



School Spending Efficiency Studies

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This brief reviews some approaches used in states to ensure the efficient use of school district K-12 spending. Elementary and secondary education spending, accounting for about 36 percent of all general fund spending, is at the forefront both as a fiscal and policy issue. States take various approaches as a means to evaluate the efficient use of school funds, including undertaking school efficiency studies

Introduction

States are addressing accountability and educational standards as well as the financing of schools. Within the framework of fiscal accountability, a number of states have embarked on programs to help school districts manage their resources through school efficiency studies.

The focus of these studies is on resource management within administrative functions. These include reviewing the operations in such areas as transportation, energy use, janitorial services, food service, facilities, personnel systems and benefits, technology management, and teacher retention. These studies are not evaluating educational outcomes nor are they strict financial audits.

Some recent examples include Virginia's school efficiency studies where the Department of Planning and Budget works with school districts to identify good practices. The reviews are done on a voluntary basis and are customized based on the specific requests of the school superintendent. Outside consultants with expertise in school business practices help the school districts review their operations. Options are identified for the school division to implement.

In most cases, these studies do not specify a set amount of administrative funds that are permissible but rather promote the use of efficient management methods. These reviews are often conducted by state Departments of Education, legislative committees, and auditors along with contracts with outside consultants. The approach in Virginia is unique in that the Department of Planning and Budget serves as the entity in charge of the reviews. Some state examples include the following:

Arkansas: Review of Best Financial Management Practices

The Student Assessment and Educational Accountability Act of 2004 directs the Department of Education and the Division of Legislative Audit of the Legislative Joint Auditing Committee to develop a system to review financial management practices of school districts and identify best practices. School districts will be evaluated and rated on compliance with best practices. According to the statute, the purpose of the financial reviews is to improve the school district's use of resources and to identify cost savings. Areas that would be reviewed include management structures, performance accountability, administrative and instructional technology,

transportation, food services, delivery of educational services, personnel systems and benefits, facilities construction, and facilities maintenance.

The Department of Education has a deadline of May 31, 2006 to present the review criteria to the State Board of Education. The review of best financial management practices begins during fiscal 2007. Unrestricted cost savings would be used at the school and classroom levels for such items as school supplies, technology, teachers' salaries, facilities, and professional development.

Rules Governing Procedures for Best Financial Management Practices:

http://arkedu.state.ar.us/rules/pdf/current_rules/ade%20191%20best%20financial%20mgnt%20practices.pdf

Florida: Sharpening the Pencil Program

Since 1996, the Office of Program Policy Analysis and Government Accountability (OPPAGA) under the Florida Legislature has reviewed school districts and identified cost savings measures. Under the Sharpening the Pencil Program administered by OPPAGA each school district undergoes a best financial management practices review every five years. The website for the Sharpening the Pencil program contains the top thirteen ways to save money for school districts along with links to individual school district studies. The recommendations are arranged by topics such as transportation and facilities management and span various reviews by topic. Follow-up studies on the status of the recommendations are available from the OPPAGA website. The Sharpening the Pencil Program was enacted in 2001 and discontinued due to budget constraints in 2004.

Florida's Sharpening the Pencil Program:

http://www.oppaga.state.fl.us/school_districts/savings/top13ways.html

Education reports from OPPAGA including progress reports on school districts:

<http://www.oppaga.state.fl.us/reports/topic/eductop.html>

Oklahoma: Finding Cost Savings

The Oklahoma School Performance Review, created in 2001, determines the effectiveness and efficiency of the budget and operations of school districts. It is the intent of the program that any cost savings be spent by the school district for classroom expenses. The twelve functional areas for review are: district organization and management, educational service delivery, community involvement, personnel management, asset and risk management, computer and technology, transportation, food services, and safety and security.

More recently, a Task Force on School District Administrative Efficiency was created in 2005 to determine how school administration and operations can be made more efficient through administrative reorganization and consolidation. The Task Force recommendations are due to the Legislature by December 31, 2006.

Oklahoma School Performance Review:

<http://www.schoolreportcard.org/ospr/>

Task Force on School District Administrative Efficiency:

http://www.sde.state.ok.us/law/law_2005/Appendix-B.htm

Texas: 65 Percent Requirement

The Comprehensive Financial Accountability and Reporting System directs the Commissioner of Education to create and implement a comprehensive financial accountability and reporting system. This system must include an indicator establishing that 65 percent of the school district funds be expended for instructional purposes as defined by the National Center for Education Statistics. According to the Governor's Executive Order, the financial accountability and reporting system shall include indicators of school district efficiency including shared service agreements and consolidation of administrative functions.

Texas has a long tradition of evaluating operational efficiencies in school districts. Beginning as a state-wide pilot initiative in 1991, the Texas School Performance Review evaluated operations of independent school districts. From 1991 to 2003, about 10 percent of schools districts were reviewed with \$141 million in savings achieved. One example is the review in Houston which resulted in elimination of administrative positions, created strategic planning for school budgets, and resulted in contracting out for food services.

Governor's Executive Order:

<http://www.governor.state.tx.us/divisions/press/exorders/rp47>

Texas School Performance Review:

<http://www.window.state.tx.us/tspr/>

Virginia: Efficiency Reviews

The School Efficiency Review Program provides for the Director of the Department of Planning and Budget to develop, coordinate, and manage a school efficiency review program. Beginning with reviews completed in 2006, partial recovery of the costs of the reviews may occur if the school division has not certified that at least half of the recommendations have been implemented or at least half of the equivalent savings have been realized.

Nine efficiency reviews were completed during 2004 and 2005 and the reports are available on the website from the Virginia Department of Education listed below. The October 2005 review of the Campbell County Public Schools, for example, has five year net savings of \$1.8 billion. Of the 142 recommendations contained in the report, 33 have fiscal implications. Examples of recommendations with budget savings include consolidating low enrollment classes, reducing litigation costs, and selling excess buses. In the review of Richmond City Public Schools

division, potential savings were identified in overtime cost for bus drivers and energy efficiency measures totaling over \$2 million.

Virginia's Efficiency Reviews:

<http://www.pen.k12.va.us/VDOE/efficiencyreview.html>

Other Resources

Education Commission on the States. (ECS):

<http://www.ecs.org>

Association of School Business Officials (ASBO):

<http://asbointl.org/index.asp>

This organization has a number of resources including publications such as *Practical Ideas for Cutting Costs and Ways to Generate Alternative Revenue Sources*.

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