

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Education

BILL: CS/SB 1198

INTRODUCER: Senator Stargel

SUBJECT: School Board Fiscal Transparency

DATE: March 13, 2019

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Olenick	Sikes	ED	Fav/CS
2.			AED	
3.			AP	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1198 revises and clarifies current statutory language that is scheduled to take effect July 1, 2019¹ concerning:

- School district reporting of classroom, administrative, and total costs,
- Development of a fiscal transparency tool by the Department of Education (DOE) that compares academic achievement with the percentage of funds spent on classroom instruction, and
- Website display of these costs and financial efficiency for each school and school district.

Additionally the bill:

- Preserves the statutory purpose of financial transparency and efficiency through the reporting of cost and budget information for schools and school districts.
- Enables DOE and school districts to implement these provisions more efficiently with less cost by using current information systems and technical capabilities.
- Includes charter schools in the cost reporting and fiscal transparency requirements.
- Removes obsolete language and provisions.

The bill has no impact on state revenues or expenditures.

The bill will take effect July 1, 2019.

¹ Section 22, ch. 2018-5, L.O.F.

II. Present Situation:

Charter Schools

Generally, charter schools are required to operate in accordance with their respective charters and are exempted from all statutes in chapters 1000-1013, with some exceptions.²

Charter School Requirements

Florida law requires charter schools to be in compliance with:³

- Student assessments and school grading.
- Services to students with disabilities.
- Student health, safety and welfare.
- Public meetings and records, public inspection and criminal and civil penalties.
- Public records.
- Maximum class size, except that the calculation for compliance shall be at the school average.
- Compensation and salary schedules.
- Workforce reductions.
- Contracts with instructional personnel and school administrators.

School Districts

Florida law requires schools districts to report various budget information related to administration, classroom and operating expenditures.

Cost Accounting and Reporting

Florida law requires school districts to report to the Department of Education (DOE or department) total operating costs and classroom instructional expenditures on a school-by-school and aggregate district basis. In turn, the DOE is required to calculate the percentage of classroom expenditures to total operating expenditures at school, district and state level. The results must be categorized into peer groups based on the size of each school and district. The DOE must also calculate the average percentage of classroom expenditures to total operating expenditures at the school, district and state level.⁴

Web-Based Fiscal Transparency Tool

Florida law requires the DOE to develop a fiscal transparency tool that identifies public schools and districts that produce high academic achievement by comparing the ratio of classroom instructional expenditures to total expenditures to student performance measures. The results must be displayed on the DOE website in an easy to use format that allows comparison between schools and districts. Each school district is required to post a link to the fiscal transparency tool on the district's webpage.⁵

² Section 1002.33, F.S.

³ *Id.*

⁴ Section 1010.20(2)(a)-(d), F.S.

⁵ *Id.* at (2).

Budget Transparency

Each district school board must prepare, adopt, and submit an annual operating budget to the commissioner.⁶ Estimated expenditures in a school district's tentative budget cannot exceed estimated income.⁷ District expenditures must be limited to amount budgeted under the classification of accounts provided for each fund and to the total amount of the budget after the same have been amended as prescribed by law and rules of the State Board of Education.⁸ However, a district school board may establish policies that allow expenditures to exceed the amount budgeted by function and object, provided that the district school board approves the expenditure and amends the budget within timelines established by school board policies.⁹

Each district school board must post on its website a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public.¹⁰ This information must be prominently posted on the school district's website in a manner that is readily accessible to the public.¹¹

Financial Emergency

Florida law requires the superintendent of a district school board that has an ending fund balance that falls below the three percent threshold for two consecutive years to reduce the district school board's administration expenditures in proportion to the reduction in the general fund's ending balance or the reduction in student enrollment, whichever is greater.¹²

III. Effect of Proposed Changes:

CS/SB 1198 revises and clarifies current statutory language that is scheduled to take effect July 1, 2019¹³ concerning:

- School district reporting of classroom, administrative, and total costs,
- Development of a fiscal transparency tool by the Department of Education (DOE) that compares academic achievement with the percentage of funds spent on classroom instruction, and
- Website display of these costs and financial efficiency for each school and school district.

Additionally the bill:

- Preserves the statutory purpose of financial transparency and efficiency through the reporting of cost and budget information for schools and school districts.
- Enables DOE and school districts to implement these provisions more efficiently with less cost by using current information systems and technical capabilities.
- Includes charter schools in the cost reporting and fiscal transparency requirements.
- Removes obsolete language and provisions.

⁶ Section 1011.01(3)(a), F.S.

⁷ *Id.*

⁸ Section 1011.06(1), F.S.

⁹ *Id.* at (2).

¹⁰ Section 1011.035(2), F.S.

¹¹ *Id.*

¹² Section 1011.051, F.S.

¹³ Section 22, ch. 2018-5, L.O.F.

Charter Schools

Charter School Requirements

The bill requires charter schools to comply with cost accounting and reporting for school districts as required under s. 1010.20, F.S. and school district budget transparency as required under s. 1011.035, F.S.

School Districts

Cost Accounting and Reporting

The bill clarifies that the school district shall report expenditures to the department on a school-by-school and on a district-aggregate basis for total operating costs provided in “School District Program Cost Reports” by category¹⁴ as specified in law,¹⁵ including subtotals for direct and indirect costs, total school costs, and program costs as well as total costs for classroom instruction.

Additionally, the bill permits the Department of Education (DOE or department) to categorize schools by school type, age of facility, and any other category that equalizes cost comparability to determine groups of peer schools and districts.

In addition, the bill clarifies that the department is required to annually calculate the total costs for classroom instruction to specify that:

- For schools, this means school direct classroom instructions costs plus instructional supports costs divided by total school costs, and
- For school districts, this means total direct costs plus total school and district instructional supports costs divided by total program costs.

Web-Based Fiscal Transparency Tool

The bill clarifies that the web-based fiscal transparency tool combines and compares academic achievement and the percentage of funds spent on classroom instruction for all public schools and districts based on cost reporting and student performance measurement calculations.

¹⁴ All expenditures within the general and special revenue funds for each district school board, including salaries, benefits, purchased services, energy services, materials and supplies, capital outlay, and miscellaneous expenditures, for the following purposes are classified as administrative expenditures: District school board, General administration, School administration, excluding support expenditures, Facilities acquisition and construction at the district level, Fiscal services, Central services at the district level. Section 1010.215(4)(a).

¹⁵ All expenditures within the general and special revenue funds for each district school board, including salaries, benefits, purchased services, energy services, materials and supplies, capital outlay, and miscellaneous expenditures, for the following purposes are classified as instructional expenditures: Instruction, Instructional support services, including student personnel services, instructional media services, instruction and curriculum development, and instructional staff training services, School administration, including support expenditures, Facilities acquisition and construction at the school level, Food services, Central services at the school level, Student transportation services, Operation of plant, Maintenance of plant. *Id.* at (4)(b).

School District Budget Transparency

The bill modifies school district budget transparency and removes the requirement to include graphical representations for each public school within the district on its budget items.

Additionally, the bill clarifies the:

- Financial efficiency information be calculated pursuant to specified cost reporting requirements with a link to the web-based fiscal transparency tool developed by the DOE.
- School district's budget's fiscal trend information for the previous three years is required to use educational funding accountability definitions in current law and the total instructional expenditures are to be calculated pursuant to specified cost reporting requirements.
- Fiscal trend information for the previous three years related to general administrative expenditures and general fund ending balances to specify:
 - The general administrative expenditures as a total budget are the inverse of the total costs for classroom instruction as a percentage of total operating costs.
 - The general fund's ending fund balance not classified as restricted is expressed as the financial condition ratio, which is the fund balance as a percentage of the total general fund revenues.

Financial Emergency

The bill removes the provisions regarding financial emergencies, which required the superintendent to reduce the district's administration expenditures reported in proportion to the reduction in general fund's ending balance or the reduction in student enrollment, whichever is greater if a financial condition existed for two consecutive fiscal years.

In addition the bill removes language related to financial conditions that existed in the 2015-2016 school year or thereafter, which required the department to contract with an independent third party to conduct an investigation into all accounts and records to determine the cause of the deficit and any efforts that were taken to avoid the deficit.

The bill takes effect July 1, 2019.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill has no impact on state revenues or expenditures.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 1002.33, 1010.20, 1011.035, and 1011.051.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Education on March 12, 2019.

The committee substitute restores current law relating to financial emergencies, and makes technical changes related to the enacting clause and the subject of a referenced statute.

B. Amendments:

None.