

By Senator Horne

6-605B-01

1 A bill to be entitled
2 An act relating to school district best
3 financial management practices reviews;
4 creating the "Sharpening the Pencil Act";
5 amending s. 230.23025, F.S.; providing
6 legislative findings and intent; defining
7 terms; providing for school district
8 assessment; directing the Legislature to
9 designate the school districts to receive a
10 fully funded best financial management audit
11 and education outcome assessment; providing for
12 public hearings and reports; providing for a
13 "Seal of Best Financial Management" for school
14 districts using best financial management
15 practices; requiring the Department of
16 Education to conduct an annual assurance review
17 of specified school districts; providing for
18 enforcement and appeal; providing rulemaking
19 authority; amending ss. 11.51, 230.23027,
20 233.43, 235.2197, F.S.; conforming
21 cross-references; repealing s. 11.515, F.S.,
22 which provides for school district performance
23 reviews; repealing s. 230.2302, F.S., which
24 provides for performance reviews; repealing s.
25 230.23026, F.S., which provides for the Florida
26 School District Review Trust Fund; providing an
27 effective date.
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29 Be It Enacted by the Legislature of the State of Florida:
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1 Section 1. Short title.--This act may be cited as the
2 "Sharpening the Pencil Act."

3 Section 2. Section 230.23025, Florida Statutes, as
4 amended by chapters 97-384, 98-225, 2000-235, and 2000-291,
5 Laws of Florida, is amended to read:

6 (Substantial rewording of section. See
7 s. 230.23025, F.S., for present text.)

8 230.23025 Best financial management practices
9 accountability system.--

10 (1) LEGISLATIVE FINDINGS.--The Legislature finds that:

11 (a) Children are the future, and nothing is more
12 important to our future welfare and prosperity than ensuring
13 the highest quality education for our children in grades K-12.

14 (b) A greater share of education dollars must be
15 redirected to school and classroom activities for best
16 education practices to ensure efficient and high quality
17 education for our children.

18 (2) INTENT.--It is the intent of the Legislature that
19 district school boards be held accountable for the efficient
20 and effective use of education dollars by following best
21 financial management practices. School district cost savings
22 resulting from the use of best financial management practices
23 must be redirected to the school and classroom to implement
24 best education practices that address identified student
25 education outcome deficiencies. School district spending
26 choices must be child-centered, not institution-based. An
27 accountability system will be implemented that includes:

28 (a) An independent third-party best financial
29 management audit and cost savings recommendations.

30 (b) An education outcome assessment report.

31 (c) Public reporting and hearings.

1 (d) Development of a school district action plan.

2 (e) Annual quality assurance review and technical
3 assistance.

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5 This accountability system will be known as Sharpening the
6 Pencil: A Strategy for Shrinking the Bureaucracy and Getting
7 More Money to the Classroom. This program shall be designed
8 and administered by the Commissioner of Education with the
9 involvement of the Office of the Auditor General.

10 (3) DEFINITIONS.--As used in this section, the term:

11 (a) "Best financial management practices" means a set
12 of management standards developed by the Commissioner of
13 Education from the professional literature and recognized by
14 financial management experts as current best financial
15 management practices.

16 (b) "Best education practices" means a set of
17 education standards developed by the Commissioner of Education
18 from the professional literature and recognized by education
19 experts as current best education practices.

20 (c) "Third-party best financial management audit"
21 means an audit conducted by an independent third-party under
22 state contract to the Department of Education employing the
23 operational best financial management practices as the
24 measurement standards guiding the audit.

25 (d) "Education outcome assessment report" means a
26 report that determines a school district's student education
27 outcome performance in relation to applicable benchmarks and
28 other comparable school district outcome data. The report is
29 prepared by the Department of Education from school district
30 student outcome data.

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1 (e) "Education outcome deficiency" includes low test
2 scores, low graduation rates, high drop-out rates, a high
3 number of unsafe school incident reports, low pupil
4 progression rates, and high truancy rates as measured by
5 applicable benchmarks or comparable school district outcome
6 data.

7 (f) "School district action plan" means a plan that
8 details how the school district will implement best financial
9 management practices and how any unrestricted cost savings
10 resulting from the implementation of these best financial
11 management practices will be redirected to the school and
12 classroom to correct identified student education outcome
13 deficiencies. Cost savings identified for a program that has
14 restrictive expenditure requirements must be used for the
15 enhancement of that specific program.

16 (g) "Unrestricted cost savings" means recommended cost
17 savings that do not have restrictive expenditure requirements
18 and that may be redirected for any educational program
19 purpose.

20 (4) SCHOOL DISTRICT ASSESSMENT.--Sharpening the Pencil
21 through best financial management audits and education outcome
22 assessment reports.

23 (a) The purpose of a school district best financial
24 management audit is to identify wasteful spending, recommend
25 cost savings, ensure compliance with best financial management
26 practices, and redirect cost savings to schools and
27 classrooms. The redirected cost savings resulting from
28 implementation of the best financial management practices will
29 be used to implement best education practices that correct
30 identified student education outcome deficiencies. The
31 redirected unrestricted cost savings must be spent at the

1 school and classroom levels for teacher salaries, teacher
2 training, improved classroom facilities, student supplies,
3 textbooks, classroom technology, and other direct student
4 instruction activities.

5 (b) The best financial management practices must
6 instill public confidence by addressing, at a minimum, the
7 following areas:

8 1. Efficient use of all resources, student
9 transportation, food service operations, management
10 structures, personnel systems and benefits, education service
11 delivery, community involvement, facilities, and
12 administrative and instructional technology.

13 2. Compliance with generally accepted accounting
14 principles and state and federal laws relating to financial
15 management.

16 3. Performance accountability systems, including
17 performance measurement reports to the public, internal
18 auditing, financial auditing, and information made available
19 to support decision making.

20 4. Cost-control systems, including those for asset,
21 risk, and financial management; purchasing; and information
22 system controls.

23 (c) An education outcome assessment report must
24 address, at a minimum, the following outcomes:

25 1. Low-performing schools.

26 2. Graduation rates.

27 3. Drop-out rates.

28 4. Truancy rates.

29 5. Number of unsafe school incident reports.

30 6. Pupil progression rates.

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1 (5) SCHOOL DISTRICT ACTION PLAN.--Independent
2 third-party audits and education outcome assessment reports
3 will be the basis from which school districts develop their
4 action plans to incorporate the implementation of best
5 financial management practices, corrective actions, and
6 redirected cost savings that address student education outcome
7 deficiencies.

8 (6) DESIGNATION OF SCHOOL DISTRICTS.--

9 (a) It is the intent of the Legislature that each
10 school district is subject to a best financial management
11 audit and education outcome assessment with annual quality
12 assurance review and technical assistance. The audit,
13 education outcome assessment, and annual quality assurance
14 review and technical assistance will be on a 5-year cycle and
15 subject to funding by the Legislature in the General
16 Appropriations Act. No later than December 31 of each year,
17 the Commissioner of Education shall recommend to the President
18 of the Senate and the Speaker of the House of Representatives
19 the school districts that are proposed to undergo audits and
20 assessments during the next fiscal year. The Legislature shall
21 annually designate in the General Appropriations Act those
22 school districts that will receive a fully funded best
23 financial management audit and education outcome assessment.

24 (b) School district best financial management audits
25 and education outcome assessments conducted under this section
26 must be completed within 6 months after commencement.

27 (7) REPORTS AND PUBLIC HEARINGS.--

28 (a) A report to the school district regarding its
29 financial management practices, cost-savings recommendations,
30 and student education outcome deficiencies must be issued
31 within 60 days after completion of the audit and assessment.

1 (b) The report shall include an executive summary of
2 findings and recommendations presented in a straightforward
3 and understandable format to allow the public to ask informed
4 questions and provide viable input at public hearings. The
5 Department of Education shall provide Internet access to all
6 school district reports.

7 (c) If the school district is found not to conform to
8 best financial management practices, the report must contain a
9 set of recommendations detailing how the district could meet
10 the best financial management practices within 2 years and
11 also recommend how the unrestricted cost savings could be
12 redirected to correct identified student education outcome
13 deficiencies through implementation of best education
14 practices.

15 (d) Within 45 days after receiving the report and
16 recommendations, the school district may submit to the auditor
17 written exceptions to the findings or recommendations or both.
18 Within 30 days of receiving the exceptions the auditor shall
19 issue to the school district, as appropriate in the auditor's
20 judgment, a written response which accepts or rejects the
21 exceptions, with explanation, or revises the findings or
22 recommendations, or both.

23 (e) Upon receiving the report or, if the school
24 district has submitted exceptions, upon receipt, as
25 applicable, of the auditor's written response, the school
26 district shall provide copies of the report to all school
27 board members and affected administrators, and all members of
28 School Advisory Councils or District Advisory Councils
29 established under s. 229.58(1)(a) and (b). Copies must be
30 provided upon request to any other person.

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1 (f) Within 30 days after receiving the auditor's
2 written response or, if no exceptions were submitted, within
3 45 days of receiving the report, the school district shall
4 prepare its action plan detailing how the district will meet
5 best financial management practices within 2 years and how
6 cost savings will be redirected to correct identified student
7 education outcome deficiencies through implementation of best
8 education practices. The district's action plan shall include
9 an addendum that identifies any material differences between
10 its action plan and the auditor's recommendations,
11 specifically identifying all best financial management
12 practices that the school district has rejected or
13 substantially modified in whole or in part. Copies of the
14 district's plan and addendum must be distributed to the
15 auditor and as prescribed in paragraph (e).

16 (g) Within 45 days after distribution of copies as
17 prescribed in paragraphs (e) and (f), the school district
18 shall hold public hearings to review the findings and
19 recommendations and accept public input. Members of School and
20 District Advisory Councils, parents, and teachers shall be
21 given written notice and an invitation to attend the public
22 hearings. This notice is in addition to the notice required by
23 s. 120.525. The auditor also shall be given written notice and
24 shall attend the public hearings. The public hearings must be
25 recorded by a mechanical recording device or a court reporter.

26 (h) At a public meeting conducted as part of the final
27 public hearing or within 30 days after the final public
28 hearing, the school board shall decide whether to implement
29 the district's action plan, the auditor's recommendations, or
30 an alternative that reconciles some or all of the differences.

31 (8) SEAL OF BEST FINANCIAL MANAGEMENT.--

1 (a) School districts found to be using the best
2 financial management practices shall receive a "Seal of Best
3 Financial Management" from the State Board of Education
4 certifying that the district is adhering to the state's best
5 financial management practices. This designation is effective
6 for a 5-year period, beginning upon the certification date,
7 after which the district school board may reapply for the
8 designation to be granted after another best financial
9 management audit. During the designation period, the district
10 school board shall annually notify, not later than the
11 anniversary date of the certification, the Commissioner of
12 Education and the State Board of Education of any changes in
13 policies or operations or any other situations that would not
14 conform to the state's best financial management practices.
15 The State Board of Education may revoke the designation of a
16 school district at any time if it determines that a district
17 is no longer complying with the state's best financial
18 management practices.

19 (b) School districts found to be using the best
20 financial management practices shall receive the results and
21 recommendations from their education outcome assessments and
22 shall implement the recommendations to ensure that school and
23 classroom activities reflect best education practices. The
24 Department of Education will provide technical assistance to
25 these school districts upon request.

26 (9) ANNUAL QUALITY ASSURANCE REVIEW AND TECHNICAL
27 ASSISTANCE.--Each year during the 5-year cycle following a
28 school board's vote to implement its school district action
29 plan, the Department of Education, using independent
30 third-party auditors under state contract, shall conduct a
31 quality assurance review of the school district's action plan.

1 Additionally, technical assistance will be provided to assist
2 school districts in the appropriate implementation of the
3 recommended best financial management practices and best
4 education practices.

5 (10) SCHOOL BOARD DECISION; ENFORCEMENT AND APPEAL.--

6 (a) If a district school board fails to timely vote on
7 whether or or not to adopt and implement the recommended
8 action plan, the commissioner or any resident of the school
9 district may request the State Board of Education to issue an
10 order directing the district school board to conduct the vote
11 within a specified time period consistent with applicable law.
12 If issued the order is not final agency action subject to
13 review under ss. 120.569 and 120.57.

14 (b) If a district school board votes not to adopt and
15 implement the recommended action plan or votes to adopt a
16 materially different plan, the commissioner or any resident of
17 the school district may request the State Board of Education
18 to issue an order directing the district school board to adopt
19 the recommended action plan. The order shall provide a
20 reasonable point of entry to administrative proceedings under
21 ss. 120.569 and 120.57. If the district school board fails to
22 timely petition for such proceedings or otherwise waives such
23 proceedings, the order is enforceable as provided in this
24 subsection. If the district school board timely petitions for
25 proceedings, the petition may contest the order solely on one
26 or more of the following grounds:

27 1. The audit findings upon which the action plan is
28 based are factually inaccurate;

29 2. The best financial management practices to be
30 implemented by the recommended action plan are not, under the
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1 circumstances, better than the school district's existing
2 practices; or

3 3. The best financial management practices to be
4 implemented by the recommended action plan are not, under the
5 circumstances, better than an alternative action plan adopted
6 and implemented or in the process of being implemented by the
7 district.

8 (c) In each case in which the best financial
9 management practices in the audit report are to be compared to
10 a school district's current practices or to practices in a
11 school district's alternative action plan, the recommended
12 order and the final order must specify, and require the
13 implementation of, whichever practices are more likely to
14 result in cost savings to the district.

15 (d) When a district fails to timely adopt, initiate,
16 progress with, or complete the implementation of the action
17 plan, in addition to other remedies authorized in this
18 subsection or by other applicable law, the State Board of
19 Education, on its own initiative or on the recommendation of
20 the commissioner, may take one or more of the following
21 actions:

22 1. Permanently withhold all or a portion of
23 discretionary funds that might otherwise be available to the
24 school district during the period of noncompliance;

25 2. Permanently withhold or condition use of all or a
26 portion of funds that would otherwise be available to the
27 school district during the period of noncompliance for
28 salaries and associated expenses of district-based
29 instructional administrators and district-based
30 noninstructional administrators, as such personnel categories
31 are defined in s. 228.041(10); and

1 3. Impose and collect a fine against the school
2 district and each member of the board thereof in an amount not
3 to exceed \$1,000 for each day of noncompliance, the board and
4 each member to be jointly and severely liable for the fine.

5 (e) Notwithstanding s. 120.69(1)(a), final orders
6 issued under this subsection are enforceable in the circuit
7 court for the second judicial circuit in Leon County.

8 (f) A resident's request for an order under paragraph
9 (a) must be filed no later than 30 days after expiration of
10 the period within which the district school board must vote on
11 whether to adopt the recommended action plan or, for an order
12 under paragraph (b), no later than 30 days after the date on
13 which the school board voted to not adopt the recommended
14 action plan or to adopt a materially different action plan.
15 The request must be in writing, must identify the requesting
16 party name and address, and must be filed with the Department
17 of Education's agency clerk.

18 (g) After expiration of the time for a resident to
19 file a request, the commissioner, in accordance with the
20 procedures of the State Board of Education, shall place on the
21 next available agenda of the state board any request by the
22 commissioner and any timely request by a resident for an order
23 under paragraph (a) or paragraph (b).

24 (11) RULEMAKING.--The Commissioner of Education may
25 adopt rules pursuant to s. 120.54 to administer this section.

26 Section 3. Subsection (1) of section 11.51, Florida
27 Statutes, is amended to read:

28 11.51 Office of Program Policy Analysis and Government
29 Accountability.--

30 (1) There is hereby created the Office of Program
31 Policy Analysis and Government Accountability as a unit of the

1 Office of the Auditor General appointed pursuant to s. 11.42.
2 Such office shall perform program evaluation and justification
3 reviews as required by s. 11.513 and performance audits as
4 defined in s. 11.45 ~~and shall contract for performance reviews~~
5 ~~of school districts pursuant to ss. 11.515 and 230.2302.~~

6 Section 4. Subsection (4) of section 230.23027,
7 Florida Statutes, is amended to read:

8 230.23027 Small School District Stabilization
9 Program.--

10 (4) Effective July 1, 2000, and thereafter, when the
11 Office of Tourism, Trade, and Economic Development authorizes
12 a school district to participate in the program, the
13 Legislature may give priority to that district for a best
14 financial management practices review in the school district,
15 subject to approval under s. 230.23025 ~~as authorized in s.~~
16 ~~11.515~~, to the extent that funding is provided annually for
17 such purpose in the General Appropriations Act. The scope of
18 the review shall be as set forth in s. 230.23025 ~~s. 11.515~~.

19 Section 5. Subsection (1) of section 233.43, Florida
20 Statutes, is amended to read:

21 233.43 Duties of superintendent relating to
22 instructional materials.--

23 (1) The duties and responsibilities of each
24 superintendent of schools for the requisition, purchase,
25 receipt, storage, distribution, use, conservation, records,
26 and reports of, and management practices and property
27 accountability concerning, instructional materials shall be
28 prescribed by policies of the district school board. Such
29 policies shall also provide for an evaluation of any
30 instructional materials to be requisitioned that have not been
31 used previously in the schools of the district. The duties and

1 responsibilities include keeping adequate records and accounts
2 for all financial transactions for funds collected pursuant to
3 s. 233.46(4). Such records and accounts shall be a component
4 of the educational service delivery scope in a school district
5 best financial management practices review under ~~s. ss. 11.515~~
6 ~~and~~ 230.23025.

7 Section 6. Paragraph (a) of subsection (2) of section
8 235.2197, Florida Statutes, is amended to read:

9 235.2197 Florida Frugal Schools Program.--

10 (2) The "Florida Frugal Schools Program" is created to
11 recognize publicly each district school board that agrees to
12 build frugal yet functional educational facilities and that
13 implements "best financial management practices" when
14 planning, constructing, and operating educational facilities.
15 The State Board of Education shall recognize a district school
16 board as having a Florida Frugal Schools Program if the
17 district requests recognition and satisfies two or more of the
18 following criteria:

19 (a) The district receives a "Seal of Best Financial
20 Management" as provided in s. 230.23025 or implements best
21 financial management practices applicable to ~~in the area of~~
22 educational facilities as evidenced by a ~~partial~~ review under
23 s. 230.23025 ~~s. 230.2302~~.

24 Section 7. Sections 11.515, 230.2302, and 230.23026,
25 Florida Statutes, are repealed.

26 Section 8. This act shall take effect July 1, 2001.
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SENATE SUMMARY

Creates the "Sharpening the Pencil Act," establishing a review process for school district best financial management practices to be developed by the Commissioner of Education. Directs the Legislature to annually designate the school districts to receive a fully funded best financial management audit and education outcome assessment as recommended by the commissioner. (See bill for details.)