

By the Committee on Appropriations and Senator Horne

309-1711-01

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; providing a  
25          process for the creation of land acquisition  
26          and facilities advisory boards; providing board  
27          duties and responsibilities; providing for  
28          board dissolution; repealing s. 230.23026,  
29          F.S., which provides for the Florida School  
30          District Review Trust Fund; providing an  
31          effective date.

1 Be It Enacted by the Legislature of the State of Florida:

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3 Section 1. Short title.--This act may be cited as the  
4 "Sharpening the Pencil Act."

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

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

10 230.23025 Best financial management practices  
11 accountability system.--

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

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

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

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

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

- 1           (b) An education outcome assessment report.  
2           (c) Public reporting and hearings.  
3           (d) Development of a school district action plan.  
4           (e) Annual quality assurance review and technical  
5 assistance.

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

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

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

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

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

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

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

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

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

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

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

1 identified student education outcome deficiencies. The  
2 redirected unrestricted cost savings must be spent at the  
3 school and classroom levels for teacher salaries, teacher  
4 training, improved classroom facilities, student supplies,  
5 textbooks, classroom technology, and other direct student  
6 instruction activities.

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

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

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

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

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

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

27 1. Low-performing schools.

28 2. Graduation rates.

29 3. Drop-out rates.

30 4. Truancy rates.

31 5. Number of unsafe school incident reports.

1           6. Pupil progression rates.  
2           (5) SCHOOL DISTRICT ACTION PLAN.--Independent  
3 third-party audits and education outcome assessment reports  
4 will be the basis from which school districts develop their  
5 action plans to incorporate the implementation of best  
6 financial management practices, corrective actions, and  
7 redirected cost savings that address student education outcome  
8 deficiencies.  
9           (6) DESIGNATION OF SCHOOL DISTRICTS.--  
10           (a) It is the intent of the Legislature that each  
11 school district is subject to a best financial management  
12 audit and education outcome assessment with annual quality  
13 assurance review and technical assistance. The audit,  
14 education outcome assessment, and annual quality assurance  
15 review and technical assistance will be on a 10-year cycle and  
16 subject to funding by the Legislature in the General  
17 Appropriations Act. No later than December 31 of each year,  
18 the Commissioner of Education shall recommend to the President  
19 of the Senate and the Speaker of the House of Representatives  
20 the school districts that are proposed to undergo audits and  
21 assessments during the next fiscal year. The Legislature shall  
22 annually designate in the General Appropriations Act those  
23 school districts that will receive a fully funded best  
24 financial management audit and education outcome assessment.  
25           (b) School district best financial management audits  
26 and education outcome assessments conducted under this section  
27 must be completed within 6 months after commencement.  
28           (7) REPORTS AND PUBLIC HEARINGS.--  
29           (a) A report to the school district regarding its  
30 financial management practices, cost-savings recommendations,  
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1 and student education outcome deficiencies must be issued  
2 within 60 days after completion of the audit and assessment.

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

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

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

25 (e) Upon receiving the report or, if the school  
26 district has submitted exceptions, upon receipt, as  
27 applicable, of the auditor's written response, the school  
28 district shall provide copies of the report to all school  
29 board members and affected administrators, and all members of  
30 School Advisory Councils or District Advisory Councils

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1 established under s. 229.58(1)(a) and (b). Copies must be  
2 provided upon request to any other person.

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

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

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

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

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

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

29 (9) ANNUAL QUALITY ASSURANCE REVIEW AND TECHNICAL  
30 ASSISTANCE.--Each year during the 10-year cycle following a  
31 school board's vote to implement its school district action

1 plan, the Department of Education, using independent  
2 third-party auditors under state contract, shall conduct a  
3 quality assurance review of the school district's action plan.  
4 Additionally, technical assistance will be provided to assist  
5 school districts in the appropriate implementation of the  
6 recommended best financial management practices and best  
7 education practices.

8 (10) CITIZEN APPEAL.--

9 (a) If the school board fails to vote whether to adopt  
10 an action plan for implementation or the school district fails  
11 to implement the action plan after voting to implement the  
12 action plan, any citizen who is a resident of the district may  
13 submit a written appeal to the State Board of Education.

14 (b) An appeal on the grounds that the school district  
15 has failed to vote whether to adopt an action plan may be  
16 filed not less than 90 days following the school district  
17 receipt of the audit report.

18 (c) An appeal on the grounds that the school district  
19 has failed to implement the action plan may be filed not less  
20 than 180 days following the receipt of the audit report.

21 (d) The State Board of Education must, by majority  
22 vote, accept or reject the decision of the district school  
23 board no later than 60 days after an appeal is filed. The  
24 State Board of Education shall remand the appeal to the  
25 district school board with its written recommendations for  
26 district school board actions.

27 (e) Upon receipt and evaluation of the appeal, the  
28 Commissioner of Education may contact the school district,  
29 assess the situation, urge the school district to commence  
30 implementation, and offer technical assistance, if needed.

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

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

5           11.51 Office of Program Policy Analysis and Government  
6 Accountability.--

7           (1) There is hereby created the Office of Program  
8 Policy Analysis and Government Accountability as a unit of the  
9 Office of the Auditor General appointed pursuant to s. 11.42.  
10 Such office shall perform program evaluation and justification  
11 reviews as required by s. 11.513 and performance audits as  
12 defined in s. 11.45 ~~and shall contract for performance reviews~~  
13 ~~of school districts pursuant to ss. 11.515 and 230.2302.~~

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

16           230.23027 Small School District Stabilization  
17 Program.--

18           (4) Effective July 1, 2000, and thereafter, when the  
19 Office of Tourism, Trade, and Economic Development authorizes  
20 a school district to participate in the program, the  
21 Legislature may give priority to that district for a best  
22 financial management practices review in the school district,  
23 subject to approval under s. 230.23025 ~~as authorized in s.~~  
24 ~~11.515~~, to the extent that funding is provided annually for  
25 such purpose in the General Appropriations Act. The scope of  
26 the review shall be as set forth in s. 230.23025 ~~s. 11.515~~.

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

29           233.43 Duties of superintendent relating to  
30 instructional materials.--

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1           (1) The duties and responsibilities of each  
2 superintendent of schools for the requisition, purchase,  
3 receipt, storage, distribution, use, conservation, records,  
4 and reports of, and management practices and property  
5 accountability concerning, instructional materials shall be  
6 prescribed by policies of the district school board. Such  
7 policies shall also provide for an evaluation of any  
8 instructional materials to be requisitioned that have not been  
9 used previously in the schools of the district. The duties and  
10 responsibilities include keeping adequate records and accounts  
11 for all financial transactions for funds collected pursuant to  
12 s. 233.46(4). Such records and accounts shall be a component  
13 of the educational service delivery scope in a school district  
14 best financial management practices review under ~~s.ss. 11.515~~  
15 ~~and~~ 230.23025.

16           Section 6. Paragraph (a) of subsection (2) of section  
17 235.2197, Florida Statutes, is amended to read:

18           235.2197 Florida Frugal Schools Program.--

19           (2) The "Florida Frugal Schools Program" is created to  
20 recognize publicly each district school board that agrees to  
21 build frugal yet functional educational facilities and that  
22 implements "best financial management practices" when  
23 planning, constructing, and operating educational facilities.  
24 The State Board of Education shall recognize a district school  
25 board as having a Florida Frugal Schools Program if the  
26 district requests recognition and satisfies two or more of the  
27 following criteria:

28           (a) The district receives a "Seal of Best Financial  
29 Management" as provided in s. 230.23025 or implements best  
30 financial management practices applicable to ~~in the area of~~  
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1 educational facilities as evidenced by a ~~partial~~ review under  
2 s. 230.23025 ~~s. 230.2302~~.

3 Section 7. Land Acquisition and Facilities Advisory  
4 Board.--

5 (1) The Legislature recognizes that effective land  
6 acquisition and facilities operations are essential components  
7 of Florida district school boards' ability to provide  
8 facilities to accommodate the growing student population in  
9 the state. To support and assist the school districts it is  
10 appropriate for the Legislature to make advisory resources  
11 available to aid districts in meeting those needs.

12 (2) If the director of the Office of Program Policy  
13 Analysis and Government Accountability (OPPAGA) or the Auditor  
14 General determines in a review or examination that significant  
15 deficiencies exist in a school district's land acquisition and  
16 facilities operational processes, they shall certify to the  
17 President of Senate, the Speaker of the House of  
18 Representatives, the Legislative Budget Commission, and the  
19 Governor that the deficiency exists. The Legislative Budget  
20 Commission shall determine whether funds for the school  
21 district will be placed in reserve until the deficiencies are  
22 corrected.

23 (3) After receipt of that certification, the President  
24 of the Senate, the Speaker of the House of Representatives,  
25 and the Governor shall name a Land Acquisition and Facilities  
26 Advisory Board to provide expert advice and assist in  
27 improving the district's land acquisition and facilities  
28 operational processes. Each Land Acquisition and Facilities  
29 Advisory Board shall consist of seven members and shall  
30 possess specific expertise needed to assist the school  
31 district in improving its deficient processes. The President

1 of the Senate and the Speaker of the House shall each appoint  
2 two members, and the Governor shall appoint three members of  
3 the advisory board. Membership of each advisory board may be  
4 different for each district. Members shall serve without  
5 compensation but may be reimbursed for travel and per diem  
6 expenses in accordance with section 112.061, Florida Statutes.

7 (4) Within 30 days of its formation, the Land  
8 Acquisition and Facilities Advisory Board shall convene in the  
9 district and make all reasonable efforts to help the district  
10 correct deficiencies noted in the examination or audit of the  
11 district. The district must cooperate with the advisory board  
12 and provide information as requested.

13 (5) Within 60 days of convening, the Land Acquisition  
14 and Facilities Advisory Board shall assess the district's  
15 progress and corrective actions and report to the Commissioner  
16 of Education. The advisory board's report must address the  
17 release of any funds placed in reserve by the Executive Office  
18 of the Governor. Any recommendation from the advisory board  
19 for the release of funds shall include a certification that  
20 policies established, procedures followed, and expenditures  
21 made by the school board related to site acquisition and  
22 facilities planning and construction are consistent with  
23 recommendations of the Land Acquisition and Facilities  
24 Advisory Board and will accomplish corrective action and  
25 address recommendations made by the Office of Program Policy  
26 Analysis and Government Accountability and the Auditor  
27 General. If the advisory board does not recommend release of  
28 the funds held in reserve they shall provide additional  
29 assistance and submit a subsequent report 60 days after the  
30 previous report.

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1           (6) Upon certification by the advisory board that  
2 corrective action has been taken, each Land Acquisition and  
3 Facilities Advisory Board shall be disbanded.

4           Section 8. Sections 11.515, 230.2302, and 230.23026,  
5 Florida Statutes, are repealed.

6           Section 9. This act shall take effect July 1, 2001.

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8                           STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN  
9                           COMMITTEE SUBSTITUTE FOR  
10                           SB 1780

11 Provides a process, including timelines for citizen appeal to  
12 the State Board of Education if a school board fails to adopt  
13 or, if after voting to adopt, fails to implement the action  
14 plan recommended by the best financial management practices  
15 auditors. The new language differs from the original bill in  
16 that the Commissioner of Education would no longer be  
17 authorized to appeal a school board's action, and the monetary  
18 sanctions against the school board are removed.

19 Provides a process for the creation of land acquisition and  
20 facilities advisory boards to assist in improving a school  
21 district's land acquisition and facilities operational  
22 processes when sufficient deficiencies exist.

23 The audit, education outcome assessment, and annual quality  
24 assurance review and technical assistance will be on a  
25 ten-year, rather than a five-year, cycle.  
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