

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 875 Education Fiscal Accountability

SPONSOR(S): K-12 Subcommittee; Diaz, Jr. and others

TIED BILLS: **IDEN./SIM. BILLS:** SB 1100

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) K-12 Subcommittee	10 Y, 2 N, As CS	Brink	Ahearn
2) Appropriations Committee		Heflin	Leznoff
3) Education Committee			

SUMMARY ANALYSIS

The bill requires the Commissioner of Education to establish a return on investment (ROI) rating system by January 31, 2015, in order to evaluate the extent to which public school and school districts use financial resources in a cost-effective manner to improve student performance relative to fiscal peers. The ROI rating must place the most weight on indicators designed to measure how dollars are being used to facilitate increased student academic performance.

The bill defines the terms "return on investment rating," "fiscal peers," and "core operating expenditure" for the purpose of determining return on investment ratings for schools and districts.

In addition, the commissioner must determine fiscal peers for each public school and school district for the purpose of comparing ROI ratings among similar districts, public schools, and charter schools.

The bill creates the Schoolhouse Funding Pilot Program for the purpose of giving pilot school principals increased authority over school budgets and human capital decisions and determining whether the increased authority positively impacts the return on investment for the principals' schools. The bill requires the commissioner to select at least 15 middle schools and 15 high schools to participate as pilot schools and establishes criteria for their selection. In addition, participation by a selected school is subject to district school board approval. The bill requires the Auditor General to audit and report any noncompliance by a participating district.

The bill also establishes requirements for the pilot program relating to participation in state assessment and school accountability systems, educator certification, background screening, and personnel evaluation. The bill also provides requirements with respect to employment contracts, personnel decisions, and distribution of state and federal funding.

The fiscal impact of the bill is indeterminate. See Fiscal Impact on State Government.

The bill is effective upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Return on Investment

Present Situation

The K-20 performance accountability system maintained by the Department of Education (DOE) must measure student progress toward goals that include, among other things, quality efficient services as measured by evidence of return on investment.¹

In addition, school report cards, including school report cards for alternative schools, must include, along with information regarding school improvement and performance, indicators of return on investment.

Effect of Proposed Changes

The bill requires the Commissioner of Education (commissioner) to establish a return on investment (ROI) rating system by January 31, 2015 which evaluates the extent to which public school and school districts use financial resources in a cost-effective manner to improve student performance relative to fiscal peers. The ROI rating must place the most weight on indicators designed to measure how dollars are being used to facilitate increased student academic performance.

The bill defines the term “return-on-investment rating,” or “ROI rating,” to mean a calculation developed by the commissioner which results in an annual ordinal rating for a public school and a school district that displays to the public the extent by which core operating expenditures have been used to positively impact student achievement. Ratings are assigned, as provided for under s. 1008.34(6), based on spending and student performance relative to a school's fiscal peers or a school district's fiscal peers.

The bill defines the additional following terms for the purpose of calculating a ROI rating:

- “Core operating expenditure” means the expenditure of general and special revenue funds, in accordance with the uniform chart of accounts included in the publication "Financial and Program Cost Accounting and Reporting for Florida Schools," in the functional categories of instruction and instructional support services and in the object categories of salaries, employee benefits, purchased services, and materials and supplies. The Commissioner of Education may classify other expenditures, funds, and functional and object categories as core operating expenditures.
- “Fiscal peers” means public schools and school districts that are of similar size and have similar average total cost-per-student funding in the Florida Education Finance Program, as determined by the commissioner. At a minimum, the commissioner shall take into consideration the following factors:
 - The Florida Price Level Index;
 - School size;
 - Student program cost factors; and
 - Geography.

¹ Section 1008.31(c)4., F.S. A statutory statement of legislative intent provides that that the K-20 education performance accountability system be established as a single, unified accountability system with multiple components, including, but not limited to, measures of adequate yearly progress, individual student learning gains in public school, school grades, and return on investment.

Section 1008.31(1)(b), F.S.

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In addition, the commissioner must determine fiscal peers for each public school and school district, as each ROI rating must be calculated relative to the performance of the fiscal peers of the school or school district. The bill requires the commissioner to assign the ROI ratings for all public schools and school districts in a sortable, easy-to-understand format that allows for comparison among districts, public schools, charter schools, and fiscal peers.

Beginning with the 2015-2016 school year, the commissioner must publish ratings on the Department of Education's (DOE) website when school report cards are published. Each school must provide a link to this information on its website and annually post a copy of its most recent ROI rating. Each school report card must include the ordinal ROI rating of the school and the school district.

The bill requires the commissioner to make every attempt to use aggregated student data that is already collected from public schools to develop the ROI rating. This includes, but is not limited to, data from:

- School report cards;
- Accountability measures, including the school accountability report;
- Profiles of school districts; and
- The state program cost reporting system.

The Schoolhouse Funding Pilot Program

Effect of Proposed Changes

The bill creates the Schoolhouse Funding Pilot Program for the purpose of giving pilot school principals increased authority over school budgets and human capital decisions and determining whether the increased authority positively impacts the return on investment for the principals' schools. The program is subject to annual appropriation as provided in the GAA. The bill defines the term "pilot school" to mean a public school that participates in the program.

The bill requires the commissioner to select a minimum of 15 high schools and 15 middle schools from throughout the state to participate in a two-year Schoolhouse Funding Pilot Program beginning with the 2015-2016 school year. To be eligible for selection, a middle or high school must:

- Have received a school grade of "C," "D," or "F" in the prior school year and have not received a school grade of "A" or "B" in the past five years; and
- Represent diverse student populations, including minority students, students receiving free or reduced-price lunches, and students with disabilities.

The DOE must measure the return on investment of each school upon its acceptance into the pilot program and annually thereafter.

The bill requires district school boards to approve a school's participation in the pilot program for a school in the district that is recommended by the commissioner. A district school board that refuses to allow a recommended school to participate must provide the commissioner with a detailed written explanation for the refusal.

The bill requires, subject to appropriation, principals, and if possible, assistant principals, of selected and approved schools to participate in a professional development program which focuses on improving student achievement; aligning standards, assessment, curriculum, and instruction; using data to drive instruction; and using best financial management practices to drive student achievement.

Under the pilot program, participating schools enjoy greater authority over managerial decisions in a manner analogous to charter schools, including decisions over allocation of specified funds. However, the bill provides that state assessment, school accountability, educator certification, background screening, and personnel evaluation requirements still apply. The bill also provides requirements with respect to personnel decisions and distribution of state and federal funding. School districts that do not

disburse state and federal funds to participating schools within 10 working days after receipt of the funding must pay the scheduled funding amount with interest at a rate of 1 percent per month calculated on a daily basis on the unpaid balance until a warrant for payment is issued.

In addition, the bill requires school districts to provide certain administrative and educational services to pilot schools, including transmittal of student performance data to each participating school in the same manner as provided to other schools in the district. A total administrative fee for the provision of such services must be calculated based upon up to 5 percent of the available funds for all students, except that if 75 percent or more of the students enrolled in the pilot school are exceptional students,² the 5 percent of those available funds must be calculated based on unweighted full-time equivalent students. A district may withhold up to a 5-percent administrative fee only for enrollment for 250 students or less. The bill requires the auditor general to audit and report any noncompliance by a participating district.

The bill charges the pilot school principal with selecting employees for the school and allows a pilot school to contract with its district for the services of district personnel. The bill provides that acceptance of employment at a pilot school constitutes leave from the district and that accrued seniority and benefits remain in place while the teacher is employed by the school. A school district may not require the resignation of an employee who desires to teach in a pilot school.

B. SECTION DIRECTORY:

Section 1. Amends s. 1008.02, F.S., defining the terms "core operating expenditure," "fiscal peers," and "return-on-investment rating."

Section 2. Amends s. 1008.34, F.S., requiring school report cards to include school and school district return-on-investment ratings; requiring the Commissioner of Education to establish a return-on-investment rating to evaluate the extent to which schools and school districts are using financial resources to improve student performance; requiring the commissioner to determine fiscal peers and assign and publish return-on-investment ratings.

Section 3. Amends s. 1011.69, F.S., creating the Schoolhouse Funding Pilot Program; defining terms; providing a procedure for a public school to participate in the pilot program; requiring the principal of a pilot school to participate in a professional development program; providing assessment and accountability requirements for a pilot school; providing funding for students enrolled in a pilot school and calculation therefor; providing for the receipt of federal funds and for the distribution of state and federal funds; requiring a school district to provide certain specified administrative and educational services to a pilot school; requiring a school district to provide student performance data to a pilot school in the same manner as it provides data to other public schools; providing for an administrative fee for the specified services; providing requirements relating to employees of a pilot school, including selection, contracting, certification, background screening, and employment history checks; requiring a pilot school to adopt policies that establish standards of ethical conduct for instructional personnel and school administrators.

Section 4. Amends s. 1003.621, F.S., conforming cross-references.

Section 5. Amends s. 1011.64, F.S., conforming cross-references.

Section 6. Provides that the bill is effective upon becoming a law.

² Under section 1003.01(3), F.S., an exceptional student is "any student who has been determined eligible for a special program in accordance with rules of the State Board of Education. The term includes students who are gifted and students with disabilities who have an intellectual disability; autism spectrum disorder; a speech impairment; a language impairment; an orthopedic impairment; an other health impairment; traumatic brain injury; a visual impairment; an emotional or behavioral disability; or a specific learning disability, including, but not limited to, dyslexia, dyscalculia, or developmental aphasia; students who are deaf or hard of hearing or dual sensory impaired; students who are hospitalized or homebound; children with developmental delays ages birth through 5 years, or children, ages birth through 2 years, with established conditions that are identified in State Board of Education rules."

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Indeterminate. To the extent establishment of the return on investment rating and determination of fiscal peers requires development of additional data collection and reporting processes, there may be associated costs. However, because the bill requires the commissioner to make every attempt to use aggregated student data already collected by the DOE, any costs would likely be minimal.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 18, 2014, the K-12 Subcommittee reported the PCS to HB 875 favorably. The PCS increases the number of schools that may participate as a pilot school from no more than 14 to at least 15 middle schools and 15 high schools. The PCS also removes eligibility for elementary schools to participate as a pilot school, restricting participation to middle schools and high schools that have received a school grade of "C," "D," or "F" in each of the past five years and that represent diverse student populations.

The PCS removes administration of the pilot program from the DOE and provides for continued local operation of participating schools. In addition, the PCS provides that participation in the pilot program by a selected school is subject to district school board approval. The PCS requires district school boards that withhold approval for a selected school to provide the commissioner with a detailed written explanation for its refusal. The PCS also requires the Auditor General to audit and report any noncompliance by a participating district.

The PCS also makes various technical changes.