk County School District and has contracted a combined performance and best financial management practices review for the Brevard and Martin County School Districts.

School district performance reviews differ from best financial management practices reviews in several ways:

- School districts participating in performance reviews are generally identified by the Legislature, whereas school districts may apply to OPPAGA for a best practices review.
- Although the general areas covered by both reviews are similar, best practices reviews determine whether a district is using a comprehensive set of standards, or best practices, adopted by the Commissioner of Education. If a district is found to be using the best practices, it is eligible for a "Seal of Best Financial Management."
- The performance reviews currently cover four areas for which no best practices have been adopted: educational service delivery, community involvement, safety and security, and instructional and administrative technology.

B. EFFECT OF PROPOSED CHANGES:

The bill combines school district performance reviews with best financial management practices reviews into one review for the school districts, the best financial management practices review. According to OPPAGA, the benefits of consolidating these reviews would be to:

- Eliminate overlap between two types of reviews
- Simplify administration of school district reviews
- Resolve confusion among school districts about the reviews
- Provide a consistent application of criteria for reviewing the performance and use of best practices among school districts
- Enable all districts to participate

Best Financial Management Practices Review

The purpose of a 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 the Office of Program Policy Analysis and Government Accountability (OPPAGA) is given the discretion to hire an outside consultant to conduct all or part of these reviews by using a request for proposal (RFP) process. The scope of the review is required to include, but is not limited to:

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

In areas for which there are not established best practices, OPPAGA can develop additional best practices with input from a broad range of stakeholders and present them for review and adoption by the commissioner.

The Office of Program Policy Analysis and Government Accountability's role in administering the combined reviews will be:

- Develop RFPs
- Select consulting firms using RFP process
- Work closely with school district staff to ensure districts' expectations are met;
- Actively monitor consultants' fieldwork
- Provide consultant's written feedback on draft reports
- Ensure consultants adhere to requirements of RFP to ensure a quality product is delivered to the school board
- Work collaboratively with consultant and district staff to ensure recommendations are useful
- Ensure consistent application and interpretation of the best financial management practices among consulting firms
- Issue a short report to the Legislature on whether each district is using best financial management practices
- Retain authority to determine whether the districts are meeting the adopted best practices to ensure statewide consistency
- Provide technical assistance to the school board and district staff
- Monitor districts' implementation of recommendations and progress toward using the best financial management practices
- Develop and revise the best financial management practices and indicators

Cycle of Reviews

HB 1853 requires OPPAGA to establish a five-year cycle of review in which all school districts, unless otherwise determined by the Director of OPPAGA, must participate. No later than December 31 of each year OPPAGA is to recommend to the President of the Senate and the Speaker of the House of Representatives the districts proposed to undergo review and the maximum number of districts to be reviewed during the next fiscal year.

Payment of Reviews

The Legislature will annually designate in the General Appropriations Act, based on recommendation by OPPAGA, those school districts that receive a best financial management practices review. The Legislature may also designate which districts undergoing review are to be fully funded and which districts are to receive matching funds equal to 50 percent of the review as estimated by OPPAGA.

The estimated cost of each review is based on the size of the district. Audits of very large districts would cost \$600,000; large districts - \$500,000; medium districts \$265,000, and small districts - \$135,000.

Seal of Best Financial Management

Districts that comply with the best financial management practices will receive a "Seal of Best Financial Management" from the State Board of Education. This seal certifies that the district is adhering to the state's best financial management practices and is effective for a five-year period beginning on the certification date. If districts do not comply at the time of review the report must include a recommended action plan detailing how to meet the best financial management practices.

Districts must vote on the recommended action plan provided in the report. The vote must take place within 90 days of receiving the report. In order to be considered for a "Seal of Best Financial

Management" districts must implement the plan which details how the district could meet best practices within a two year period. One year after the school board receives the report school boards that agree to institute the plan are required to submit an annual report to the Legislature, the Governor, the SMART Schools Clearinghouse, OPPAGA, the Auditor General, and the Commissioner of Education on the progress made toward implementing the plan.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

If the reviews are mandatory on a 5 year cycle, OPPAGA's work load will be increased.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

The school district performance reviews will be eliminated; however, OPPAGA will either conduct, or hire consultants to do the best financial management practices reviews.

(2) what is the cost of such responsibility at the new level/agency?

The cost to the state for the reviews will be determined by the size of the district and whether the legislature determines whether to partially or fully fund the reviews.

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

School districts could be required to pay 50 percent of the cost of the reviews. However, any savings incurred as a result of this review remain in the district.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Amends ss. 11.51, 11.515, 230.23025, 230.23026, 235.2197, F.S. and repeals s. 230.2302, F.S.

E. SECTION-BY-SECTION ANALYSIS:

Section 1 Amends s 11.51, F.S., requiring OPPAGA to conduct or contract for best financial management practices reviews of all districts.

Section 2 Amends s. 11.515, F.S., allowing the Director of OPPAGA to contract with private consultants; clarifying specific areas of study as part of the best financial management practices review.

Section 3 Amends, s. 230.23025, F.S. providing the purpose of the best financial management practices review; authorizing OPPAGA to develop additional best practices with input from stakeholders and approved by the commissioner; clarifying specific areas of study as part of the best financial management practices review; establishing a 5-year cycle of review for all school districts as determined by OPPAGA; creating submission deadline for review; establishing that the Legislature shall annually designate in the General Appropriations Act for districts to be reviewed in each given year; allowing for certain districts to provide 50 percent matching finds for reviews; providing reporting requirements; clarifying requirements for "Seal of Best Financial Management".

Section 4 Amends s. 230.23026, F.S., conforming language.

Section 5 Amends S. 235.2197, F.S., removing references to s. 230.2302, F.S.

Section 6 Repeals s. 230.2302, F.S.

Section 7 Provides an effective date of July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None

2. Recurring Effects:

OPPAGA would be required to conduct reviews for all school districts on a rotating five year cycle. The cost of these reviews would be a recurring effect and would depend on the size and the number of the districts to be reviewed.

If the reviews are mandated and fully funded the cost would be approximately \$3.45 million. If the reviews are mandated and required the districts to provide 50 percent of the cost in matching funds, the cost would be \$1.73 million. The cost of seven additional OPPAGA staff required to oversee mandatory reviews of each district as well as the projected cost of private consultants to actually conduct the reviews is included in these projections.

However, the Legislature may adjust the length of the review cycle and the number of districts to be reviewed. These adjustments would then affect recurring costs.

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

If the reviews are mandated and fully funded the cost is approximately \$3.45 million. If the reviews are mandated and require the districts to provide 50 percent of the cost in matching funds the cost would be \$1.73 million. The cost of additional OPPAGA staff required to oversee mandatory reviews of each district as well as the projected cost of private consultants to actually conduct the reviews is included in these projections.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None

2. Direct Private Sector Benefits:

By allowing private consulting firms to continue to conduct these reviews, and by increasing the number of reviews completed by requiring every district to undergo a review on a five-year cycle, the private consulting firms selected through the RFP process could benefit.

3. Effects on Competition, Private Enterprise and Employment Markets:

D. FISCAL COMMENTS:

According to OPPAGA report number 98-18, in fiscal year 1997 - 1998 OPPAGA received \$500,000 to conduct three school district performance reviews, in fiscal year 1996 - 1997 as well as fiscal year 1998 - 1999 the amount appropriated was \$750,000 for three school district reviews. Based on the findings of six reviews, over a five-year period, these six school districts could have a cost savings of \$148 million. This savings is substantially greater than the cost of the reviews.

OPPAGA published the first best financial management practices review, a review of Manatee County School District, in October of 1998. The possible net savings to the district as a result of this review *could* surpass \$35 million over a five year period if the school board follows through with the implementation of this plan. OPPAGA is currently conducting a best financial management practices review for the Polk County School District and has contracted a combined performance and best financial management practices review for the Brevard and Martin County School Districts.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority of counties or municipalities to raise revenue.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce the percentage of state tax shared with counties and municipalities.

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON EDUCATION INNOVATION:
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