

II. Present Situation:

The Office of Program Policy Analysis and Governmental Accountability (OPPAGA) administers or conducts two types of reviews of school districts' management operations: (1) School District Performance Reviews (s. 230.2302, F.S.), and (2) Best Financial Management Practice Reviews (s. 230.2305, F.S.). The Legislature authorized these reviews to assist school districts in identifying ways to save funds, improve management, and increase the efficiency and effectiveness of district operations.

School District Performance Reviews

Section 230.2302, F.S., requires OPPAGA to contract with private consultants to complete School District Performance Reviews. Each performance review must examine 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 each participating district to refine the scope of the review to address specific issues. OPPAGA then issues requests for proposals, manages the consultant selection process, and monitors consultants' performance.

The Legislature appropriated \$1.25 million to fully fund school district performance reviews in six school districts during the first two years of this program. Accompanying proviso language generally identified the districts to be reviewed. In FY 1996-1997, the Hamilton, Hillsborough, and Lee county school districts were reviewed. The Clay, Glades, and Orange county school districts were reviewed in FY 1997-1998. The Legislature appropriated an additional \$750,000 for performance reviews of the Brevard, Broward, and Martin county school districts during FY 1998-1999. The Martin and Broward county school districts, by unanimous vote of their school boards, are undergoing a combined School District Performance/Best Financial Management Practice Review. These reviews are scheduled for release in June 1999.

The School District Performance Reviews completed during the first two years of this program identified \$148 million in potential savings over a 5-year period. The following table displays the potential savings that the districts could realize by implementing changes recommended by their performance reviews.

School District Performance Reviews Completed During 1996-1998 Potential Savings Over 5 Years	
School District	Potential Savings
Glades County School District	\$ 57,100
Hamilton County School District	3,590,376
Clay County School District	11,623,013
Lee County School District	25,095,175
Orange County School District	52,160,575
Hillsborough County School District	55,687,101
Total Potential Savings Over 5 Years	\$148,213,340

Best Financial Management Practice Reviews

The Legislature created a second review program in 1997, the Best Financial Management Practice Reviews (s. 230.23025, F.S.). As required by this law, OPPAGA and the Office of the Auditor General developed, and the Commissioner of Education adopted, a set of best financial management practices for Florida school districts. The best financial management practices review compares the district’s management and operations to the state-adopted best practices. The best practices reviews encourage school districts to:

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

Each district that undergoes a best practices review receives a final report identifying potential savings, implementation strategies, recommended time lines, and the fiscal impacts of each recommendation.

Districts that follow the best financial management practices should realize significant costs savings by increasing their efficiency and effectiveness. When OPPAGA determines that a district is following the state-adopted best practices, the State Board of Education awards the district a “Seal of Best Financial Management.” This formal recognition should give local taxpayers more confidence in their school district’s management of public resources.

The Legislature has not appropriated funds for best financial management practice reviews and has not required any district to have a review. Best financial management practice reviews are done only if requested by unanimous vote of a district school board. OPPAGA and the Office of the Auditor General conduct the reviews, with some tasks performed by private consulting firms under contract with OPPAGA. Each participating school district must pay 50 percent of cost of a full review, unless the entire cost is specifically provided by a legislative appropriation. A district

may opt to have one or more components reviewed, rather than a full review; in that case, the district pays 75 percent of the review costs. Thus far, OPPAGA and the Office of the Auditor General have absorbed the balance of the review costs in their operating budgets.

The initial best financial management practice review was completed in October 1998. The review evaluated the Manatee County School District in 10 best practice areas: management structures; performance accountability systems; personnel systems and benefits; use of lottery proceeds; use of state and district construction funds; facilities construction; facilities maintenance; student transportation; food service operations; and cost control system. If the Manatee County School District implements the improvements recommended by the review, the district could realize a \$35 million positive fiscal impact over the next five years.

By the end of this fiscal year, two more best practice reviews will be complete. OPPAGA and the Auditor General anticipate that eight districts will request this review in FY 1999-2000.

Recommendations to Combine the Performance and Best Practice Reviews

The Joint Legislative Auditing Committee Review and Rightsizing Project Review recommended combining the School District Performance Reviews and Best Financial Management Practice Reviews to eliminate the substantial overlap between the two review processes, resolve confusion among districts about the reviews, and enable all districts to participate. Currently, only the school district performance review examines the delivery of instructional services and only the best financial management practice review looks at district's compliance with the state-adopted best practices. A district needs to have both types of reviews to obtain the benefits offered by each. As previously noted, two of the three districts undergoing performance reviews this year chose to have a combined best practice/performance review.

Combining the two types of review would provide a consistent application of review criteria among school districts and would enable OPPAGA to increase the current pace of district reviews. At the current pace (i.e., three district performance reviews per year), it would take 22 years to complete performance reviews of all 67 school districts. If an average of 13 districts are reviewed each year, all school districts could be reviewed within a 5-year period.

The Joint Legislative Auditing Committee's report recommended these changes if the reviews are combined:

- Cap the maximum number of reviews to be completed;
- Use contracted consultants under oversight of OPPAGA;
- Require each district to pay 50 percent of the review cost and authorize the director of OPPAGA to waive the 50 percent required district match if specific statutory criteria are met; and
- Fund the additional workload for the combined reviews with an annual \$2 million appropriation from state funds.

III. Effect of Proposed Changes:

This bill repeals s. 230.2302, F.S., and revises s. 230.23025, F.S., to combine the Best Financial Management Practice Reviews and the School District Performance Reviews. The expanded Best

Financial Management Practice Review will provide a single comprehensive assessment of school district operations.

Each school district must undergo a Best Financial Management Practice Review every five years. The schedule for accomplishing the 5-year review cycle will be developed by OPPAGA, unless the director of OPPAGA determines otherwise.

The Legislature will designate, in the General Appropriations Act, which districts will receive a Best Financial Management Practice Review. To assist the Legislature, OPPAGA must submit a report to the Senate President and Speaker of the House by December 31 of each year proposing the maximum number of school districts to be reviewed during the upcoming fiscal year and recommending the districts to be reviewed. This process should enable the Legislature and OPPAGA to schedule reviews to provide assistance where it is most needed.

OPPAGA is responsible for these reviews; however, its director may contract with private consulting firms to complete all or part of a review. OPPAGA will select consultants through a request for proposal (RFP); monitor consultants' performance to ensure compliance with the RFP and statewide consistency in applying review criteria; and work with districts to tailor the scope of the reviews to district's particular needs.

OPPAGA will determine whether a district is applying the state-adopted best practices. Districts that are applying the best practices will be awarded the Seal of Best Financial Management Practices. If a district is not applying the best practices, but wants to earn the seal, the school board must vote to implement a plan of action for meeting the best practices. The vote must be approved by a majority plus one and must occur within 90 days of receiving the report. OPPAGA will annually review districts that are implementing corrective action plans to determine whether the district has achieved compliance.

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:**

Private consultants may benefit financially if chosen by OPPAGA to perform part or all of the required Best Financial Management Practice Reviews.

C. **Government Sector Impact:**

Requiring every school district to undergo the expanded Best Financial Management Practice Review could have a significant positive fiscal impact on school districts if districts implement the best practices. Districts that reduce unnecessary costs could redirect the savings to better meet students' educational needs. The potential positive fiscal impact cannot be determined, but the results of recent School District Performance Reviews and Best Financial Management Practice Reviews indicate the potential magnitude of the savings. The six districts that recently had performance reviews could save \$148 million over a 5-year period. The Manatee County School District could realize a \$35 million positive fiscal impact if the recommendations of its best practice review is fully implemented.

Each school district must pay 50 percent of the total review cost, unless its review is fully funded by a state appropriation. Estimates of **total** review costs are \$135,000 for a small district (less than 20,000 students), \$265,000 for a medium district (20,000 to 100,000 students), \$500,000 for large districts (100,000 to 200,000 students), and \$600,000 for districts with over 200,000 students. A district's 50 percent share of these costs would be small compared to the potential savings.

OPPAGA will need additional staff and resources to administer the expanded Best Financial Management Practice Review Program. OPPAGA's statutory responsibilities related to performance based budgeting and other reviews assigned by the Legislature fully utilize OPPAGA's existing staff.

The following table displays OPPAGA's estimates of state funding needed to fully fund or pay 50 percent of the costs of completing Best Financial Management Practice Reviews for 13 school districts per year. Actual costs will vary based on the number and size of the districts designated for review each year and the extent to which a 50 percent match is required.

State Funding Level	Number of Reviews	OPPAGA Administrative Costs (salaries, benefits, and related expenses)	Florida School District Review Trust Fund Appropriation	TOTAL (Fully Funded)	TOTAL (50 percent match)
Fully funded	13	7 FTEs \$649,951	\$3.45 million*	\$4.09 million	
50 percent district match	13	7 FTEs \$649,951	\$1.73 million*		\$2.37 million

*Based on \$265,000 cost of reviewing medium size district (includes OPPAGA’s related travel expenses)

This bill does not appropriate funds.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Fiscal Policy Committee:

Establishes legislative intent and requires OPPAGA to develop a review schedule for school districts.

#2 by Fiscal Policy Committee:

Appropriates \$1,080,000 to OPPAGA for the purpose of implementing this act. (WITH TITLE AMENDMENT)

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