

MEMORANDUM

Legislative Division of Post Audit
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TO: Members, House Committee on Education
FROM: Scott Frank, Legislative Post Auditor
DATE: March 2, 2016
SUBJECT: Neutral Testimony Regarding Senate Bill 312

I appreciate the opportunity to provide neutral testimony on Senate Bill 312, which would amend the Legislative Post Audit Act to extend the sunset date on school district efficiency audits and expand the exemption provided to districts that have undergone similar audits in the past.

Background Information

K.S.A. 46-1133 directs the Legislative Division of Post Audit to conduct a series of school district efficiency audits. These audits, which are modeled after a series of audits conducted by our office in 2009 and 2010, attempt to identify opportunities for districts to operate more efficiently (reduce costs, reallocate existing resources, or generate new sources of revenue) while minimizing the impact on students and their performance.

The statute requires our office to conduct these efficiency audits at three school districts each year (one small, one medium, and one large district) but does not formally define the different size classifications of school districts. However, the Legislative Post Audit Committee has adopted rules that set the following definitions: small (fewer than 500 students), medium (500 to 4,000 students), and large (more than 4,000 students).

K.S.A. 46-1133 further specifies that the audits are first to be on a voluntary basis. However, if there are no volunteers in a given size category, the statute allows the Legislative Post Audit Committee to determine how to select additional districts. In these cases, the committee has decided to select districts by random lottery. However, districts that have undergone a similar efficiency audit in the previous five years are specifically exempted from involuntary selection under the provisions of the statute.

The findings and recommendations from these audits are made available to the public. The reports are presented to the Legislative Post Audit Committee in an open meeting and subsequently distributed to interested legislators. They are also made available to the public on our website. K.S.A. 46-1133 also requires each audited district to post the final efficiency audit report on its website.

The provisions of K.S.A. 46-1133 are set to sunset on June 30, 2017.

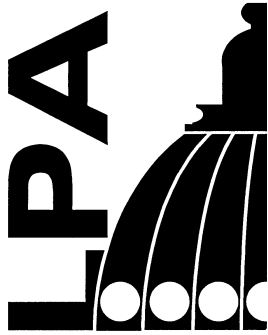
Provisions of Senate Bill 312

Senate Bill 312 would make two changes to the provisions in the Legislative Post Audit Act (K.S.A. 46-1133) that address school district performance audits:

- It would extend the sunset date for these provisions by three years, from June 30, 2017 to June 30, 2020.
- It would increase the time period a district could be exempt from selection from five years to 10 years.

Legislative Post Audit is neutral regarding both provisions. With regard to the first provision—extending the sunset date—we think the past efficiency audits have identified valuable options for school districts to become more efficient. Many of those recommendations and school districts’ efforts to implement them are summarized in my December 2015 memo to the K-12 Student Success Committee, which I have included as **Attachment A**. On the other hand, the school efficiency audits take up a significant share of our performance audit resources (about 20%), which limits the other areas of state and local government that can be audited. Whether it is worth continuing to commit about 20% of its audit resources to school efficiency audits is a matter of policy for the Legislature to decide.

We also see the second provision—increasing the length of the exemption—as a policy decision for the Legislature. Because the current exemption is only five years, the districts that volunteered for the initial round of efficiency audits in 2009 and 2010—Derby, Ellinwood, Winfield, Renwick, Clifton-Clyde, Riley County, and Concordia—are no longer covered by the exemption and could be involuntarily selected for a second audit through a lottery. On the other hand, at some point enough time will have passed that districts should probably be placed back in the pool of candidates. The amount of time that a district should be exempted from future efficiency audits is also a matter of policy for the Legislature.



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TO: Members, Special Committee on K-12 Student Success
 FROM: Scott Frank, Legislative Post Auditor
 DATE: December 2, 2015
 SUBJECT: Follow-Up Information on School District Efficiency Audits

At the committee's November 10 meeting, members requested updated information on school districts' efforts to implement the recommendations from our district efficiency audits. That information is summarized in the attached table. Here are a few highlights from the table:

- **Over the past three years, our office has conducted nine school districts efficiency audits.** The three small school districts (less than 500 students) were St. Francis, Ashland, and Marais des Cygnes Valley. The three medium districts (between 500 and 4,000 students) were Southeast, Parsons, and Prairie Hills. The three large districts (more than 4,000 students) were Kansas City, Emporia, and Auburn-Washburn.
- **We made recommendations to these school districts in those audits totaling approximately \$7.8 million in potential savings or revenues.** Those recommendations fell into three categories:
 - \$3.5 million in recommendations that would have little or no impact on students or the community and should be implemented.
 - \$1.3 million in recommendations that could have a moderate impact on students or the community and should be considered.
 - \$3.1 million in recommendations that could have a significant impact on students or the community and should be considered.
- **As of November 2015, districts had implemented recommendations totaling approximately \$2.0 million in savings.** By category, the savings were:
 - Little or no impact – approximately \$795,000
 - Moderate impact – approximately \$445,000
 - Significant impact – approximately \$745,000

It is important to note that this is only a snapshot of the recommendations adopted by districts as of November 2015. Based on that follow-up work, there are still a total of 12 recommendations that districts told us they intend to implement, including nine for the three most recently audited districts (Marais des Cygnes Valley, Prairie Hills, and Auburn-Washburn), which have only had a few months to address the audit. Once those recommendations are eventually implemented, the realized savings will increase.

ATTACHMENT A

Summary of Savings Achieved by School Districts Through Implementing Recommendations from Efficiency Audits										
District	Little to No Impact		Moderate Impact		Significant Impact		Total		Recommendations Implemented	
	Implemented	Recommended	Implemented	Recommended	Implemented	Recommended	Implemented	Recommended		
2013 Audit Reports										
St. Francis	\$92,800	\$92,800	\$0	\$74,000	\$0	\$157,000	\$92,800	\$323,800	<ul style="list-style-type: none">Improved the efficiency of the food service program by taking a number of steps including setting a budget and adopting better purchasing practices.Reduced the one FTE superintendent to a 0.5 FTE by consolidating the superintendent position with the elementary principal position.Switched from Kan-Ed to a less expensive internet service provider.Switched to a less expensive online Spanish curriculum.Began using a more fuel efficient bus that previously had been used as a spare.Offered a retirement incentive to staff who were currently eligible to retire. (a)	
Southeast	\$57,000	\$57,000	\$30,000	\$50,000	\$340,000	\$340,000 (b)	\$427,000	\$447,000	<ul style="list-style-type: none">Reduced 2.0 FTE custodial positions to better align district staffing with benchmarks.Reduced 1.0 FTE district administration position to better align with peer districts.Eliminated several unnecessary cell phone.Eliminated one extra teacher planning period at the junior high school.Increased lunch prices and added an a la carte menu to generate more revenue.Closed one elementary school.	
Kansas City	\$255,000	\$2,600,000	\$0	\$600,000	\$0	\$1,400,000	\$255,000	\$4,600,000	<ul style="list-style-type: none">Reduced certain administrative and food service staff wages to market wagesVirtualized district servers.Increased procurement card usage.	
2014 Audit Reports										
Ashland	\$25,000	\$59,000	\$47,800	\$80,400	\$13,000	\$13,000	\$85,800	\$152,400	<ul style="list-style-type: none">Improved the efficiency of the food service program by taking a number of steps including setting a budget and adopting better purchasing practices.Reduced the number of math teachers from three to two by combining low enrollment classes.Required a salaried teacher to monitor a distance learning Spanish class instead of a custodian who was paid hourly.Eliminated one bus route by consolidating it with another route.	
Parsons	\$45,800	\$59,800	\$0	\$0	\$45,500	\$139,000	\$91,300	\$198,800	<ul style="list-style-type: none">Eliminated one maintenance position to better align itself with national benchmarks.Sold five excess vehicles from the district's vehicle fleet.Eliminated one instructional coach to better align itself with peer districts.	
Emporia	\$9,000	\$233,000	\$313,000	\$313,000	\$260,000	\$260,000	\$582,000	\$806,000	<ul style="list-style-type: none">Began using a procurement card that earns cash-back bonuses.Reduced 5.75 FTE teachers by consolidating classes not currently filled to capacity.Began housing the district's charter school within existing traditional schools.	
2015 Audit Reports										
Marais de Cygnes	\$0	\$3,500	\$24,000	\$35,000	\$0	\$0	\$24,000	\$38,500	<ul style="list-style-type: none">Reduced one FTE elementary school teacher.Increased meal prices to better align itself with peer districts.	
Prairie Hills	\$110,000	\$125,000	\$28,333	\$97,000	\$86,667	\$540,000	\$225,000	\$762,000	<ul style="list-style-type: none">Improved the efficiency of the food service program by taking a number of steps including using a prime vendor to leverage buying power, improving the accuracy of meal counts, and increasing meal prices to be in line with peer districts.Eliminated 0.5 teaching FTE by consolidating classes with low enrollment.Eliminated 0.5 Family and Consumer Science teaching FTE.Eliminated 1 Kindergarten FTE by consolidating small classes.	
Auburn-Washburn	\$199,000	\$233,000	\$0	\$68,000	\$0	\$215,000	\$199,000	\$516,000	<ul style="list-style-type: none">Reduced 4.5 custodial positions to better align itself with peers and national benchmarks.Began using a procurement card that earns cash-back bonuses.	
TOTAL	\$793,600	\$3,463,100	\$443,133	\$1,317,400	\$745,167	\$3,064,000	\$1,981,900	\$7,844,500		
<p>(a) St. Francis district officials told us they offered a retirement incentive to eligible employees but did not have any employees who accepted it. As such, it's listed as an implemented recommendation but does not have any savings associated with it.</p> <p>(b) We, and the district, had concerns that the district could potentially lose more in state funding than in gained in savings if a school closure resulted in a large number of students leaving the district. As a result, we recommended that the district re-distribute students among its three elementary buildings, rather than close a building, to achieve an estimated \$170,000 in savings. However, district officials told us that their fiscal situation necessitated closing the building instead. This number reflects the savings we estimated the district would achieve by closing a building rather than the savings associated with our recommendation. It does not include any potential funding losses associated with students leaving the district because we do not know how many students may have left the district as a result of the district's decision to close a school.</p>										