

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/CS/HB 875 Education Fiscal Accountability

SPONSOR(S): Education Committee; Appropriations Committee; 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	17 Y, 8 N, As CS	Heflin	Leznoff
3) Education Committee	10 Y, 4 N, As CS	Brink	Mizereck

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. 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” and “operating expenditure” for the purpose of determining return on investment ratings for schools and districts.

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 authorizes district school boards to select schools to participate in the pilot program, establishes eligibility requirements for participating schools, and provides for the participation of no more than 15 middle schools and 15 high schools on a first-come, first-served basis, as accepted by the Department of Education. The bill also establishes professional development requirements for principals and, if possible, assistant principals of participating schools.

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. 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 operating expenditures have been used to positively impact student achievement. Ratings shall be assigned, as provided for under s. 1008.34(6), based on spending and student performance.

The bill defines "operating expenditure" for the purpose of calculating a ROI rating as the expenditure of school district 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." The Commissioner of Education may classify other expenditures, funds, and functional and object categories as core operating expenditures.

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 school.

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;

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.

- 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 authorizes district school boards to select high schools and 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 represent diverse student populations, including minority students, students receiving free or reduced-price lunches, and students with disabilities.

The bill provides that if a district school board selects a school or schools to participate in the pilot program, the district school board must submit written notification to the DOE of each school it has selected and submit documentation evidencing how each selected school meets the eligibility requirements. The bill requires the DOE to accept for participation in the program no more than 15 middle schools and 15 high schools on a first-come, first-served basis.

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

The bill requires, subject to appropriation, principals, and if possible, assistant principals, of selected and approved schools to participate in a professional development program provided in partnership with an organization with a demonstrated record of improving school leadership practices linked to increased student achievement. The professional development program must include on-the-job leadership training that focuses on:

- Setting high expectations and improving student achievement;
- Providing instructional leadership, including aligning standards, assessment, curriculum, and instruction;
- Managing talent, including developing a high-performing team;
- Using data to drive instruction; and
- Leveraging autonomy, including staffing authority 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 "operating expenditure" 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 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.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

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."

2. Expenditures:

Indeterminate. To the extent establishment of the return on investment rating 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.

On April 1, 2014, the Appropriations Committee adopted one amendment and reported the bill favorably as a committee substitute. The amendment removed the requirement for “operating expenditures” to include function and object categories of expenses. The information collected annually by the department from the districts is not collected at this level and would have required an indeterminate fiscal to both the department and the districts to update program cost reporting software. The amendment removed the potential fiscal impact required to update reporting software.

On April 10, 2014, the Education Committee adopted three amendments and reported the bill favorably as a committee substitute. The amendments:

- Provide for the selection of participating pilot schools by district school boards instead of the Commissioner of Education;
- Provide for the participation of 15 middle schools and 15 high schools in the pilot program on a first-come, first-serve basis;
- Remove the requirement that a school have received no higher than a grade of “C” over the past five years in order to be selected to participate in the pilot program;
- Require that the professional development component of the pilot program be provided to the principal and assistant principals in partnership with an organization with a demonstrated record of improving school leadership practices linked to increased student achievement and require that the professional development include on-the-job training.