

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 1279 School District Accountability

SPONSOR(S): PreK-12 Appropriations Subcommittee; PreK-12 Quality Subcommittee; Sullivan

TIED BILLS: None **IDEN./SIM. BILLS:** SB 1804

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) PreK-12 Quality Subcommittee	14 Y, 0 N, As CS	Dehmer	DavisGreene
2) PreK-12 Appropriations Subcommittee	11 Y, 0 N, As CS	Seifert	Potvin
3) Education Committee			

SUMMARY ANALYSIS

School districts provide detailed budget information to the public. However, this information does not include summary financial performance or efficiency data that allows a comparison of expenditure trends of other schools and districts over time. Combining student outcome data with per pupil expenditures will provide new information to drive productivity at the school, district and state level. To increase fiscal transparency of educational spending, the bill:

- requires school boards to provide financial efficiency data and fiscal trend information;
- requires the Department of Education to develop a web-based tool that identifies schools and districts with high academic achievement based on per pupil expenditures; and
- requires school boards to provide a full explanation of, and approve, any budget amendment at the boards' next public meeting.

Generally, school districts have sufficient monetary reserves to recover from financial difficulties and emergencies. However, some school districts do not promptly correct audit findings or reduce expenditures in response to a decrease in revenue. To increase fiscal accountability of districts, the bill:

- requires school districts with revenues over \$500 million to employ an internal auditor;
- requires school districts with low ending fund balances to reduce administrative costs and other expenditures;
- requires districts in a financial emergency to withhold the salaries of superintendents and school board members until the emergency is addressed;
- requires an investigation of school districts who are unable to timely pay current debts and liabilities;
- clarifies that the Department of Education's Office of Inspector General must investigate allegations and reports of fraud and abuse from certain government officials; and
- requires school districts with previous operational audit findings to initiate and complete corrective action within a certain period of time.

The bill also:

- prohibits appointed, along with elected superintendents, from lobbying school districts for a period of two years after vacating the position;
- aligns school board member salaries with beginning teacher salary or the amount calculated by statute, whichever is less;
- requires prior school board approval for reimbursement of out-of-district travel expenses;
- requires school boards to withhold a portion of an employee's salary who owes a public financial disclosure fine;
- repeals s. 1011.64, F.S., relating to school district minimum classroom expenditure requirements; and
- prohibits superintendents, along with school board members, from employing or appointing a relative to work under their direct supervision.

Contingent upon CS/HB 7055 or similar legislation adopted at the 2018 Regular Session of the Legislature failing to become law, for the 2018-2019 fiscal year, the sum of \$850,000 in nonrecurring funds from the General Revenue Fund is appropriated to the Department of Education to implement the provisions of this act.

This bill takes effect July 1, 2018.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1279c.PKA

DATE: 1/30/2018

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

FISCAL ACCOUNTABILITY

Auditor General

Present Situation

The Auditor General (AG) or a Certificated Public Accountant (CPA) is required to perform annual financial audits of district school boards.¹ If the AG does not perform a financial audit of a district school board, the school board must have a financial audit completed within nine months of its fiscal year end by an independent CPA.² The scope of financial audits include an examination of the financial statements, the issuance of a report on compliance and internal control in accordance with generally accepted government auditing standards, and the issuance of a report on compliance and internal control for each major Federal program.³

The AG also conducts operational audits of district school boards in accordance with Government Auditing Standards at least every 3 years.⁴ Operational audits must include an evaluation of management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities. The examination of internal controls is designed to promote and encourage the achievement of management's control objectives in economic and efficient operations, reliability of records and reports, and safeguarding of assets.⁵

The AG is required to report material weaknesses in internal control and significant control deficiencies that are disclosed during the course of a financial audit. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention. The AG must report material noncompliance or abuse that has a material effect on a financial statement audit. The classification of an audit finding is dependent upon its potential impact on the specific school district under audit. Therefore, the classification of an audit finding could vary from school district to school district.⁶

The AG must annually compile and transmit a summary of significant findings and financial trends to the Senate President, the Speaker of the House of Representatives, and the Legislative Auditing

¹ State of Florida Auditor General, *Summary of Significant Findings and Financial Trends Identified in District School Board Audit Reports for the Fiscal Year Ended June 30, 2016*, at 1, available at https://flauditor.gov/pages/pdf_files/2018-030.pdf. Section 11.45(2), F.S. and s. 218.39(1), F.S.

² Section 218.39(1), F.S.

³ State of Florida Auditor General, *Summary of Significant Findings and Financial Trends Identified in District School Board Audit Reports for the Fiscal Year Ended June 30, 2016*, at 1, available at https://flauditor.gov/pages/pdf_files/2018-030.pdf. Section 11.45(1)(c), F.S.

⁴ *Id.* Section 11.45(2)(f), F.S.

⁵ *Id.* Section 11.45(1)(g), F.S.

⁶ *Id.* at 2.

Committee (LAC).⁷ If an audit contains any significant findings, district school boards, must conduct an audit overview during a public meeting.⁸

The AG has authority to perform follow-up procedures necessary to determine a district school board's progress in addressing the findings and recommendations in the previous audit report.⁹ The AG must also notify the LAC of any financial or operational audit report which indicates that a district school board failed to take full corrective action in response to a finding included in the two preceding financial or operational audits.¹⁰

Upon notification, the LAC may direct a school board to provide a written statement explaining the reason the school board failed to take corrective action or, if the school board intends to take full corrective action, describing the corrective action and state when it will occur.¹¹ If the LAC determines that the written statement is not sufficient, it may require the chair of the school board to appear before the committee. If the LAC determines that the school board has failed to take full corrective action for which there is no justifiable reason or has failed to comply with committee requests, the committee must refer the matter to the State Board of Education (SBE) to proceed in accordance with its oversight enforcement authority.¹²

On February 2, 2014, the LAC conducted a workshop on Financial Oversight for District School Boards. As part of its presentation, the AG's office recommended that operational audits include testing for previous operational audit findings with questionable costs. Individual members of the Manatee County School Board submitted written comments and suggested the following:

- Require districts with audit findings to implement an immediate compliance process.
- Shorten the timeframe to comply with audit findings.
- Increase the frequency of the AG's financial and operational audits when audit findings occur.
- Expand the scope of AG audits to include all management areas.¹³

Effect of Proposed Changes

The bill requires the AG to contact district school boards with previous operational audit findings. The school boards must provide evidence of initiation of corrective action within 45 days and evidence of completion of corrective action within 180 days. If districts fail to comply with the AG's request, the AG must notify the LAC.

The bill requires district school boards, the Florida College System institution board of trustees, and the university board of trustees to conduct an audit overview when an audit contains a finding classified as a material weakness or significant deficiency instead of any significant finding, which is not defined in statute. The audit overview must describe the corrective action to be taken and the timeline for completion.

Inspector General

Present Situation

Each state agency is required to have an Inspector General (IG),¹⁴ including the Department of Education (DOE), to provide a central point for the coordination of activities that promote accountability,

⁷ Section 11.45(7)(f), F.S. *See also* s. 11.40, F.S.

⁸ Section 1010.30(2), F.S.

⁹ Section 11.45(2)(j), F.S.

¹⁰ Section 11.45(7)(j)1., F.S.

¹¹ *Id.*

¹² Sections 11.45(7)(j)3. and 1008.32, F.S.

¹³ Joint Legislative Auditing Committee, *Meeting Packet, February 10, 2014, available at* <http://www.leg.state.fl.us/Data/Committees/Joint/JCLA/Meetingpackets/021014.pdf>.

¹⁴ Section 20.055(2), F.S. The Department of Education is created pursuant to s. 20.15, F.S.

integrity, and efficiency in government.¹⁵ The Office of the Chief Inspector General (CIG) is within the Executive Office of the Governor. The CIG monitors the activities of the agency inspectors general under the Governor's jurisdiction, including the DOE's IG.

The IG:

- advises in the development of performance measures, standards, and procedures for the evaluation of state agency programs;
- assesses the reliability and validity of information provided by the agency on performance measures and standards;
- reviews the actions taken by the agency to improve agency performance, and making recommendations, if necessary;
- supervises and coordinates audits, investigations, and reviews relating to the operations of the state agency;
- conducts, supervises, or coordinates other activities carried out or financed by the agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in its programs and operations;
- provides central coordination of efforts to identify and remedy waste, abuse, and deficiencies to the CIG; recommends corrective action concerning fraud, abuses, and deficiencies; and reports on the progress made in implementing corrective action;
- coordinates agency-specific audit activities between the AG, federal auditors, and other governmental bodies to avoid duplication;
- reviews rules relating to the programs and operations of the agency and makes recommendations concerning their impact.
- maintains an appropriate balance between audit, investigative, and other accountability activities; and
- complies with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.¹⁶

The inspector general for the DOE is appointed by the CIG.¹⁷ The DOE inspector general must report to and be under the general supervision of the Commissioner of Education (commissioner) and is not subject to supervision by any other employee of the DOE. The DOE inspector general must report to the CIG, and may hire and remove staff within the IG in consultation with the CIG but independently of the DOE.¹⁸

The DOE's IG is responsible for promoting accountability, efficiency, and effectiveness and detects fraud and abuse within school districts. If the commissioner determines that the district school board is unwilling or unable to address substantiated allegations made by any person relating to waste, fraud, or financial mismanagement, the office must conduct, coordinate, or request investigations into such substantiated allegations.¹⁹

Effect of Proposed Change

The bill requires the DOE's IG to investigate allegations and reports of possible fraud or abuse made by:

- any member of the Cabinet;
- any presiding officer of the Senate or House;
- a chair of a substantive or appropriations committee with appropriate jurisdiction; or
- a member of the board for which investigation is sought.

¹⁵ Section 20.005(2), F.S.

¹⁶ Section 20.055(2)(a)-(j), F.S.

¹⁷ Section 20.055(3)(a), F.S.

¹⁸ *Id.*

¹⁹ Section 1001.20(4)(e), F.S.

Internal Auditor

Present Situation

An internal audit is an independent and objective assurance and consulting activity that provides information on how financial systems and processes are working. Internal audits result in findings and recommendations that help improve processes and mitigate risks surrounding those processes. An internal audit is different from an external audit, which expresses an opinion on the reasonableness of financial statements within materiality limits. Internal audits focus on processes to determine if they are compliant, effective, and efficient.²⁰

Currently, district school boards are permitted, but not required to employ an internal auditor to perform ongoing financial verification of the financial records of the school district. The internal auditor reports directly to the district school board or its designee.²¹

Bay, Brevard, Broward, Clay, Duval, Escambia, Hillsborough, Lake, Lee, Leon, Marion, Martin, Miami Dade, Orange, Palm Beach, Pasco, Pinellas, and Polk district school boards employ internal auditors. However, according to the Office of the Auditor General, the internal auditors in Bay, Clay, Lee and Marion counties only perform audits of school internal funds and are not required to comply with externally established auditing standards.²²

On February 2, 2014, as part of its presentation to the LAC, the AG's office recommended that school districts of a specified size employ internal auditors to periodically report on the effectiveness of budgetary control procedures. The AG's office also recommended laws requiring internal controls designed to:

- prevent and detect fraud, waste and abuse;
- promote and encourage economic and efficient operations;
- ensure the reliability of financial records and reports; and
- safeguard assets.²³

Effect of Proposed Changes

The bill requires school districts with revenues over \$500 million to employ an internal auditor. The internal auditors must perform a comprehensive risk assessment every five years and conduct other audits and reviews as the district school board directs to determine:

- the adequacy of internal controls;
- compliance with applicable laws;
- the efficiency of operation;
- the reliability of financial records;
- financial solvency;
- projected revenues and expenditures; and
- the rate of change in the ending fund balance.

²⁰ Gibson Consulting Group, *Phase II: Operational Efficiency Audit – Comprehensive Report for Hillsborough County Public Schools*, available at http://www.sdhc.k12.fl.us/docs/00/00/17/86/HCPSGibsonPhaseIIFinal_Report.pdf.

²¹ Section 1001.42(12)(l), F.S.

²² Email, Auditor General, Deputy Auditor General – Educational Entities and Local Government Audits, (Oct. 26, 2017).

²³ Joint Legislative Auditing Committee, *Meeting Packet, February 10, 2014*, at 110 and 114, available at <http://www.leg.state.fl.us/Data/Committees/Joint/JCLA/Meetingpackets/021014.pdf>.

The bill also requires the internal auditor to prepare audit reports and establishes penalties for failure to produce financial records to the internal auditor.²⁴

As a result, in fiscal year 2015-16, five districts (Seminole, Volusia, Osceola, Collier, and Sarasota) would have been required to employ an internal auditor and the scope of Lee county's internal auditor would have been increased.²⁵

Cost Accounting and Reporting

Present Situation

Currently, school districts are required to account for expenditures of all state, local, and federal funds on a school-by-school and a district-aggregate basis including:

- expenditures for in-service training (district level only);
- expenditures for categorical programs (district level only); and
- expenditures for basic programs.

The commissioner must present to the Legislature a district-by-district report of the expenditures reported.²⁶

Districts must spend at least the percent of the funds generated by each of the programs listed on the aggregate total school costs for such programs:

- Ninety percent for kindergarten and grades 1, 2, and 3.
- Eighty percent for grades 4, 5, 6, 7, and 8.
- Eighty percent for grades 9, 10, 11, and 12.
- Ninety percent for programs for exceptional students, on an aggregate program basis.
- Eighty percent for grades 7 through 12 career education programs, on an aggregate program basis.
- Eighty percent for students-at-risk programs, on an aggregate program basis.
- Ninety percent for Juvenile justice programs, on an aggregate program basis.²⁷

Each state is required to calculate the per-pupil expenditures of Federal, State, and local funds, including actual personnel expenditures and actual nonpersonnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local educational agency and each school in the state.²⁸

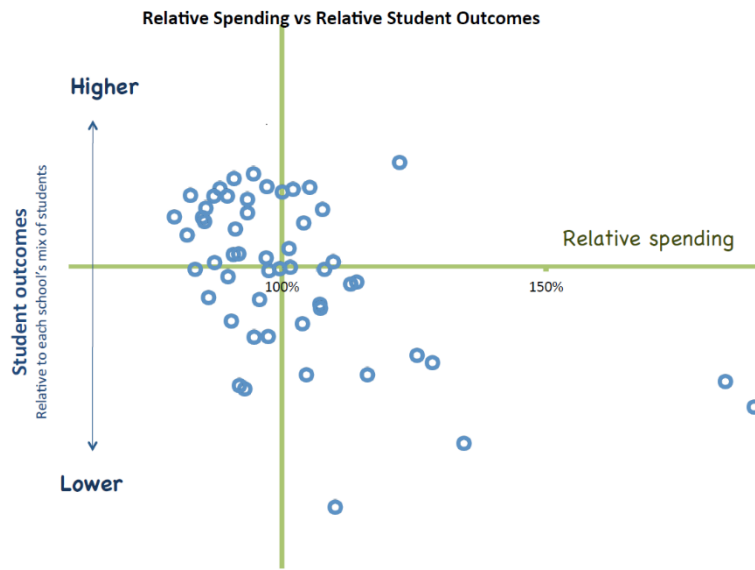
²⁴ Section 11.47(3), F.S. Any person who willfully fails or refuses to furnish or produce any book, record, paper, document, data, or sufficient information necessary to a proper audit or examination which the Auditor General or the Office of Program Policy Analysis and Government Accountability is by law authorized to perform is guilty of a misdemeanor of the first degree. Section 11.47(4), F.S. Any officer who willfully fails or refuses to furnish or produce any book, record, paper, document, data, or sufficient information necessary to a proper audit or examination which the Auditor General or the Office of Program Policy Analysis and Government Accountability is by law authorized to perform, is subject to removal from office.

²⁵ Florida Department of Education, *Bureau of School Business Services, Office of Funding and Financial Reporting, Financial Profiles of Florida School Districts, 2015-16 Financial Data Statistical Report, June 2017*, at 15, available at <http://www.fldoe.org/core/fileparse.php/7507/urlt/2015-2016-Profiles.pdf>. *Id.*

²⁶ Section 1010.20(1) and (2), F.S.

²⁷ Section 1010.20(1)-(3), F.S.

²⁸ 20 U.S.C. s. 6311(h)(1)(C)(x).



Other states use expenditure data, together with student performance data to determine school efficiency.²⁹

Effect of Proposed Changes

The bill requires school districts to report to the DOE total operating costs and classroom instructional expenditures on a school-by-school and aggregate district basis. The bill requires the DOE 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.

The bill also 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 authorized to post a link to the fiscal transparency tool on the district’s webpage.

FISCAL TRANSPARENCY

Budget Transparency

Present Situation

It is important for school districts to provide budgetary transparency to enable taxpayers, parents, and education advocates to obtain school district budget and related information in a manner that is easy to understand. Budgetary transparency leads to more responsible spending, more citizen involvement, and improved accountability. A budget that is not transparent, accessible, or accurate cannot be properly analyzed, its implementation thoroughly monitored, or its outcomes evaluated.³⁰

²⁹ Building State Capacity and Productivity Center, *Understanding the Productivity Landscape in Your State*, available at http://www.bscpcenter.org/productivity/pdf/bscp_productivity_webinar2_7_25_13.pdf. Texas Comptroller of Public Accounts, *Financial Allocation Study for Texas 2010*, available at <https://www.heartland.org/publications-resources/publications/fast-financial-allocation-study-for-texas-2010>. Ohio Department of Education, *Expenditure & Revenue Data*, available at <http://education.ohio.gov/Topics/Finance-and-Funding/Finance-Related-Data/Expenditure-and-Revenue/Expenditure-Revenue-Data>.

³⁰ Section 1011.035(1), F.S.
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District school boards are required to post a plain language version of each proposed, tentative, and official budget on their website. The budget must describe each budget item in easily understandable terms. The information must be prominently posted on the school district's website in a manner that is readily accessible to the public. However, these budgets do not have understandable summary financial performance or efficiency information that allows a comparison of expenditure trends.³¹

Effect of Proposed Changes

The bill changes the section title to "school district fiscal transparency" to reflect the additional information that must be provided and authorizes individual school board members to request and receive all budget information. The bill also requires district school boards to increase fiscal transparency by providing graphical representations of summary financial efficiency data and fiscal trend information. The data must provide fiscal trend information for the previous three years at the school and district level and must provide calculations on the:

- ratio of students to teachers and administrators;
- total operating and instructional expenditures per student;
- general administrative expenditures as a percentage of total budget; and
- rate of change in the general fund's ending fund balance not classified as restricted.

General Funds Guidelines

Present Situation

District school boards must maintain a general fund ending balance that is sufficient to address normal contingencies.³² If a district school board's general fund's ending fund balance not classified as restricted, committed, or nonspendable in the approved operating budget is projected to fall below 3 percent of projected general fund revenues during the current fiscal year, the district superintendent must provide a written notification to the district school board and the commissioner.³³

If the same ending fund balance is projected to fall below 2 percent of projected general fund revenues during the current fiscal year, the district superintendent must provide written notification to the district school board and the commissioner. Within 14 days after receiving the notification, if the commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency, the commissioner must appoint a financial emergency board that must operate under the requirements, powers, and duties specified in law.³⁴

As of June 30, 2016, only the Jefferson County School District had a financial condition ratio below 3 percent. Jefferson County School District's financial condition ratio was negative 0.43 percent and the District's financial condition ratio was below 3 percent in the prior two consecutive fiscal years.³⁵

Effect of Proposed Changes

The bill requires districts with ending fund balances that fall below the 3 percent threshold for two consecutive years to reduce administration expenditures in proportion to the reduction in the general fund's ending balance or the reduction in student enrollment, whichever is greater. The bill also prohibits any district school board with an ending fund balance below the 3 percent threshold from making expenditures on out-of-district travel and cellular phones.

³¹ Section 1011.035(2), F.S.

³² Section 1011.051, F.S.

³³ Section 1011.051(1), F.S.

³⁴ Section 1011.051(2), F.S., s. 218.503(3)(g), F.S.

³⁵ State of Florida Auditor General, *Summary of Significant Findings and Financial Trends Identified in District School Board Audit Reports for the Fiscal Year Ended June 30, 2016*, at 11, available at https://flauditor.gov/pages/pdf_files/2018-030.pdf.

Financial Emergency

Present Situation

District school boards are subject to review and oversight by the commissioner when the district is unable to timely pay current debts and liabilities. A district school board is in a state of financial emergency when the district is unable to timely pay current debts and liabilities and state assistance is needed for corrective action.³⁶ While in a state of financial emergency, the commissioner may implement measures which:

- requires commissioner approval of the district school board's budget;
- prohibits a district school board from issuing debt;
- requires inspections and reviews of district school board records, reports and information;
- establishes a financial emergency board to oversee the activities of the district school board; and
- requires a plan of action that will cause the district school board to no longer be in a financial emergency.³⁷

Effect of Proposed Changes

The bill requires the DOE to contract with an independent third party to conduct an investigation of the accounts and records of any district school board that failed to timely pay any current debt or liability during the 2015-16 fiscal year, or thereafter. The investigation must determine the cause of the deficit, steps taken to avoid the deficit and whether school board members violated the law. The investigation must also include an analysis of:

- budget reports;
- journal entries;
- budget methodologies;
- staff emails;
- financial statements; and
- meeting minutes.

The investigation results must include a recommendation for corrective action and controls to avoid future budget shortfalls. The district school board, the DOE, the LAC and the district's financial emergency board, if applicable, must receive the results of the investigation.

The bill also requires the withholding of district school board member's and superintendent's salaries when the district fails to timely pay current debts and liabilities. The salary of each district school board member and superintendent must be withheld until the issue is addressed.

District School Board Budget Transparency

Present Situation

District school boards must prepare, adopt, and submit an annual budget to the commissioner.³⁸ Estimated expenditures in a school district's tentative budget cannot exceed estimated income.³⁹ District expenditures must be limited to amounts budgeted and no expenditures can be authorized or

³⁶ Section 218.503(1) and (3), F.S.

³⁷ Section 218.503(3), F.S.

³⁸ Section 1011.01(3)(a), F.S.

³⁹ Section 1011.02(4), F.S.

obligations incurred in excess of the budgetary appropriation.⁴⁰ However, a district school board may establish policies that allow expenditures to exceed amounts budgeted if the district school board approves the expenditure and amends the budget.⁴¹

District school boards are required to post a plain language version of each proposed, tentative, and official budget on its website. The budget must describe each item in terms that are easily understandable. A school district must prominently post budget information on its website in a manner that is readily accessible to the public.⁴²

Effect of Proposed Changes

The bill requires district budget amendments to occur at the district school board's next scheduled public meeting. The district school board must also provide a full explanation of any budget amendments.

The Department of Education Reporting Requirements

Present Situation

The Legislature may require school districts failing to meet prescribed academic performance standards to increase emphasis on classroom instruction activities by meeting certain classroom expenditure requirements. In determining the classroom expenditure requirement, the DOE is required to calculate the total K-12 operating and classroom instruction expenditures for each district and the percentage of classroom expenditures to total operating expenditures for each district and the state. School districts required to increase emphasis on classroom activities must submit a final report to the DOE explaining proposed budget actions and the district's level of compliance with spending requirements.⁴³

Effect of Proposed Changes

The bill repeals s. 1011.64, F.S., removing the requirement that school districts failing to meet minimum academic performance standards increase emphasis on classroom instruction activities and removing the minimum classroom expenditure calculation. The bill also removes cross-references to s. 1011.64, F.S. Section 1011.64, F.S. has not been implemented because the legislature has not prescribed the minimum academic performance standards required.⁴⁴

OTHER FISCAL ISSUES

Lobbying

Present Situation

Currently, an individual elected to a school district office is prohibited from lobbying the school district for a period of two years after leaving the position; however, current law does not prohibit an appointed superintendent from lobbying immediately after leaving the position.⁴⁵

⁴⁰ Section 1011.06, F.S. It is the duty of the superintendent and district school board to take whatever action is necessary during the fiscal year to keep expenditures and obligations within the budgeted income. Rules 6A-1.007(1) and 6A-1.007(2), F.A.C. The school board must approve amendments to the budget whenever budget changes occur.

⁴¹ Section 1011.06(2), F.S.

⁴² Section 1011.035(3), F.S.

⁴³ Section 1011.64(1)-(4), F.S.

⁴⁴ Email, Florida Department of Education, Governmental Relations (January 12, 2018).

⁴⁵ Section 112.313(14), F.S.

Effect of Proposed Changes

The bill prohibits appointed, along with elected superintendents, from lobbying school districts for a period of two years after vacating the position.

District School Board Member Salary

Present Situation

Each district school board member receives a salary based on the population of the county served. In addition, district school board members receive additional compensation for population increments over the minimum for each population group as follows:⁴⁶

<u>Pop. Group</u>	<u>County Pop. Range</u>		<u>Base Salary</u>	<u>Group Rate</u>
	Minimum	Maximum		
I	-0-	9,999	\$5,000	\$0.08330
II	10,000	49,999	5,833	0.020830
III	50,000	99,999	6,666	0.016680
IV	100,000	199,999	7,500	0.008330
V	200,000	399,999	8,333	0.004165
VI	400,000	999,999	9,166	0.001390
VII	1,000,000		10,000	0.000000

Effect of Proposed Changes

The bill aligns district school board member salaries with beginning teacher salary or the amount calculated by statute, whichever is less. In fiscal year 2016-17, average district school board member salary exceeded the average beginning teacher salary in the following districts:

- Alachua (\$782)
- Broward (\$739)
- Dade (\$850).
- Duval (\$1,810).
- Hillsborough (\$3,554).
- Lee (\$1,525).
- Leon (\$435).
- Marion (\$528).
- Orange (\$1,091).
- Palm Beach (\$747).
- Pinellas (\$2,605)
- Putnam (\$3,875).
- Santa Rosa (\$1,263).
- Walton (\$870).⁴⁷

⁴⁶ Section 1001.395, F.S.

⁴⁷ Florida Department of Education, Florida District Staff Salaries of Selected Positions, 2016-17, available at <http://www.fldoe.org/accountability/data-sys/edu-info-accountability-services/pk-12-public-school-data-pubs-reports/staff.stml>.

Email, House Education Committee (January 11, 2018).

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District School Board Member Travel Expenses

Present Situation

Each district school board member is reimbursed for authorized travel expenses. Any travel outside the district must also be governed by the rules of the State Board of Education.⁴⁸

Effect of Proposed Changes

The bill requires prior district school board approval for reimbursement of out-of-district travel expenses. Any request for out-of-state travel must also include an itemized list of all anticipated expenses, including, but not limited to, the anticipated costs of all means of travel, lodging, and subsistence. The public must have an opportunity to comment on the travel agenda item.

Financial Disclosure Fines

Present Situation

Currently, the Commission on Ethics (COE) determines whether a person owing a public financial disclosure fine is a public officer or public employee.⁴⁹ If the COE determines that the person is a current public officer or public employee, it may notify the Chief Financial Officer (CFO) or governing body of the amount owed. After receipt and verification of the notice, the CFO or governing body must withhold the lesser of 10 percent, or the maximum allowable under federal law, of any payment made from public money to satisfy outstanding fines. Additionally, the CFO or governing body may withhold an amount to compensate for administrative costs.⁵⁰

Effect of Proposed Changes

The bill includes district school boards as a governing body with the authority to withhold a portion of an employee's salary to pay public financial disclosure fines and permits district school boards to withhold a portion of the salary to cover administrative costs.

School District Personnel Policies

Present Situation

District school board members are prohibited from employing or appointing a relative to work under their direct supervision.⁵¹

Effect of Proposed Change

The bill prohibits superintendents, along with district school board members, from employing or appointing a relative to work under their direct supervision. However, employees employed prior to the election or appointment of a family member are exempt from this restriction.

⁴⁸ Section 1001.39, F.S.

⁴⁹ Sections 112.3144(5) and (7), and 112.3145(7), F.S.

⁵⁰ Section 112.31455(1)-(4), F.S.

⁵¹ Section 1012.23(2), F.S. The term "relative" includes father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, or half-sister.

Standards of Ethical Conduct

Present Situation

District school boards are required to adopt policies establishing standards of ethical conduct for instructors and administrators. The policies require instructors and administrators to complete specific training and establish a duty and procedure for reporting misconduct. Current law prohibits district school boards, instructors and administrators from entering into confidentiality agreements regarding termination, dismissal or resignation based on misconduct. District school boards are prohibited from providing references or discussing the performance of instructors or administrators without disclosing misconduct. Any part of an agreement that conceals instructor or administrator misconduct is unenforceable.⁵²

Effect of Proposed Change

The bill clarifies that school officers and administrative personnel are subject to ethics standards, including training, reporting procedures, reference requirements and contract requirements.

The bill also clarifies educational staff disqualified from employment for conviction of certain criminal acts by changing the term “school administrators” to administrative personnel.

B. SECTION DIRECTORY:

Section 1. Amends s. 11.45, F.S., relating to the Florida Auditor General.

Section 2. Amends s. 112.313, F.S., relating to the prohibition of lobbying by former local officials.

Section 3. Amends s. 112.31455, F.S., relating to the collection of unpaid financial disclosure fines.

Section 4. Amends s. 1001.20, F.S., relating to the Department of Education’s Office of Inspector General.

Section 5. Amends s. 1001.39, F.S., relating to district school board member’s travel expenses.

Section 6. Amends s. 1001.395, F.S., relating to school board member’s compensation.

Section 7. Amends s. 1001.42, F.S., relating to the powers and duties of the school board.

Section 8. Amends s. 1010.20, F.S., relating to cost accounting and reporting for school districts.

Section 9. Amends s. 1010.30, F.S., relating to audits.

Section 10. Amends s. 1011.01, F.S., relating to budget systems.

Section 11. Amends s. 1011.03, F.S., relating to public hearings and budgets submitted to the Department of Education.

Section 12. Amends s. 1011.035, F.S., relating to school district fiscal transparency.

Section 13. Amends s. 1011.051, F.S., relating to guidelines for general funds.

Section 14. Amends s. 1011.06, F.S., relating to school district budget expenditures.

Section 15. Amends s. 1011.09, F.S., relating to expenditures of funds by district school boards.

⁵² Section 1001.42(6), F.S.
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Section 16. Amends s. 1011.10, F.S., relating to penalties for district school board members.

Section 17. Amends s. 1011.60, F.S., relating to requirements of the Florida Education Finance Program.

Section 18. Repeals s. 1011.64, F.S., relating to school district minimum classroom expenditure requirements.

Section 19. Amends s. 1012.23, F.S., relating to school district personnel policies.

Section 20. Provides an effective date of July 1, 2018.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill provides an appropriation of \$850,000 in nonrecurring funds from the General Revenue fund to (a) develop and maintain the web-based fiscal transparency tool and (b) contract for the completion of a forensic audit.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

School districts that receive \$500 million or more in revenues and do not currently employ an internal auditor may incur additional costs in hiring an internal auditor; however, cost savings provided as a result of action taken based on findings of the internal auditor may offset the additional costs.

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 January 17, 2018, the PreK-12 Quality Subcommittee adopted six amendments and reported the bill favorably as a committee substitute. The amendments:

- require school district's with previous operational audit findings to provide evidence of corrective action;
- require a district school board member's request for out-of-state travel to include an itemized list of all anticipated expenses and provide an opportunity for public comment on the travel request agenda item;
- authorize individual district school board members to request and receive budget information;
- specify that districts must reduce administrative costs in proportion to the reduction in their general funds ending balance or the reduction in student enrollment, whichever is greater, when the district's ending fund balance is below the 3 percent threshold for two consecutive years;
- require an investigation, instead of a forensic audit, when school districts are unable to timely pay current debts and liabilities; and
- correct a scrivener's error.

The analysis is drafted to the committee substitute passed by the PreK-12 Quality Subcommittee.

On January 30, 2018, the PreK-12 Appropriations Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment:

- provides \$850,000 in nonrecurring funds from the General Revenue Fund to implement the provisions of the bill.