

# School District Administration and Oversight

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January 2004

Office of Performance Evaluations  
Idaho State Legislature



Report 04-03

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### **House of Representatives**

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Maxine T. Bell  
Debbie S. Field  
Donna Boe

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Office of Performance Evaluations  
700 W. State Street, Lower Level, Suite 10  
P.O. Box 83720, Boise, Idaho 83720-0055





# Office of Performance Evaluations Idaho State Legislature

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Joe R. Williams Building  
Lower Level, Suite 10  
P.O. Box 83720  
Boise, Idaho 83720-0055

Phone (208) 334-3880  
Fax (208) 334-3871  
www.state.id.us/ope

Rakesh Mohan  
Director

Joint Legislative  
Oversight Committee

**Senators**

Shawn Keough, Co-chair  
John C. Andreason  
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Donna H. Boe

January 28, 2004

Members  
Joint Legislative Oversight Committee  
Idaho State Legislature

Last April, against the backdrop of state budget shortfalls, you directed us to examine the administration of school districts. Legislative leadership and other lawmakers were concerned about the rising costs of public education and the lack of information on how districts use state funds.

This performance evaluation report provides a statewide assessment of school district administration and oversight. In conducting this evaluation, we visited 11 districts and reviewed data for all 114 districts. We offer ten recommendations to address evaluation findings in the areas of oversight and fiscal accountability, staffing and salaries, purchasing and contracting, and health insurance benefits. None of the recommendations suggest any shift in decision-making away from local school districts.

The recommendations are addressed to the Legislature, the State *Board* of Education, and the State *Department* of Education. Implementation of these recommendations will allow the state to have better accountability of public education dollars.

The Office of the Governor supports the report's overall message and recommendations. The State *Department* of Education generally concurs with our recommendations, and the State *Board* of Education will develop a plan to address the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Rakesh Mohan".

Rakesh Mohan

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## *Executive Summary*

# **School District Administration and Oversight**

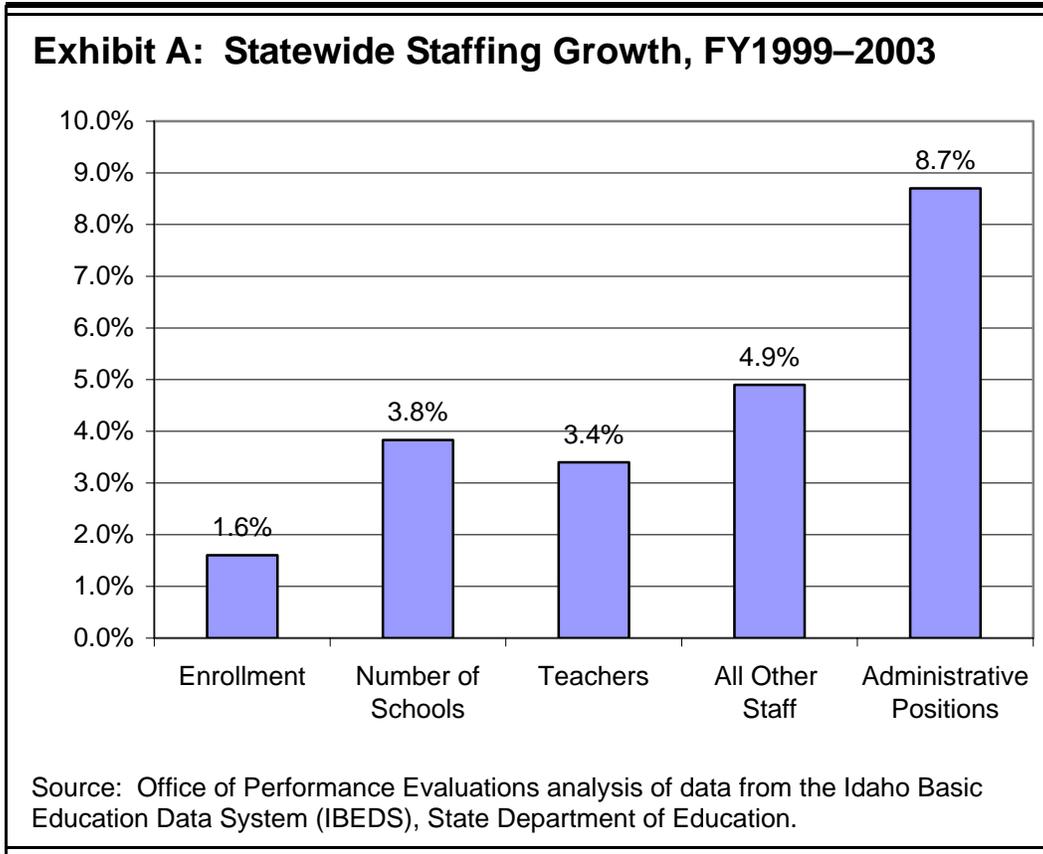
At the end of 2003 legislative session, the Joint Legislative Oversight Committee directed the Office of Performance Evaluations to look at the administration of Idaho school districts. The study was requested by legislative leadership and other legislators, who had been facing a serious budget crisis and were looking for ways to contain costs. Their focus on school districts stemmed from the fact that almost half of all state general fund monies, more than \$900 million per year, are used to support public schools.

To gain a statewide understanding of school district administration, we visited 11 school districts: Basin, Boise, Grangeville, Lake Pend Oreille, Lewiston, Meridian, Moscow, Murtaugh, Preston, Wallace, and Wilder. These districts varied in enrollment, geographical location, expenditure levels, and other administrative characteristics. This evaluation focuses on four key areas pertinent to district administration: administrative staffing and salaries, state oversight, purchasing and contracting, and health insurance benefits.

### **Administrative Staff Grew More Than Instructional Staff in the Past Five Years . . .**

School district administrative staffing costs are considerable, with reported salaries of \$134.3 million in fiscal year 2003. For the purposes of our review, administrative staffing was broadly defined, including more than just certified administrators. We also included administrative support staff and staff that administer specific activities or programs, such as business managers and transportation supervisors.

As shown in Exhibit A, the number of administrative staff has grown more than student enrollment in the past five years. Between fiscal years 1999 and 2003, full-time equivalent administrative positions increased 8.7 percent, while statewide enrollment increased just 1.6 percent. Administrative staffing has also grown faster than the number of teachers and other non-administrative staff, which grew 3.4 and 4.9 percent, respectively, over the five-year period. While the overall number of administrative staff has grown significantly, it is worth noting that 43 districts reduced the number of administrative staff they employed during this period.



**... And Administrative Staff Grew More at District Offices Than at Schools**

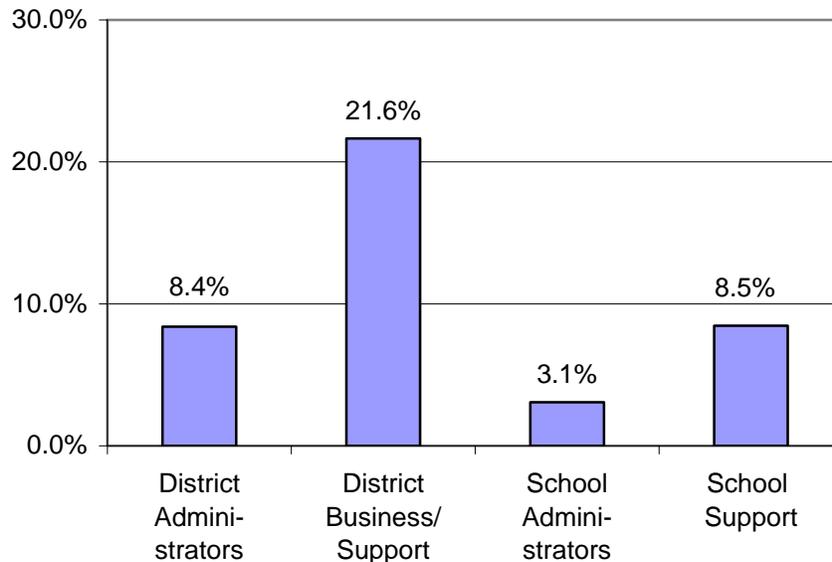
As shown in Exhibit B, growth in school district administrative staffing was greatest in district offices. Between fiscal years 1999 and 2003, the number of district administration statewide increased 8.4 percent while the number of school administrators (principals and assistant principals) increased just 3.1 percent. During this same period, the number of support staff in district offices increased 21.6 percent and school support staff increased 8.5 percent.

Much of the increase in staffing at district offices was attributable to growth in computer technology staff, which increased 123.8 percent during the five-year period. The number of staff classified as business managers/district clerks increased 58.5 percent.

**Better Reporting of District Administrative Staffing Information Is Needed**

Statewide, administrators and administrative support staff collectively made up 12.8 percent of total district staffing. However, administrative staffing levels

**Exhibit B: Administrative Staffing Growth by Position Category, FY1999–2003**



Source: Office of Performance Evaluations analysis of data from the Idaho Basic Education Data System (IBEDS), State Department of Education.

varied greatly from district to district. Larger districts averaged about one administrative position for every 100 students, while smaller districts averaged about one administrative position for every 20 students in fiscal year 2003. Salaries for administrative staff also varied between districts.

Administrative staffing levels are influenced by many factors including student enrollment and the number of schools in the district. Local funding and district choices also contribute to staffing differences. Some of the districts visited had taken steps to reduce the number of administrative staff or were involved in cooperative programs to minimize staffing and expand program opportunities for students.

The State Department of Education collects detailed staffing information from districts. However, department reports summarizing this information are insufficient for accountability purposes. The reports do not clearly identify the total number of full-time equivalent positions devoted to administration, or the percent of all district positions that are administrative in nature. Further, staffing reports do not provide information needed to compare administrative staffing levels among districts. Without this type of information, it is difficult for policymakers and the public to assess whether school districts are making appropriate use of public monies when making staffing choices.

## **State Oversight Is Insufficient to Ensure Fiscal Accountability**

Idaho statutes give local school boards primary responsibility for district oversight. However, by statute, the state must ensure that districts are accountable for their use of public monies.

Districts can demonstrate that they are accountable for the public monies they receive by showing that (1) resources are managed properly and used in compliance with laws and regulations; (2) programs are achieving their objectives and desired outcomes; and (3) services are being provided efficiently, economically, and effectively.

One way the state can hold districts accountable is by requiring regular submission of revenue and expenditure information. Statutes require annual reporting of district financial information, and charge the State Department of Education with ensuring its accuracy and uniformity.<sup>1</sup>

Our review of Idaho's fiscal data collection and reporting systems identified three problem areas:

- The financial information collected from districts is a valuable resource to policymakers and others interested in reviewing district financial performance. However, we identified a number of inconsistencies in district coding of expenditures that limit the usefulness of this information.
- The state's review of annual district audits is limited, and changes are needed to ensure these audits include a review of data districts submit to the department. Having audit firms review revenue and expenditure coding, enrollment and staffing information, and pupil transportation data districts submit to the department can help ensure the information the department receives is uniform and accurate. Accurate information is important because (1) it is used to determine funding districts receive; and (2) it can be used to hold districts accountable for their use of public monies.
- Reports and other information produced by the department to summarize district financial data are of limited value to lawmakers and others seeking to understand how district revenues and expenditures compare and assess whether districts are operating efficiently.

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<sup>1</sup> IDAHO CODE §§ 33-781 and 33-120.

## **Better Purchasing and Contracting Procedures Are Needed**

Districts spent more than \$414 million to purchase routine supplies and services, acquire capital equipment, and pay for facilities construction and maintenance projects in fiscal year 2002. Sound purchasing practices are needed to ensure districts are using their fiscal resources efficiently and appropriately.

There are weaknesses in the purchasing practices in many of the 11 districts visited. Unlike state agencies, city and county governments, and highway districts, school districts are not required to seek price quotes for purchases between \$5,000 and the formal bid threshold of \$25,000. As a result, most districts did not have a process requiring staff to shop for the best price when making purchases in this range. In addition, staff in some districts did not consistently obtain required approvals before making purchases. Failure to obtain approvals and price quotes increases the risk of unauthorized purchases and decreases the likelihood that efficient purchasing practices are used.

While some districts are making the use of statewide purchasing contracts or participating in purchasing cooperatives, these efforts can be further expanded to help minimize district purchasing costs. Use of statewide contracts established by the Department of Administration's Division of Purchasing can help districts keep costs down. However, according to division officials, only about one-third of districts have entered into agreements authorizing them to use statewide contracts. In addition, although many districts have recently begun participating in food services purchasing cooperatives and some districts use the Idaho School District Council for selected purchases, cooperative purchasing efforts could be expanded to help control purchasing costs. Online purchasing options and expanded training of district purchasing staff may also help achieve purchasing efficiencies.

## **Establishing a Statewide Health Plan for School Districts Would Require Additional Study**

Employee benefit costs are a significant and growing portion of district day-to-day expenditures. Like other public and private sector employers, districts are facing rapidly growing health insurance costs. Officials in the districts visited reported annual health insurance costs increases ranging from 8 percent to more than 40 percent.

Because districts and teacher associations generally negotiate employee benefits at the local level, health plan benefits and premium costs varied among districts. To help control costs, many districts have participated in an insurance pool operated by the Idaho School District Council. However, offering multiple plans to districts may offset benefits of participating in a pool. Although a statewide

pool of all districts, with a limited number of plan options could potentially help contain health insurance costs, further study would be needed to address differing district needs and financial capabilities.

## Recommendations

To address our evaluation findings about state oversight, administrative staffing, purchasing and contracting, and health insurance benefits, we make ten recommendations to the State Department of Education, the State Board of Education, and Idaho State Legislature. Implementation of these recommendations will allow the state to have better accountability of school district use of public monies, improve the cost-effectiveness of district purchasing and contracting, and help limit growth in the costs for district health insurance benefits.

1. To improve the uniformity and accuracy of fiscal data collected and reported by school districts, the State Department of Education should:
  - Modify the Idaho Financial Accounting Reporting Management System (IFARMS) chart of accounts to eliminate unneeded detail and clarify the definitions for selected programs and object codes.
  - Expand training offered to district staff responsible for coding and reporting district expenditures.
  - Review the data submitted by districts to identify instances of non-reporting and possible coding problems.
2. To enhance the value of annual school district financial audits as a tool for state oversight, the State Department of Education should:
  - Direct districts to (1) include in their annual financial audits a review of district revenue and expenditure coding and the accuracy of district enrollment, staffing, and pupil transportation data; and (2) report the results of this review to the department.
  - Provide guidance and training to audit firms that conduct district financial audits regarding the standards to be used when assessing district coding of revenues and expenditures and the accuracy of district enrollment, staffing, and pupil transportation data.
  - Establish a process for annual review of a small sample of district financial audits to assess the adequacy of work performed by audit firms to test the accuracy of data districts report to the department. The department should consult with Legislative Audits when developing the review process.

3. To improve the usefulness of annual school district financial information, the State Department of Education should:
  - Provide more comparative information about district revenues and expenditures overall and in the major functional areas such as instruction, administration, and pupil transportation.
  - Provide information about how district revenues and expenditures compare to the nation and neighboring states.
  - Provide information about revenue and expenditure patterns over time.
  - Publish a narrative summary to help readers better understand key information and trends.
  - Make revenue and expenditure information available on the department's website in ways that enable users to make comparisons between districts.
4. To ensure that adequate administrative staffing information for school districts is available for review by policymakers and the public, the State Department of Education should:
  - Improve reporting about administrative staffing in districts by identifying the number and type of administrative staff in each district, the ratio of students to administrative staff, and changes in administrative staffing over time.
  - Require districts to provide information regarding the duties of staff in director, coordinator, and supervisor positions.
  - Make staffing information available on the department's website in easily accessible formats.
5. To ensure school districts obtain a fair price for their purchases and only spend the amount of funds necessary:
  - The Legislature should consider requiring districts to seek price quotes for purchases between \$5,000 and the formal bid threshold, as is currently required of state agencies and local governments. Requiring districts to document these quotations and testing a sample of these purchases in annual financial audits will help to ensure the requirement is implemented.
  - The State Board of Education should consult with the State Division of Purchasing to develop requirements similar to those that call for the solicitation of formal bids when state agencies purchase services exceeding \$50,000.

6. To ensure school districts have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized, the State Department of Education should direct school districts to include a purchasing compliance review in their annual financial audits.
7. To ensure school districts can take advantage of statewide purchasing contracts available from the State Division of Purchasing:
  - The Legislature should consider giving specific statutory authority to districts for the use of statewide contracts to eliminate the need for an agreement with the Division of Purchasing.
  - The State Department of Education should advise districts of the availability of statewide purchasing contracts during any annual training or communications.
  - The State Department of Education should provide district contact information to the State Division of Purchasing so that districts will be included on the division's listserv. This listserv periodically provides information about statewide contracts to public agencies that may be able to use them.
8. To potentially achieve cost savings and to foster communication among individual school districts regarding purchasing, the State Department of Education should:
  - Work with districts and any pertinent associations to determine the opportunities for any favorable purchasing cooperatives.
  - Explore opportunities to use the Internet for district purchasing activities.
  - Encourage district staff to attend the State Division of Purchasing's training annually to learn about best practices.
9. To ensure school district interests are protected when procuring services, the State Department of Education should work with the State Division of Purchasing to provide guidance to school districts on the requirements and the necessary components of written contracts.
10. To address the rising costs of health insurance, the Legislature could consider authorizing further study of the potential cost savings of a statewide health insurance plan for school districts.

## **Acknowledgments**

We appreciate the cooperation of the districts, the State Department of Education, and the State Board of Education in conducting this study. In particular, we appreciate the assistance of department staff members Tim Hill, Myrna Holgate, and Julie Oberle. We thank Ray Ineck of Legislative Audits, Jason Hancock of legislative Budget and Policy Analysis, and Jeff Shinn of the State Board of Education for providing technical assistance.

We also appreciate the input from the Department of Administration's Purchasing and Insurance Management Divisions, the Department of Insurance, the Idaho School District Council, the Idaho Association of School Administrators, the Idaho Education Association, and the Idaho School Boards Association. We thank legislative leadership, the Joint Legislative Oversight Committee, the Senate and House Education Committees, individual legislators, and the Office of the Governor for providing feedback that helped develop the scope of the study.

Chris Shoop (project lead), Ned Parrish, Brook Smith, and Jim Henderson of the Office of Performance Evaluations conducted the study, with additional assistance from three consultants: (1) the National Conference of State Legislatures' National Center on Education Finance; (2) Bob Thomas of Robert C. Thomas & Associates (Mr. Thomas is also Principal Management Auditor at the King County Auditor's Office in Seattle, Washington); and (3) Maria D. Whitsett, Ph.D., Executive Director of Accountability at the Austin Independent School District in Austin, Texas.



## Chapter 1

# Introduction

*Idaho's school districts reported receiving more than \$1.6 billion in fiscal year 2002. Over 60 percent of these funds were provided by the state. Districts reported spending more than \$150 million of their total funding specifically for administrative activities, and district leaders were also responsible for overseeing the use of funds for educational programs and other activities. Because of this, the Legislature is interested in district administrative functions and fiscal accountability. This report is the third in a series of reports by the Office of Performance Evaluations on the costs of public education in Idaho.<sup>1</sup>*

### **Overview of Idaho School Districts**

Idaho has 114 school districts, which served 246,405 students and employed 24,636 full-time staff positions in fiscal year 2002.<sup>2</sup> Enrollment sizes of districts varied widely, ranging from two districts with more than 25,000 students to five with less than 50 students.

Each district is a separate entity, and the authority to govern the district is provided to a board of trustees by statute.<sup>3</sup> District boards are responsible for establishing rules and regulations, consistent with state laws and State Board of Education requirements, to guide the actions of the board and district staff. Implementation of district board policies is the responsibility of the district superintendents and administrative staff.

### **Total District Revenues and Expenditures**

Information reported through the State Department of Education's Idaho Financial Accounting and Reporting Management System (IFARMS) showed

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<sup>1</sup> The first report, *Overview of School District Revenues and Expenditures*, April 2003, and the second report, *Fiscal Accountability of Pupil Transportation*, January 2004, are available on our website at [www.state.id.us/ope/](http://www.state.id.us/ope/).

<sup>2</sup> The full-time positions consist of teaching, administrative, and support staff employed by districts to educate students and perform other district operations.

<sup>3</sup> IDAHO CODE §§ 33-301, -501.

that districts collectively received \$1.63 billion in fiscal year 2002.<sup>4</sup> The state provided 60.7 percent of this funding, or \$987 million. The majority of the state funds were apportioned to districts for salary costs based on their student enrollment and the experience and education levels of staff (often referred to as salary-based apportionment). Districts also received state funding for property tax replacement, state-paid benefits such as retirement and unemployment compensation, and for various other programs and purposes. Non-state funding came from both local and federal sources, accounting for 30.7 and 8.6 percent of revenues, respectively.

In fiscal year 2002, districts spent \$1.47 billion for the day-to-day costs of educating students and operating the districts (called current expenditures). Most of these expenditures were for employee salaries and benefits, which accounted for 83 percent of current total expenditures. The remaining expenditures went primarily to purchase supplies and materials and services. Districts also reported expenditures for things outside of the day-to-day costs of operating schools, including costs for capital items, debt services, and community and adult service programs.

### ***Administration Costs***

Of the total current expenditures, districts reported spending \$153.7 million statewide for administrative expenses. Administrative costs included expenses associated with operating local school boards, administering the district and individual schools, and performing business support functions. The percentage of current expenditures devoted to administration is similar to other states. In fiscal year 2002, districts spent 10.4 percent of current expenditures on administrative services. Administrative costs averaged 10.9 percent nationwide, and ranged from 8.9 percent (Utah) to 15.8 percent (Nevada) of current expenditures in Idaho's six neighboring states.<sup>5</sup>

The reported expenditures for administration do not tell the full scope of administrative activities in schools and district offices. For example, costs for staff that administer district programs, such as transportation and food services, are typically coded to those particular programs, and are not considered administrative costs. Likewise, these positions are not included in the definitions of school or district administration used in staffing reports issued by the department. Therefore, as detailed in Chapter 3, our analysis of administrative staffing also includes program managers and supervisors, and administrative

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<sup>4</sup> This amount does not include about \$100 million in bond proceeds, funds received from the sale of fixed assets, and safety and health grants authorized by House Bill 315 in the 2001 legislative session. These revenues were one-time receipts, and are not a consistent source of funds received by districts on an annual basis.

<sup>5</sup> Information regarding public school expenditures for administration in neighboring states and the nation as a whole were obtained from the National Center for Education Statistics. Data are from fiscal year 2000, the most recent year for which this information was available.

support positions. The expenditures for these positions are included in the administrative costs discussed in this report.

## Legislative Interest and Study Mandate

Following the release of our April 2003 report, *Overview of School District Revenues and Expenditures*, the Joint Legislative Oversight Committee directed the Office of Performance Evaluations to review district administration. The project was assigned after receiving input from legislative leadership and other lawmakers, who requested further work in this area. We reviewed the following areas pertaining to district administration:

- Governance and oversight of district operations
- Use of management information
- Staffing and salary levels
- Purchasing and contracting

## Methodology

This project was not designed to audit any particular district, but was intended to review a wide range of districts to gain an overall understanding of administrative functions and costs in Idaho. To assess district administration, 11 districts were selected for site visits.<sup>6</sup> In selecting districts, we considered those that had sizably higher or lower salary, benefit, and purchasing costs than the average of districts with similar enrollment. Additionally, we selected districts with varying student enrollment, geographical locations, and other distinctive characteristics, such as belonging to a service cooperative or having a unique administrative structure. Districts selected for review were:

Basin	Lewiston	Preston
Boise	Meridian	Wallace
Grangeville	Moscow	Wilder
Lake Pend Oreille	Murtaugh	

To evaluate administration in the selected districts, we interviewed district staff and local school board members, and reviewed pertinent information. We also analyzed data reported by the districts to the State Department of Education. Specifically, we reviewed revenue and expenditure information contained in the Idaho Financial Accounting Reporting Management System (IFARMS) and

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<sup>6</sup> We first met with district officials in Caldwell and Parma to discuss the focus of our review and the types of information available from districts.

staffing information from the Idaho Basic Education Data System (IBEDS).

During the course of this study, we sought input from key stakeholders, worked with officials from legislative offices and several state agencies, and hired consultants for technical assistance. Specific names of these entities are mentioned in the acknowledgment section of the Executive Summary. We contracted with three consultants for technical assistance on this project.

## **Report Organization**

The remainder of this report is organized as follows:

**Chapter 2** discusses the state's role in overseeing district use of public monies and the data and reporting systems that are currently in place to assess district financial performance.

**Chapter 3** discusses administrative staffing and salaries in districts, including staffing changes over the past five years, a district-by-district comparison of staffing levels, and cooperative arrangements to provide services to students and minimize staffing. The chapter also assesses state level reporting of district staffing information.

**Chapter 4** discusses purchasing and contracting practices of districts, and provides options that may help reduce costs.

**Chapter 5** discusses health insurance benefits, including the variation of district plans and their costs, and the options that may help control expenditures in this area.

**Responses to the Evaluation** contains the written responses of the Office of the Governor, the State Board of Education, and the State Department of Education.

## Chapter 2

# Fiscal Oversight and Accountability

*School districts receive the largest share of state general fund monies, and also receive substantial funding from local taxes and federal grants. Accountability for the use of these public monies is important. Statutes give primary responsibility for district oversight to local school boards, but the state also has an important role in ensuring that districts are accountable for their use of the funding they receive. Statutes require annual submission of district financial information, and charge the State Department of Education with ensuring its accuracy and uniformity.*

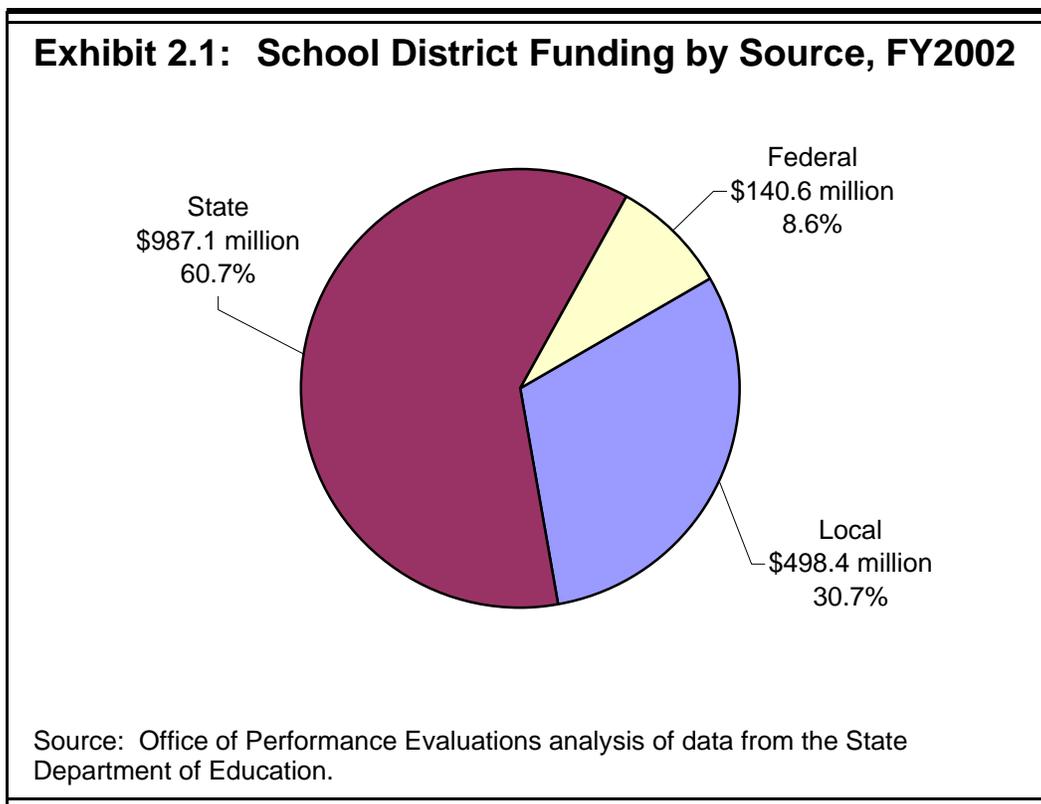
*Financial information collected by districts provides a general picture of where tax dollars go and the relative significance of different cost areas. However, we identified some coding inconsistencies in the information that should be addressed to improve comparability between districts. We propose strengthening the state's role in overseeing district financial audits to ensure these audits include a review of key fiscal data that districts submit to the department. This chapter also discusses problems with department reports of district fiscal data, and suggests ways to improve the usefulness and availability of this information to policymakers and the general public.*

### **Accountability for District Use of Public Monies Is Important**

In fiscal year 2002, districts reported revenues totaling \$1.63 billion.<sup>1</sup> As shown in Exhibit 2.1, state funding is the largest revenue source for public schools, making up 61 percent of district revenues in fiscal year 2002. State funding for public schools accounted for nearly half of the final state general fund appropriation that year. Local funds make up the next largest share, accounting for 31 percent of total district funding in fiscal year 2002. Most of these funds came from local property taxes. Federal funds account for the remainder of district funding. These federal funds are typically earmarked for specific purposes, with more than 60 percent going to child nutrition programs and programs for educationally disadvantaged and disabled children.

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<sup>1</sup> This includes revenues from taxes and grants used to cover the cost of day-day operations, but excludes about \$100 million in bond proceeds, revenues from the sale of fixed assets, and other one-time receipts.



Accountability for the use of public funds is necessary. The government auditing standards emphasize the importance of accountability.

“The concept of accountability for public resources is key to our nation’s governing processes. Legislators, other government officials, and the public want to know whether (1) government resources are managed properly and used in compliance with laws and regulations, (2) government programs are achieving their objectives and desired outcomes, and (3) government services are being provided efficiently, economically, and effectively.”<sup>2</sup>

### **Local School Boards and the State Share Responsibility for Fiscal Oversight**

Local school boards have primary responsibility for overseeing the operation of districts. Statutes assign a variety of responsibilities to local district boards including:<sup>3</sup>

<sup>2</sup> US General Accounting Office, *Government Auditing Standards* (2003), 9.

<sup>3</sup> IDAHO CODE § 33-701.

- Reviewing the district budget and making budget adjustments as necessary
- Reviewing and approving district expenditures
- Preparing an annual statement of financial condition and report of the district at the end of each fiscal year
- Filing annual financial and statistical reports required by the State Department of Education
- Ensuring that an annual financial audit is done of the district

The state has a number of fiscal oversight responsibilities, many of which are carried out by the State Department of Education. The department's oversight activities include:

- Allocating state funding for public schools to local districts
- Overseeing district use of dedicated state funding, such as tobacco tax funds earmarked for public school substance abuse prevention programs
- Allocating federal grant funds to local districts and ensuring that funds are used in accordance with federal requirements

The department is also charged with collecting revenue and expenditure data from districts, and ensuring it is uniform and accurate.<sup>4</sup> This information can help policymakers and the general public to understand where funds appropriated for public schools are going and to hold districts accountable for their use of public monies. The information can be used to determine:

- Total revenue each district receives
- Revenue mix (i.e., state, local, and federal funding) in each district
- Share of expenditures devoted to key district functions (e.g., instruction, administration, transportation)
- Variations in district revenues and expenditures on a per student basis<sup>5</sup>

The remainder of this chapter discusses data collection and reporting systems, and offers options to improve their usefulness as a tool for state oversight.

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<sup>4</sup> IDAHO CODE § 33-120.

<sup>5</sup> Revenue and expenditure information is submitted to the National Center for Education Statistics for inclusion in reports comparing Idaho's public schools with public schools in other states.

## **Inconsistencies in District Data Collection Limit the Usefulness of Fiscal Information**

The department has taken several steps to encourage consistent reporting of financial information by districts. The information collected from districts provides a general picture of where the money goes and how much money is devoted to key cost areas. We identified some inconsistencies in how districts report financial information which should be addressed to maximize the value of these data when comparing district revenues and expenditures and to know how much money is spent on particular functions or programs.

### ***Department Encourages Consistent Reporting***

The department has developed the Idaho Financial Accounting Reporting Management System (IFARMS) to encourage consistency in data collection and reporting. IFARMS establishes a common “chart of accounts” for districts that defines the coding structure districts are to use for tracking revenues and expenditures.

The department has also encouraged uniformity and consistency in financial reporting by:

- Offering technical assistance to districts by telephone, fax, and email
- Providing some training to district staff
- Comparing revenue and expenditure information reported by districts with information reported in their annual financial audit reports, and following-up with districts on discrepancies observed

### ***Inconsistencies in District Reporting***

We identified a variety of inconsistencies in how districts tracked fiscal information. Inconsistencies ranged from assigning expenditures to the wrong function or program to coding expenditures to the incorrect object code. Exhibit 2.2 identifies the number of districts that did not report any expenditures in various program areas for fiscal year 2002.

The absence of reported expenditures in some instances correctly indicates the districts had no costs in a particular program area. Three districts reported no expenditures for secondary school programs. This was reported correctly since the districts did not offer secondary school programs.

**Exhibit 2.2: Number of Districts Reporting No Current Expenditures for Specific Programs, FY2002**

<u>Program</u>	<u>Districts Reporting No Expenditures</u>
Secondary School	3
Alternative School	71
Exceptional Child	6
Preschool Exceptional	20
Gifted and Talented	41
Interscholastic	25
School Activity	41
Summer School	63
Detention Center	105
Attendance, Guidance, and Health	4
Special Services	17
Instructional Improvement	7
Educational Media	5
Board of Education	12
District Administration	2
School Administration	6
Business Operations	29
Central Services	91
Buildings Care	1
Maintenance, Buildings and Equipment	8
Maintenance, Grounds	42
Security	86
Transportation, Pupil to School	1
Transportation, Activity	32
Transportation, General	56
Other Support Services	76
Food Services	4

Source: Office of Performance Evaluations analysis of data from the State Department of Education.

The lack of reported expenditures in some other program areas is due to miscoding of district costs.<sup>6</sup> For example, while 32 districts reported no activity busing expenditures in the fiscal year 2002 annual financial reports they submitted to the department, 27 reported mileage for non-reimbursable activity busing trips to the department's pupil transportation staff. Together, these districts reported driving students nearly 770,000 miles for activity trips in fiscal year 2002. Using cost per mile figures for each district, we estimate that activity busing costs in these districts totaled nearly \$1.4 million that year.<sup>7</sup> In these districts, activity busing costs were incorrectly coded and were likely included in the costs districts reported for transporting students to and from school.<sup>8</sup>

We also identified the following inconsistencies in how expenditures were coded at the districts visited.

- **Expenditures coded to the incorrect functional area.**<sup>9</sup> One district coded expenditures for elementary "intern principals" as instructional costs rather than administrative costs.<sup>10</sup> Similarly, several districts charged some costs for activity busing to the interscholastic activities program rather than as transportation costs.
- **Expenditures charged to the wrong program.**<sup>11</sup> In two districts, costs for interscholastic sports were sometimes charged to the school activities program rather than to the interscholastic program. Similarly, two

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<sup>6</sup> In some cases, districts may have miscoded expenditures because staff were unsure of coding requirements, or guidance provided in the IFARMS manual was unclear. In other cases, districts lumped costs for one program with another, or staff simply made errors when coding expenditures. Several district officials indicated they primarily focused on capturing data in a way that was useful to them and placed less emphasis on ensuring the information collected was comparable to information reported by other districts.

<sup>7</sup> Activity busing expenditures reported by Idaho's 82 other school districts totaled \$2.9 million in fiscal year 2002. Idaho Office of Performance Evaluations, Report 03-02, *Overview of School District Revenues and Expenditures* (April 2003).

<sup>8</sup> Three of the districts we visited reported no costs for activity busing although each had costs in this area. In each of these cases, activity busing costs were included with other pupil transportation costs for IFARMS reporting purposes. Officials in these districts told us that it was difficult for them to segregate costs for activity busing from regular pupil-to-school transportation costs and so the costs were reported together.

<sup>9</sup> Functional areas refer to the broadest categories of services provided by districts, and include: instruction, instructional support, administration, transportation, operations and maintenance, and food services.

<sup>10</sup> Individuals in these positions function as assistant principals, but are considered to be "in training" and are not placed on the district's administrative salary schedule. However, according to a district official, staff in these positions perform administrative duties and do not teach. In addition, the district has reported these positions as assistant principals in separate staffing reports submitted to the State Department of Education.

<sup>11</sup> Programs are key areas within each function. For example, programs within the instructional function include the elementary school program, secondary school program, exceptional child program, gifted and talented program, and school activities program, among others.

districts reported no costs for business operations, but included costs for business activities (e.g., budgeting, purchasing, payroll, and general accounting) under general district administration. Several districts included costs for grounds maintenance with their costs for building and equipment maintenance.

- **Expenditures coded to the wrong object code.** Instead of coding costs as purchased services, costs for contracted services (e.g., speech and occupational therapy services) were charged as employee salaries, costs for contracted construction and maintenance work were coded as supplies and materials, and lodging costs and conference registration fees were charged to capital outlay. These types of coding errors were common in two districts.
- **Wide variations in capital outlay.** Two large districts had established a \$20,000 threshold for classifying items purchased as capital outlay. In contrast, in several smaller districts, equipment costing as little as \$200 to \$300 was coded to capital outlay.

Coding inconsistencies limit the comparability of district expenditure information, making it more difficult for policymakers to assess the true cost of particular functions or activities. For example, classifying costs for administrative staff as instructional costs would result in the district's instructional expenditures being overstated and administrative costs being understated relative to other districts.

### ***Options to Improve Fiscal Data Uniformity***

The department could encourage uniform data collection and reporting by improving the guidance it provides to districts. The department recently revised the IFARMS manual to clarify the definitions of expenditure codes. Although these changes are an improvement, further modifications are needed. The department should:

- **Clarify the type of costs to be recorded under each expenditure code.** Despite the recent changes, it is unclear how to code particular expenditures. For instance, some districts were unsure about how to code costs for contracted speech therapy services. Likewise, districts were unclear about how costs for vehicles other than those used in pupil transportation are to be coded.
- **Eliminate unnecessary expenditure codes.** IFARMS includes a large number of detailed function and program codes, and some of these codes may not be needed. For example, districts are currently required to report grounds maintenance costs separately from other maintenance costs. There may be little interest in comparing these costs among districts, and eliminating unneeded codes could simplify district reporting and minimize errors.

- **Provide guidance on how to segregate transportation costs.** As previously noted, a number of districts did not include expenditures for activity busing in their annual financial reports because of difficulties in segregating the costs for these trips from other pupil transportation costs. However, lawmakers have expressed an interest in monitoring activity busing costs. To address this need, the department should provide guidance on how districts can best segregate these costs for IFARMS reporting purposes.

The department could help foster consistent reporting of financial information by expanding training provided to district staff responsible for revenue and expenditure coding. The department has provided some training in the past, but additional and ongoing training is needed to ensure that district personnel responsible for coding revenues and expenditures clearly understand coding requirements. The department should also stress the importance of accurate and uniform coding of financial information to promote the comparability of data statewide.

The department could encourage consistent reporting by carefully reviewing information submitted by districts. According to the National Center on Education Finance, state officials in Missouri and Montana use “edit checks” to identify inconsistencies in the data reported by districts. Montana’s Office of Public Instruction has developed its own electronic financial reporting system for collecting revenue and expenditure information. Within the system, there are hundreds of validation checks to help ensure that district information is uniform and accurate.

## **State-Level Review of Annual District Financial Audits Is Limited**

Statutes require each district to undergo an annual financial audit.<sup>12</sup> District boards are charged with hiring independent auditors to conduct these reviews. The primary purpose for the audits is to determine whether district financial statements are presented fairly. The department’s IFARMS manual indicates that another important purpose for the audits is to determine whether information provided to the public and government agencies is accurate and reliable.<sup>13</sup>

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<sup>12</sup> IDAHO CODE §§ 33-701(6), 67-450B.

<sup>13</sup> State Department of Education, *Idaho Financial Accounting Reporting Management System: A System for Public School Budgeting, Accounting and Reporting* (May 2003).

### **State Oversight Is Insufficient to Ensure Annual Audits Address Key Issues**

The department's Finance and Transportation Services Bureau provides some specific guidance to firms that audit districts.<sup>14</sup> For instance, auditors have been directed to:

- Ensure district revenues and expenditures were coded to the appropriate programs and funds as specified in the department's IFARMS manual
- Review district processes for collecting and reporting student attendance data used to calculate the number of support units in each district
- Test staffing information districts submit to the department for use in determining salary-based apportionment
- Review district methods of collecting and reporting pupil transportation information used by the department to determine reimbursable costs

Based on our audit work in selected districts and review of audit reports, it appears audit firms may not be consistently identifying or addressing these areas or reporting all problems identified. For example:

- Expenditure coding errors were common in several of the districts visited. The audit reports and management letters issued for these districts did not address coding problems, and just one of the audits included an assessment of district compliance with coding requirements.
- The review of district pupil transportation programs identified problems in how districts determined ridership, counted students who were safety based, and classified activity busing trips.<sup>15</sup> No mention of these problems was included in the audit reports or management letters for districts visited.

Current state-level review of district audits is limited, making it difficult to verify that audits include an adequate review of expenditures and other data districts report to the state. Statutes require districts to submit their annual financial audits to the state. Both the department and Legislative Audits receive copies of these audits, but their review of the auditors' work is limited. The

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<sup>14</sup> Audit firms have access to the department's website, which contains information to assist in performing reviews. This information includes manuals for the Idaho Financial Accounting Reporting Management System, the Idaho Basic Education Data System, the Attendance and Enrollment System, and the pupil transportation program. The website also provides access to pertinent statutes, regulations, and department forms.

<sup>15</sup> Idaho Office of Performance Evaluations, Report 04-02, *Fiscal Accountability of Pupil Transportation* (January 2004).

department focuses primarily on comparing numbers reported in the districts' financial audits with information in the annual financial reports submitted by districts. Legislative Audits reviews the reports to determine if they are in the proper form, comply with reporting requirements for federal funds, and satisfy reporting standards outlined in Generally Accepted Government Auditing Standards. However, neither group is required to review the work upon which the auditors' reports are based.<sup>16</sup>

### ***Changes Are Needed to Improve District Audits***

More detailed state-level review of school district financial audits is performed in some other states.<sup>17</sup>

- The Arizona Office of the Auditor General is charged with overseeing district financial audits. As part of its oversight efforts, the office reviews working papers for a sample of audits.
- The Texas Education Agency's Division of School Audits is charged with reviewing annual district financial audits. Division staff review all audits and compare information presented with data districts reported to the department's Public Education Information Management System. The agency uses risk assessment to target audits for more in-depth review. Detailed reviews include examination of the auditors' workpapers and can involve on-site reviews of district records.

Establishing a review process within the department for a small sample of audits each year could help ensure that audit firms are adequately reviewing the coding of district financial information and are responding to department directives to assess the quality and accuracy of enrollment, staffing, and pupil transportation data collected and reported by districts. The department could also help ensure that district data in each of these areas is uniform and accurate by developing standards for auditor review of this information and providing training to auditors.

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<sup>16</sup> IDAHO CODE § 54-214 specifies that accounting firms comply with peer review requirements as a condition for registration renewal. Board of Accountancy rules specify that firms undergo a peer review, at their own expense, every three years (IDAPA 01.01.01.604.01). The purpose of these reviews is to monitor firm compliance with applicable accounting and auditing standards (IDAPA 01.01.01.600). According to the Legislative Audits Supervisor, it is unlikely that these peer reviews would include an assessment of whether the auditors adequately performed any additional work requested by the State Department of Education.

<sup>17</sup> Information received from the National State Auditors Association indicates that audit agencies in a number of states perform school district audits. In Washington, the State Auditor's Office conducts school district audits that include assessments of the accuracy and completeness of district financial statements, compliance with federal program requirements, compliance with state legal requirements, and the accuracy of data districts reported to the state.

## **Current Statewide Fiscal Reports Do Little to Aid Policymakers in Assessing District Efficiency**

Each year the department uses information reported by districts to develop a report summarizing district revenues and expenditures. This report, called *Financial Summaries - Idaho School Districts*, is the primary source of statewide financial information about districts. Much of the report is devoted to presenting one-page statistical summaries of financial information for each district and charter school.<sup>18</sup>

### ***Weaknesses in Current Statewide Fiscal Reporting Efforts***

The financial summaries report has a number of weaknesses that limit its value as a tool for lawmakers, district officials, and the public. The report:

- Does not include information comparing district revenues and expenditures in Idaho to the national average or to other states.
- Does not provide information about changes in district revenues and expenditures over time.
- Contains little information comparing district revenues and expenditures. Comparative information is limited primarily to presenting total school general fund expenditures and district current expenditures per student. Information comparing district expenditures for instruction, administration, and other key functions is not provided.
- Does not include a narrative summary to help explain key information or trends.

Financial information about districts is also limited on the department's website. The website provides access to the same type of information that is available in its financial summaries report. The website also includes one-page profiles of districts. Website users generally cannot view data for more than one district at a time, making it difficult to compare districts. In addition, the information is available in PDF format, which cannot be downloaded as data files for use in analysis. Department staff report that they have provided IFARMS data files in a variety of formats when requested to do so.

### ***Options to Improve Statewide Reporting of Fiscal Data***

The National Center for Education Statistics (NCES), a unit of the US Department of Education, is the federal entity with primary responsibility for

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<sup>18</sup> The report has additional information about districts including: enrollment figures, state funding allowances, property values, amount of bonded debt, and whether the district had a supplemental levy.

collecting and analyzing data on public education. The center issues reports containing fiscal and non-fiscal data submitted annually by states.<sup>19</sup> These reports present a variety of information to help the reader understand where educational dollars go and how revenues and expenditures for public schools compare among states. For instance:

- Reports provide an annual comparison of public school “current expenditures” in each of the 50 states. The reports facilitate comparison of revenues and expenditures by focusing on the day-to-day costs of operating schools.
- Current expenditures are broken down into key functional areas so readers can see how much is spent on instruction, administration, and other functions.
- Reports present information about changes in revenues and expenditures over time. Figures presented are adjusted for inflation to enhance their comparability.
- Reports contain some narrative to highlight trends and help the reader interpret the data presented.

We used many of these techniques in our April 2003 report, *Overview of School District Revenues and Expenditures*, and received positive comments from legislators and other sources regarding the usefulness of this approach. We believe that comparative information is useful and can provide a context to help readers understand district finances and administration. Caution should be exercised when *ranking* districts because many factors can influence district costs. Comparative information can be used as a starting point for more in-depth review.

Several states provide financial information for districts on the Internet that can be used to compare revenues and expenditures in similar districts. The Connecticut Policy and Economic Council’s website is designed to allow users to compare how districts match-up on a variety of financial and non-financial indicators.<sup>20</sup> Michigan and Pennsylvania have websites, developed by Standard and Poor’s, which provide comparative financial information for districts.<sup>21</sup> District information is compared to state averages, other districts in the same county, and peer districts. Data from these websites can also be downloaded for use in analysis. The Broad Foundation and other private foundations are

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<sup>19</sup> National Center for Education Statistics reports containing fiscal information include the *Digest of Education Statistics, Revenues and Expenditures for Public Elementary and Secondary Education*, and *Financing Elementary and Secondary Education in the States*.

<sup>20</sup> The website address is <http://www.cpec.org/ssp>.

<sup>21</sup> The websites also provide information on district demographics, staffing, and student performance. The website address is <http://www.ses.standardandpoors.com/>.

providing funding to develop similar websites in all other states, including Idaho, by 2005. Comparative information about district revenues and expenditures is also available on the websites for the Colorado Department of Education, the Illinois State Board of Education, and the Oregon Department of Education.<sup>22</sup>

The Idaho State Department of Education could use these models to improve the usefulness and availability of district financial information to policymakers, district officials, and the public. The department should involve key stakeholders, such as representatives of the State Board of Education and the legislative and executive budget offices in developing reports and determining what information to provide on the web.

## **Recommendations**

2.1. To improve the uniformity and accuracy of fiscal data collected and reported by school districts, the State Department of Education should:

- Modify the Idaho Financial Accounting Reporting Management System (IFARMS) chart of accounts to eliminate unneeded detail and clarify the definitions for selected programs and object codes.
- Expand training offered to district staff responsible for coding and reporting district expenditures.
- Review the data submitted by districts to identify instances of non-reporting and possible coding problems.

2.2. To enhance the value of annual school district financial audits as a tool for state oversight, the State Department of Education should:

- Direct districts to (1) include in their annual financial audits a review of district revenue and expenditure coding and the accuracy of district enrollment, staffing, and pupil transportation data; and (2) report the results of this review to the department.
- Provide guidance and training to audit firms that conduct district financial audits regarding the standards to be used when assessing district coding of revenues and expenditures and the accuracy of district enrollment, staffing, and pupil transportation data.

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<sup>22</sup> The website addresses are <http://www.cde.state.co.us/cdefinance/RevExp.htm>, <http://206.166.105.128/ilearn/ASP/index.asp>, and <http://www.ode.state.or.us/sfda>.

- Establish a process for annual review of a small sample of district financial audits to assess the adequacy of work performed by audit firms to test the accuracy of data districts report to the department. The department should consult with Legislative Audits when developing the review process.
- 2.3. To improve the usefulness of annual school district financial information, the State Department of Education should:
- Provide more comparative information about district revenues and expenditures overall and in the major functional areas such as instruction, administration, and pupil transportation.
  - Provide information about how district revenues and expenditures compare to the nation and neighboring states.
  - Provide information about revenue and expenditure patterns over time.
  - Publish a narrative summary to help readers better understand key information and trends.
  - Make revenue and expenditure information available on the department's website in ways that enable users to make comparisons between districts.

## Chapter 3

# Administrative Staffing and Salaries

*Administrative staffing is a substantial and growing part of district administration costs. Statewide, administrative staffing has grown more than enrollment over the past five years, although the amount of growth and number of administrative staff vary considerably from district to district. A variety of factors, including student enrollment and number of schools, influence district staffing levels. Local funding and district choices contribute to the differences in staffing among districts. Some districts have taken steps to limit staffing costs by eliminating positions, sharing administrative positions, and cooperating with other districts to provide services. Statewide reporting of administrative staffing information should be improved to increase accountability.*

### Positions Included in Administrative Staffing

We reviewed administrative staffing information for all 114 districts as reported to the State Department of Education for inclusion in the Idaho Basic Education Data System (IBEDS).<sup>1</sup> For the purposes of this review, administrative staffing was broadly defined, and included the following positions:

**District Administration** includes superintendents, assistant superintendents, coordinators, directors, supervisors, and curriculum consultants or supervisors. All of the positions in this category are certified as educators and located at the district office.

**School Administration** includes principals and assistant principals. Positions in this category are certified as educators and located at individual schools.

**District/Business Support** includes business managers, district clerks, clerks to the Board of Trustees, district office support personnel, human resource staff, public information officers, IT (technology)/data analysis staff, and computer technology technicians. These positions perform administrative and administrative support functions, and are not required to be certified as educators.

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<sup>1</sup> IDAHO CODE §33-1004D requires districts to annually report staffing information to the State Department of Education.

**School Support** includes office support personnel at individual schools, such as receptionists, administrative assistants, and other clerical-type support. These positions provide administrative support and are not required to be certified as educators.

**Other Supervisory** includes custodial supervisors, child nutrition supervisors and managers, building/grounds supervisors, and pupil transportation supervisors. These positions administer specific programs or functions and are not required to be certified as educators.

### Administrative Staffing Increased More Than Instruction Over the Past Five Years

Administrative staffing is a considerable part of the cost of administering districts. In fiscal year 2003, there were 3,159 full-time equivalent (FTE) administrative positions in districts, which accounted for 12.8 percent of total district staffing.<sup>2</sup> Salary costs for administrative positions were \$134.3 million.

Statewide, administrative staffing has increased more than other positions in districts. As shown in Exhibit 3.1, administrative positions increased 8.7 percent between fiscal years 1999 and 2003. During this same period, the number of teachers increased 3.4 percent and other non-administrative staff increased 4.9 percent.

<sup>2</sup> Data used in this chapter were obtained from the State Department of Education’s Idaho Basic Education Data System (IBEDS), and reflect adjustments made through November 5, 2003.

	<u>FY1999</u>	<u>FY2003</u>	<u>5-Year Change</u>
Administrative staff	2,906.6	3,158.7	8.7%
Teachers	13,395.2	13,845.8	3.4
All other staff	<u>7,407.8</u>	<u>7,768.8</u>	4.9
<b>TOTAL FTEs</b>	<b>23,709.6</b>	<b>24,773.3</b>	<b>4.5%</b>
Enrollment	244,623	248,515	1.6%
Total schools	657	682	3.8%

Source: Office of Performance Evaluations analysis of data from the Idaho Basic Education Data System (IBEDS), State Department of Education.

Growth in administrative staffing levels has also exceeded growth in student enrollment and the number of schools. Between fiscal years 1999 and 2003, student enrollment increased by 1.6 percent and the number of schools increased by 3.8 percent.

Changes in staffing levels varied from district to district. Administrative staffing levels increased in the majority of districts, decreased in 43 districts, and remained the same in one district over the last five years.

***Administrative Positions Increased More at District Offices Than at Schools***

District-level administrative positions grew more than school administrative positions between fiscal years 1999 and 2003. As shown in Exhibit 3.2, the number of district administrators increased 8.4 percent compared to school administrators, which increased 3.1 percent. District business and support positions increased 21.6 percent. The positions that increased the most within district business and support were computer technology assistants (123.8 percent increase) and business managers/district clerks (58.5 percent increase).

<b>Exhibit 3.2: Administrative Staffing Growth by Position Category, FY1999–2003</b>			
	<u>1999</u>	<u>2003</u>	<u>Percent Change</u>
District administrators	362.5	392.9	8.4%
School administrators	697.1	718.5	3.1
District business/support	598.6	728.2	21.6
School support	739.0	801.5	8.5
Other supervisory positions	<u>509.4</u>	<u>517.6</u>	1.6
<b>TOTAL FTEs</b>	<b>2,906.6</b>	<b>3,158.7</b>	<b>8.7%</b>

Source: Office of Performance Evaluations analysis of data from the Idaho Basic Education Data System (IBEDS), State Department of Education.

**Staffing Levels Vary Among Districts**

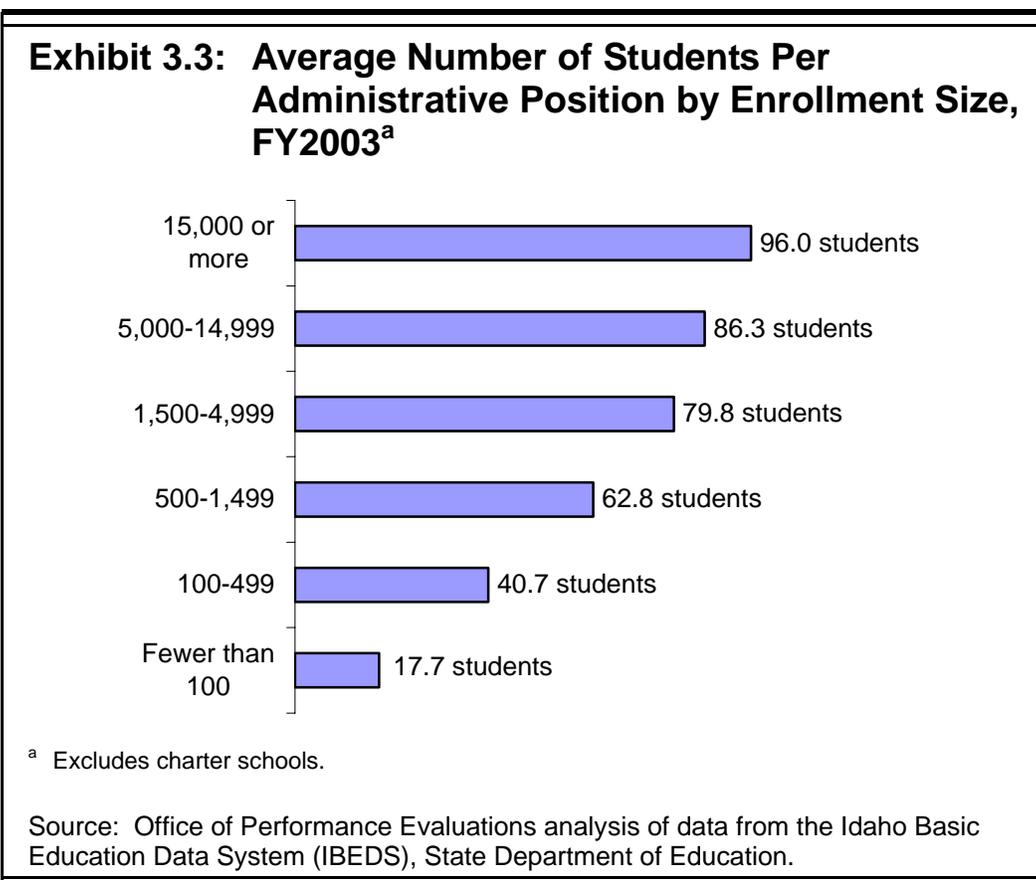
Administrative staffing levels vary widely among districts. Factors that affect staffing include student enrollment and the number of district schools. Local funding and district choices also contribute to staffing differences.

### **District Enrollment Size Affects Staffing Levels**

Administrative staffing levels are strongly linked to district enrollment. Districts with higher student enrollment typically had more students per administrative position than did smaller districts. As shown in Exhibit 3.3, two districts with the highest enrollment, Boise and Meridian, averaged nearly 100 students per administrative position. In contrast, districts with the lowest enrollment averaged fewer than 20 students per administrative position. Appendix A provides the ratio of students to administrative staff for each of the 114 districts.

Districts varied in the percentage of total district staff they devoted to administration, with smaller district generally having a higher percentage of total staff in administrative positions (see Appendix A). This reflects the fact that smaller districts typically require a minimal level of administrative staff to operate the district. Districts are required to employ a superintendent, and generally have a business manager, principals and support staff at each school, and staff to oversee key programs such as food services and pupil transportation.<sup>3</sup> Idaho’s salary-based apportionment formula, which is used to allocate funding to districts to help cover staffing costs, acknowledges that

<sup>3</sup> IDAHO CODE §33-513.2 exempts elementary districts from the requirement to have a superintendent.



smaller districts need a certain number of administrative positions regardless of their size and accordingly provides funding for those districts.<sup>4</sup>

### ***Number of Schools Impacts Staffing***

As shown in Exhibit 3.4, Boise and Meridian had similar enrollment in fiscal year 2003, but Boise had more schools than Meridian. As a result, the district had more school administrators and more school support staff than Meridian. Similarly, while Moscow and Preston had comparable enrollment, Moscow had more schools and a larger number of school administrators and support staff. Appendix C details different types of administrative positions in the 11 districts visited.

### ***Local Funding and District Choices Affect Staffing Levels***

District staffing decisions are influenced, in part, by the availability of local funding to supplement state staffing allocations. Districts with higher per pupil revenues and a larger share of funding from local sources tend to have higher levels of administrative staffing. Exhibit 3.5 illustrates the impact of funding differences on administrative staffing in similar-sized districts. Boise, Lake Pend Oreille, and Moscow had more administrative staff than districts with similar enrollment. Each of these districts received a larger share of their total funding from local sources than did comparable-sized districts. In addition, these districts generally had more revenue per pupil than the comparison districts. All three districts have received funding from supplemental levies approved by local taxpayers.

In many cases, the differences observed in staffing levels may simply reflect district choices. Statutes give local school boards the authority to employ staff needed to operate districts.<sup>5</sup> District staffing levels vary because districts have considerable discretion over the number and type of staff they employ. District choices may involve consideration of many factors, such as student programming needs and other district priorities.

### **Salaries Vary Among Districts**

Like staffing levels, administrative salaries vary among districts. As shown in Exhibit 3.6, salaries for administrative positions were generally higher in districts with higher student enrollment. For example, superintendent salaries ranged from an average of \$135,390 in the districts with the largest enrollment to an average of \$62,323 in districts with fewer than 100 students. Similarly,

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<sup>4</sup> Appendix B explains the salary-based apportionment formula in more detail.

<sup>5</sup> IDAHO CODE § 33-513 specifies the authority of the board of trustees in each district to employ professional staff, such as teachers, principals, and the superintendent. It also outlines board of trustees' responsibilities regarding staff not certified as educators.

**Exhibit 3.4: Administrative Positions in Eleven Districts, FY2003**

	<u>Enrollment</u>	<u>Number of Schools</u>	<u>Students Per Position</u>	<u>District Administrators</u>	<u>School Administrators</u>	<u>District Business/Support</u>	<u>School Support</u>	<u>Other Supervisory Positions</u>	<u>Total Positions<sup>a</sup></u>	<u>Admin. FTE as a Percent of Total Staff</u>
<b>Statewide</b>	<b>248,515</b>	<b>682</b>	<b>78.7</b>	<b>392.9</b>	<b>718.5</b>	<b>728.2</b>	<b>801.5</b>	<b>517.6</b>	<b>3,158.7</b>	<b>12.8%</b>
Meridian Joint	25,939	35	106.6	32.2	69.5	44.8	58.0	38.7	243.2	10.6
Boise Ind. <sup>b</sup>	25,816	50	87.2	34.2	77.7	88.3	72.3	23.7	296.1	11.2
Lewiston Ind.	5,089	13	61.5	8.0	14.0	32.4	18.2	10.0	82.7	15.2
Lake Pend Oreille <sup>b</sup>	4,041	12	51.5	7.3	12.0	19.6	20.3	19.4 <sup>c</sup>	78.5	17.8
Preston Joint	2,449	5	107.3	3.8	5.0	1.8	5.8	6.4	22.8	12.0
Moscow <sup>b</sup>	2,376	8	66.3	4.0	8.0	11.6	9.4	2.8	35.8	12.9
Grangeville Joint	1,520	9	63.2	2.4	5.0	3.2	7.6	5.8	24.1	13.5
Wallace	599	3	53.0	3.3	2.0	2.6	2.9	0.5	11.3	14.7
Wilder	546	2	51.7	3.7	2.0	1.4	1.9	1.6	10.6	14.4
Basin	472	2	62.5	0.9	1.5	1.9	1.6	1.6	7.6	13.3
Murtaugh Joint	229	3	42.9	1.0	1.0	1.0	0.8	1.6	5.3	16.1

<sup>a</sup> Totals may not sum due to rounding.

<sup>b</sup> Excludes charter schools within the district.

<sup>c</sup> Includes 12.4 child nutrition managers, half of which will be re-coded to other types of child nutrition positions in IBEDS in fiscal year 2005.

Source: Office of Performance Evaluations analysis of Idaho Basic Education Data System (IBEDS) data from the State Department of Education.

**Exhibit 3.5: Comparison of District Enrollment, Administrative Positions, and Revenue**

	<u>Enrollment</u>	<u>Administrative Positions (FTE)</u>	<u>Revenue Per Pupil<sup>a</sup></u>	<u>Percent Local Funding<sup>a</sup></u>
Meridian	25,939	243.2	\$5,860	31.2%
Boise	25,816	296.1	7,484	50.5
Lake Pend Oreille	4,041	78.5	6,190	38.3
Blackfoot	4,079	44.2	6,483	14.9
Lakeland	4,146	41.0	5,622	29.5
Madison	4,112	44.8	5,746	17.2
Moscow	2,449	35.8	7,891	44.5
Preston	2,376	22.8	5,272	14.3

<sup>a</sup> Enrollment and staffing data is for fiscal year 2003, revenue data is for fiscal year 2002. In each case, the data are the most recent available.

Source: Office of Performance Evaluations analysis of data from the Idaho Basic Education Data System (IBEDS), State Department of Education.

average salaries for school principals and assistant principals were greater in larger districts than smaller ones. However, salaries for some administrative support positions, such as computer technology assistants and office support staff, did not vary much based on district size.

The education and experience of staff also influence salaries, and vary among districts. The formula used to allocate state salary-based apportionment funding to districts includes an education and experience index, which takes into account the varying staff education and experience levels. Districts with more experienced staff generally receive greater funding than they would if they had less experienced staff.

Higher salaries in larger districts may reflect the increased complexity and volume of work associated with managing a larger organization. Districts may also offer higher salaries to compete with other community employers and districts in hiring and retaining employees.

***Some Districts Have Taken Steps to Reduce Staffing and Salary Costs***

In response to recent budget constraints, some districts have taken steps to reduce administrative staffing in the past two years. Examples of reductions in administrative staff in fiscal year 2003 were found among the 11 districts visited.<sup>6</sup>

<sup>6</sup> These examples are taken from information provided by the districts and verified using Idaho Basic Education Data System (IBEDS) data.

### Exhibit 3.6: Administrator and Administrative Support Average Salaries by Enrollment Size, FY2003

	<b>State- wide</b>	15,000 or More <u>Students</u>	5,000– 14,999 <u>Students</u>	1,500– 4,999 <u>Students</u>	500– 1,499 <u>Students</u>	100–499 <u>Students</u>	Fewer Than 100 <u>Students</u>
<b>District Administrators</b>							
Superintendent	<b>\$81,590</b>	\$135,390	\$99,846	\$86,588	\$77,392	\$72,669	\$62,323
Assistant Superintendent <sup>a</sup>	<b>86,403</b>	109,273	86,746	84,118	49,382	0	0
Director	<b>62,486</b>	83,715	67,741	61,766	53,767	46,284	36,364
Supervisor/Coordinator	<b>60,762</b>	71,099	59,325	54,641	47,951	43,235	37,400
<b>School Administrators</b>							
Principal, Secondary	<b>67,357</b>	82,405	73,047	66,625	61,264	58,969	0
Principal, Elementary	<b>65,333</b>	75,621	66,592	61,654	58,300	63,620	0
Assistant Principal	<b>61,694</b>	64,833	62,358	58,324	54,131	52,715	0
<b>District Administrative Support</b>							
Public Information	<b>51,039</b>	70,381	45,604	34,091	23,280	0	0
Business Manager/Clerk	<b>47,750</b>	73,433	60,397	55,421	38,820	34,205	0
IT (Technology)/Data Analysis Personnel	<b>44,645</b>	45,968	41,755	53,021	25,601	33,187	0
Human Resource Personnel	<b>37,413</b>	34,775	40,369	39,236	20,017	17,396	0
Computer Technology	<b>34,060</b>	30,979	35,023	32,856	34,585	33,837	0
Clerk, Board of Trustees	<b>33,647</b>	55,938	48,256	34,701	32,994	30,755	14,298
Office Support, District	<b>28,723</b>	29,630	28,723	29,074	27,595	24,889	28,531
<b>School Administrative Support</b>							
Office Support, Building	<b>24,272</b>	26,712	24,350	24,201	22,535	21,643	0
<b>Other Supervisory</b>							
Transportation Supervisor	<b>41,426</b>	72,241	50,079	42,428	38,089	35,080	0
Building/Grounds, Supervisor	<b>39,518</b>	59,830	47,806	39,829	34,992	32,197	33,301
Child Nutrition, Supervisor	<b>32,845</b>	47,794	45,464	35,221	28,079	24,269	0
Custodian Supervisor	<b>28,688</b>	43,954	31,338	26,263	29,517	27,670	24,133
Child Nutrition, Manager	<b>23,096</b>	22,896	24,397	22,832	21,917	21,006	25,600

Note: Salary amounts are based on base pay only and do not include extra pay, which is less than one percent of total salaries.

<sup>a</sup> The statewide average salary for assistant superintendents is higher than the superintendent average because assistant superintendents tend to only be employed by larger districts with higher salaries.

Source: Office of Performance Evaluations analysis of data from the Idaho Basic Education Data System (IBEDS), State Department of Education.

- Wallace consolidated four schools, which included two elementary schools, one middle school, and one high school, into two schools. One school serves students in kindergarten through sixth grade and the other, a new secondary school constructed in part with support from a state health and safety grant, serves students in grades 7 through 12. This change has resulted in a reduction in administrative staff and a net salary savings of \$102,000.
- Boise reduced its total number of FTEs by 91, including 9 administrative positions. Positions were eliminated through attrition and by reassigning employees based on their ability to perform other duties or functions, with the goal to refrain from negatively affecting student performance.
- Moscow cut 13 positions, saving approximately \$305,000. Two of the positions eliminated were administrators with combined salaries of \$110,000, and four others were administrative support positions with combined salaries of \$105,000.
- Due to funding limitations, Murtaugh eliminated a position that was a part-time director and part-time principal (less than one full-time equivalent position), resulting in a salary savings of about \$30,000. The district's superintendent now also serves as the high school principal with no increase in salary for the additional responsibility.

Several other districts share positions to minimize costs without forgoing the benefits of a having a professional on staff to perform certain functions. Some examples include:

- Preston, Grace, West Side, and North Gem share a business manager position.
- Beginning in fiscal year 2004, Preston and Grace are sharing a food services manager position.
- Troy and Whitepine share a superintendent.

In each of these cases, districts share the costs for the position and receive a share of the professional's time. Districts using these options have benefited from shared or reduced costs. Other districts could consider these measures in dealing with staffing and budget challenges in their own districts.

## **Cooperative Efforts Can Result in Staffing Efficiencies and Additional Program Opportunities for Students**

Statute authorizes and encourages cooperative programs to minimize staffing costs and expand program opportunities for students.<sup>7</sup> In some cases, districts have created a separate agency to provide services, while in others they share costs for specialized personnel who work for the districts. We identified the following examples of cooperative programs in districts visited.<sup>8</sup>

**Special Education Cooperatives.** In several areas, districts have established cooperative arrangements to provide special education services for students. Districts with special education cooperatives include: Boise and Meridian, Canyon-Owyhee School Service Agency (COSSA) districts (Wilder, Parma, Notus, Marsing, and Homedale), and districts in the Silver Valley Special Services Cooperative (Wallace, Kellogg, and Mullan).

**Gifted and Talented Cooperatives.** Some districts have established cooperative gifted and talented programs or share the cost for staff who provide these services. Districts with gifted and talented cooperatives include: Boise and Meridian, COSSA districts, and districts in Silver Valley Special Services Cooperative.

**At-Risk and Alternative Schools.** Some districts use cooperative arrangements to provide services for at-risk students, including operating alternative schools. Districts with cooperative efforts in these areas include: COSSA districts, the Kellogg, Mullan, Wallace districts, which have established the Youth Works Consortium and the Silver Valley Alternative High School Cooperative.

**Other Service Cooperatives.** Districts cooperate to provide other services, such as preschools, professional-technical education, physical and occupational therapy, and services for hearing impaired students. Districts with these types of cooperative service arrangements include: Boise and Meridian, the COSSA districts, Northern Idaho Professional Technical Educational Cooperative districts (Wallace and Kellogg), districts in the Silver Valley Special Services Cooperative, and Moscow.<sup>9</sup>

These cooperative and contract agreements enable districts to offer services they otherwise may not be able to provide. The efforts demonstrate how districts are providing successful cooperative services in program areas. Where possible,

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<sup>7</sup> IDAHO CODE § 33-315.

<sup>8</sup> These examples include various staff positions, and are not limited to administrative positions. However, they illustrate how districts can cooperatively provide services and combine staffing functions, a concept which may be replicable for administrative staffing.

<sup>9</sup> Moscow provides services for hearing impaired students in Potlatch and services for Genesee's preschool and developmentally disabled students, under contract agreements.

districts could make similar efforts to perform certain administrative functions cooperatively.

## **Statewide Reporting of Administrative Staffing Leaves Out Some Key Information**

In addition to the financial data reported in the Idaho Financial Accounting Reporting Management System (IFARMS), the State Department of Education annually collects information on district staffing and salaries for inclusion in the Idaho Basic Education Data System (IBEDS). The information is highly detailed and provides a thorough picture of the types of staff districts employ and the salaries they receive.

The department uses this information to determine the funding each district receives through salary-based apportionment. The department also uses this data to prepare statistical reports, such as the *Annual Statistical Report* and *Idaho School District Profiles*, which provide a statewide summary of information about public school certified and non-certified personnel.<sup>10</sup> These reports are the main source of district staffing information.<sup>11</sup> Though the information is useful, the reports have a number of limitations as tools for district accountability.

- Reports provide the total number of certified district and school administrators statewide but do not identify the total number of administrative FTEs (including non-certified administrative support staff and program managers) employed by districts. Certified administrators represent only about one-third of all positions that are administrative in nature.
- Reports do not provide information comparing administrative staffing levels among districts, including students per certified and non-certified administrative position and the percentage of total staff that is administrative.
- Reports do not include comparison of administrative staffing levels over time.
- The responsibilities of some administrative positions, including certified directors, supervisors, and coordinators, are not clearly defined in the Idaho Basic Education Data System (IBEDS). Other position codes are

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<sup>10</sup> The State Department of Education reports data gathered from the Idaho Basic Education Data System (IBEDS) to the National Center for Education Statistics (NCES).

<sup>11</sup> The *Annual Statistical Report* provides student-teacher ratios and enrollment data for individual districts, data for men and women in certified and non-certified positions statewide and by enrollment size category, average salary expenditures per student, and demographic information for positions.

more detailed, specifying the program or activity of the position, such as a child nutrition manager. Specifying the program or activity area these positions administer would better inform the public and policymakers about how districts operate and how funds are being used.

- Information available on the department’s website is limited—there are no data files that can be used for analysis. In contrast, the Standard & Poor’s School Evaluation Services website discussed in Chapter 2, allows users to create customized data reports of staffing.

Comparative and detailed staffing information should be provided to ensure informed decision-making. Requiring additional details from districts and improving reporting of staffing information would bring greater accountability to district administration.

## **Recommendation**

- 3.1. To ensure that adequate administrative staffing information for school districts is available for review by policymakers and the public, the State Department of Education should:
  - Improve reporting about administrative staffing in districts by identifying the number and type of administrative staff in each district, the ratio of students to administrative staff, and changes in administrative staffing over time.
  - Require districts to provide information regarding the duties of staff in director, coordinator, and supervisor positions.
  - Make staffing information available on the department’s website in easily accessible formats.

## Chapter 4

# Purchasing and Contracting

*In fiscal year 2002, Idaho's 114 school districts spent over \$414 million to purchase supplies, materials, capital items and assets, and services. Sound purchasing practices can help ensure efficient and appropriate use of purchasing dollars, but they are not always in place or consistently followed in districts. Some districts have attempted to reduce purchasing costs through methods such as cooperative purchasing with other districts or by taking advantage of statewide contracts. However, districts could make greater use of potential cost-reducing approaches.*

### **Ensuring Efficient Use of Purchasing Funds Is Important**

A significant portion of district funds in Idaho goes to purchase goods and services. In fiscal year 2002, districts spent more than \$414 million on the procurement of supplies, materials, equipment, services, and capital assets. These expenditures were 23 percent of the total expenditures for that year. As shown in Exhibit 4.1, districts statewide spent the greatest amount of their purchasing dollars on the acquisition of capital assets, followed by the procurement of purchased services, supplies and materials, and capital equipment.

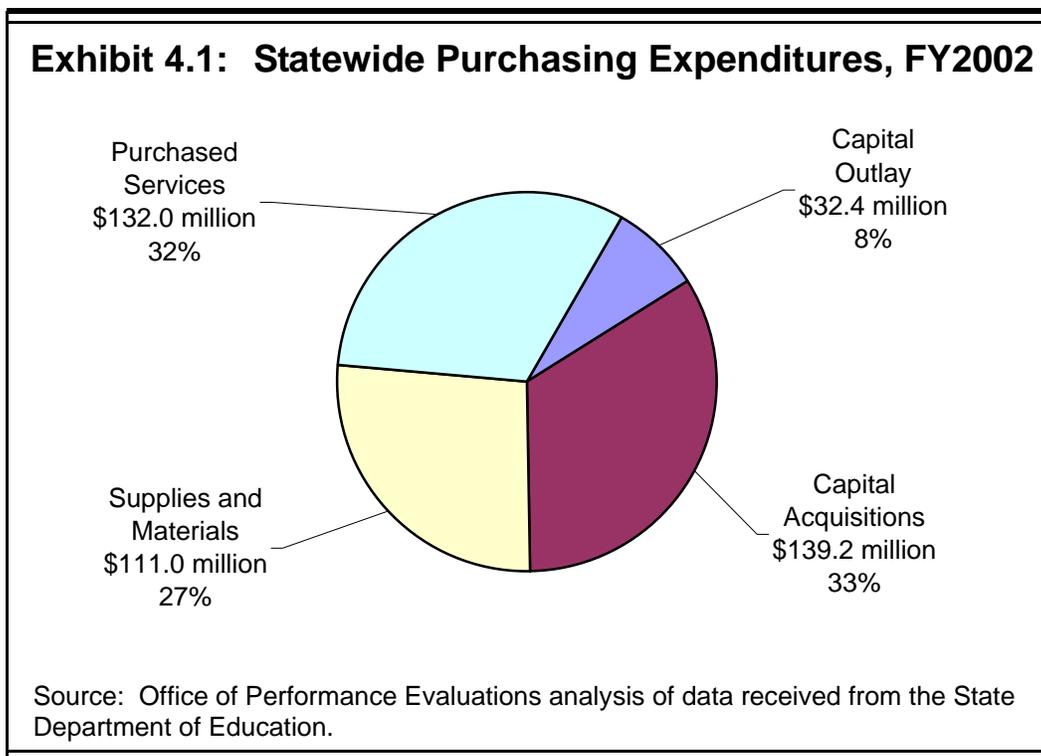
The Idaho School Administrator's Handbook stresses the importance of districts establishing processes that ensure fiscal responsibility.<sup>1</sup> Examples of such processes include soliciting price quotes or competitive bids, which promote efficient use of purchasing funds by requiring purchasers to shop around for the best value. Use of other purchasing practices, such as requiring authorizations for purchases and using purchase orders or requisition forms ensures management oversight of the purchasing process and minimizes the risk of unauthorized or inappropriate purchases.

### **Many Purchases Are Not Subject to Competitive Shopping**

State law addresses the need to use funds in an economical way by requiring districts to advertise for bids when purchasing equipment or personal property

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<sup>1</sup> Idaho State Department of Education, *Idaho School Administrator's Handbook*, Dr. Michael Friend and Dr. Darrell K. Loosle (2001).



costing \$25,000 or more, or for building, construction, repair, or improvement projects exceeding this threshold.<sup>2</sup> However, because the majority of district purchases fall below the state bid limit, they are not subject to any competitive shopping requirements.

Although there is no formal state requirement to seek price quotes for purchases below the formal bid threshold, several districts visited had procedures for employees to carry out the practice. A purchasing official from one district noted that efforts to shop around for equipment purchases during a four-month period saved the district nearly 15 percent on the prices that would have been paid. However, most of the districts with price quote requirements could not document that the process is regularly followed, and others did not have any such policies in place.

While districts are not required to obtain price quotes for purchases below the formal bid limit, many other state and local government entities in Idaho must. To promote competition and ensure that the purchaser is getting a fair price, the State Division of Purchasing requires state agencies with delegated purchasing authority to seek three price quotes from vendors having a significant Idaho presence for any purchase above \$5,000 but below the formal bid threshold.<sup>3</sup>

<sup>2</sup> Bid limit established by Idaho Code § 33-601. Prior to fiscal year 2004, this bid threshold was \$15,000. Curriculum materials are not subject to bid requirements.

<sup>3</sup> IDAHO ADMIN. CODE, IDAPA 38.05.01.044.

Similarly, state statutes for cities, counties, and highway districts require that these entities obtain three price quotes when practical for purchases between \$5,000 and \$25,000.<sup>4</sup>

With the exception of construction or maintenance services, competitive bidding requirements do not apply to procuring services, regardless of the cost. The State Division of Purchasing requires the solicitation of bids when state agencies procure services exceeding \$50,000, but districts are not subject to this requirement.<sup>5</sup> As a result, districts did not consistently solicit bids for services. For instance, districts generally did not seek bids for specialized work such as physical therapy or technology services. In some districts, specialized work has exceeded \$50,000. State purchasing officials said soliciting bids for services is generally a good practice, even though price should not be the only consideration when purchasing services

### ***Purchase Approval Process Is Often Unclear and Not Followed***

Some districts visited had policies that thoroughly outlined the purchasing process and clearly identified required approvals, while others had vague policies or no written policy. In our visit to 11 districts, we found:

- Policies in three districts did not clearly identify the specific administrative positions charged with approving purchases.<sup>6</sup> The policies in two of these districts made reference to obtaining approvals without detailing the specific approvals needed, while one district had no discussion of purchasing approvals.<sup>7</sup>
- Two other districts did not have written purchasing policies. Although these districts orally explained their purchase approval requirements, there was no written record to guide employees making purchases or to serve as verification that the districts had adopted sufficient purchasing practices.

Furthermore, districts often did not consistently follow the established process for obtaining purchasing approvals.<sup>8</sup> In 4 of the 11 districts, we identified multiple instances in which there was no evidence to show that required approvals were obtained before making a purchase. In some instances, the lack

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<sup>4</sup> IDAHO CODE §§ 50-341, 31-4003, and 40-106.

<sup>5</sup> IDAHO CODE § 33-1510 does require that districts solicit bids when procuring transportation services through a contractor.

<sup>6</sup> Two other districts had policies that also did not clearly identify the administrative positions that authorize purchases. However, these districts provided more detailed purchasing information in an employee handbook or purchasing manual.

<sup>7</sup> One of these districts recently completed a handbook detailing their purchasing procedures.

<sup>8</sup> For districts that did not have specific written policies, elements of the process were determined through interviews.

of approval was evident by missing signatures on purchase orders or requisition documents, while in other cases the districts did not use a purchase order or requisition document. The lack of approval signatures and a purchase order, requisition, or other comparable document raises the possibility that some purchases are made without review or authorization and puts district funds at risk.

### ***Districts Often Lack Appropriate Written Agreements for Services***

Having sufficient written agreements in place for purchased services is important. According to the Division of Purchasing, written agreements are needed to document the scope of work, the services districts are to receive, and the agreed upon price for these services. Without written contracts agencies may have difficulty enforcing agreements if vendors fail to provide the expected services or perform them in an unsatisfactory manner. According to the National Center on Education Finance, details such as the acceptable level of performance, the payment criteria and schedule, the term of the agreement, the ownership of any materials or work product, and the conditions for termination should be specified in a written contract.

Our review of district procurement practices showed that districts sometimes did not have sufficient written agreements in place for services they received. For example, several districts could not provide written agreements for specialized services they received, such as physical or occupational therapy. Also, in some instances in which districts had written agreements, the agreements were written by the vendor providing the service. The terms of a contract written by a vendor may not be favorable to or protect the interests of the districts. Additionally, contracts written by vendors may not always cover the important components of a contract.

### **Alternative Purchasing Practices May Enable Districts to Reduce Costs**

A number of opportunities are available to districts that may help them reduce purchasing costs. These methods include the use of statewide contracts, cooperative purchasing, and posting of bid solicitations online. Some districts are already using these methods to varying degrees, but more widespread use of these approaches could collectively result in greater savings.

### ***Opportunities to Use Statewide Contracts Exist, But Many Districts Do Not Participate***

Some districts may be able to reduce costs by taking advantage of state contracts for items they use. The State Division of Purchasing establishes and administers contracts for a wide variety of goods and services used by state agencies. Examples of items available through statewide contracts are computers, office supplies, and photocopiers.

Contracts negotiated by the Division of Purchasing generally include a public agency clause that allows other government agencies to make purchases at negotiated rates. According to state purchasing officials, because districts are not expressly authorized by Idaho Code to use state contracts, districts may only take advantage of statewide contracts by entering into an agreement with the division. However, based on information obtained from the division, just 38 of 114 districts in the state had established agreements as of August 2003. The remaining two-thirds of the districts in the state had not sought authorization to use statewide contracts.

The Division of Purchasing solicits bids for the items available through statewide contracts, and the prices are based on the buying power of the state. Because many of the districts in the state are small, use of statewide contracts may provide an opportunity to obtain a better price than they could get on their own. Additionally, districts need not go to the time and expense of obtaining price quotes or formal bids, because the division has already done so.

### ***Expanded Use of Purchasing Cooperatives May Achieve Savings***

Districts may also be able to achieve savings by purchasing items cooperatively. According to the National Center on Education Finance, cooperative purchasing efforts in some other states have enabled districts to obtain better prices than when purchasing on their own. According to the center:

- In Pennsylvania, a consortium for technology-related purchases, called Pennsylvania Education Purchasing Program for Microcomputers (PEPPM), reports it has saved \$336 million for schools and libraries through bulk purchasing since its inception in the early 1980s.
- In Mississippi, a voluntary statewide food purchasing cooperative for school districts and other organizations participating in the National School Lunch Program reports saving about 9 percent in 2001 over prices paid before the establishment of the cooperative in 1999.
- In Maryland, the Baltimore Regional Cooperative Purchasing Committee, which is comprised of area school systems and local governments, reported that its Public Schools Group saved \$70,000 when three counties joined in a cooperative bid for paper.

Idaho districts have also recently taken part in some cooperative purchasing efforts. The 11 districts visited reported involvement in purchasing cooperatives such as:

- **Idaho School District Council.** The council offers districts the opportunity to purchase copy paper and other office supplies collectively

in order to obtain bulk discounts.<sup>9</sup> Some of the districts visited made purchases through this cooperative arrangement, although some also told us that they are able to obtain paper cheaper than the rate the Idaho School District Council has been quoting.

- **Food Purchasing Cooperatives.** The State Department of Education recently promoted establishment of regional food service purchasing cooperatives. A number of the districts visited now take part in these cooperatives and the department indicated that districts have achieved savings through their participation in the program.
- **Other Cooperatives.** Several districts reported having purchased items such as paper cooperatively with other districts in an attempt to save through bulk purchasing.

Nevertheless, cooperative purchasing is inconsistent and limited among districts. Of the 11 districts visited, two districts did not purchase anything cooperatively with other districts. The other nine districts generally took part in only one of the cooperative approaches and purchased only one type of item, such as paper or food products. Because it may lead to better prices for purchases, districts should consider expanding their efforts in the area of cooperative purchases.

### ***Online Options Are Available***

Public organizations have begun using technology to improve purchasing efficiency. According to the National Center on Educational Finance, in 2002 Maryland enacted legislation that allows school systems to advertise bids electronically as long as they also post a bid announcement on their bid board. As a result, the Maryland State Department of Education developed a website that allows the sharing of purchasing information by districts and provides links to state and other cooperative procurement sites. The use of this technology would allow school systems to use cheaper means than the traditional process of soliciting bids through newspapers.

The use of technology for purchasing is occurring in Idaho. Meridian solicits bids electronically utilizing an online service that can be accessed by vendors searching for business opportunities. A purchasing official in the district said that using the free service benefits the district by allowing the solicitation to go to a wide audience, by reducing the time and costs spent on preparing and mailing bid packages to vendors, and by eliminating the need for the district to compile and maintain a vendor list. The Division of Purchasing and some state agencies also use a similar service that allows vendors to review solicitations online, submit bids electronically, and download any forms.

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<sup>9</sup> As discussed in Chapter 5, the Idaho School District Council also coordinates a health insurance program in which districts may participate.

### **District Staff Make Limited Use of State Purchasing Training Sessions**

Knowing and using the best purchasing approaches may result in reduced costs for districts. The Division of Purchasing conducts quarterly purchasing workshops in the Boise area and annual training sessions in the north and east parts of the state. These training sessions address topics such as the general public purchasing process, request for proposals, and writing specifications. The division also offers periodic workshops on varying topics, including a review of the statewide contracts.

According to the Division of Purchasing staff, attendance by district personnel at periodic training seminars is limited. The purchasing supervisor in one large district told us that the division's training sessions provide good information, but typically there is no staff from other districts in attendance. In many districts, especially the smaller ones, the employees in charge of purchasing often perform a number of other functions as well. Because purchasing is not the primary focus of any one person in many districts, employees with this responsibility may benefit from training that covers the different components of purchasing.

### **Recommendations**

- 4.1. To ensure school districts obtain a fair price for their purchases and only spend the amount of funds necessary:
  - The Legislature should consider requiring districts to seek price quotes for purchases between \$5,000 and the formal bid threshold, as is currently required of state agencies and local governments. Requiring districts to document these quotations and testing a sample of these purchases in annual financial audits will help to ensure the requirement is implemented.
  - The State Board of Education should consult with the State Division of Purchasing to develop requirements similar to those that call for the solicitation of formal bids when state agencies purchase services exceeding \$50,000.
- 4.2. To ensure school districts have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized, the State Department of Education should direct school districts to include a purchasing compliance review in their annual financial audits.
- 4.3. To ensure school districts can take advantage of statewide purchasing

contracts available from the State Division of Purchasing:

- The Legislature should consider giving specific statutory authority to districts for the use of statewide contracts to eliminate the need for an agreement with the Division of Purchasing.
- The State Department of Education should advise districts of the availability of statewide purchasing contracts during any annual training or communications.
- The State Department of Education should provide district contact information to the State Division of Purchasing so that districts will be included on the division's listserv. This listserv periodically provides information about statewide contracts to public agencies that may be able to use them.

4.4. To potentially achieve cost savings and to foster communication among individual school districts regarding purchasing, the State Department of Education should:

- Work with districts and any pertinent associations to determine the opportunities for any favorable purchasing cooperatives.
- Explore opportunities to use the Internet for district purchasing activities.
- Encourage district staff to attend the State Division of Purchasing's training annually to learn about best practices.

4.5. To ensure school district interests are protected when procuring services, the State Department of Education should work with the State Division of Purchasing to provide guidance to school districts on the requirements and the necessary components of written contracts.

## Chapter 5

# Health Insurance Benefits

*Employee health insurance benefit costs are a significant and growing portion of school districts day-to-day expenditures. Because districts and teacher associations generally negotiate health insurance benefits locally, health insurance plans vary from district to district. Many districts have participated in an insurance pool operated by the Idaho School District Council, which offers a number of plans to suit district needs. A statewide pool of **all** districts, with a **limited** number of plans, could potentially reduce health benefit costs. Any such plan would limit individual district control of employee benefits. We recommend further study to determine if a statewide plan would reduce health insurance costs and meet the varied needs of Idaho's 114 districts.*

### Health Benefit Costs Are Growing Substantially

Idaho school districts spent nearly \$282 million, about 19 percent of all current expenditures, to purchase benefits for employees in fiscal year 2002.<sup>1</sup> Not only do health insurance benefits make up a significant part of district expenditures, the costs have been increasing. District officials we interviewed reported annual health insurance cost increases ranging from 8 percent to more than 40 percent.

Other employers also have had to deal with increasing health insurance costs. For example, health insurance costs for Idaho state employees rose by more than 17 percent between fiscal years 2003 and 2004. Further, according to one nationwide survey, health insurance costs nationally have increased between 8 and 14 percent each year over the past four years.<sup>2</sup>

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<sup>1</sup> While districts provided a variety of benefits, the costs of some benefits such as state retirement and social security remained at a constant and relatively small percentage of salaries. Other benefits, such as life and dental insurance also made up a relatively small portion of total benefits costs. Therefore, we focused our review on the largest component of the benefits mix—health insurance.

<sup>2</sup> The Henry J. Kaiser Foundation and Health Research and Education Trust, *Employer Health Benefits: 2003 Annual Survey*, (Menlo Park, CA and Chicago, IL: 2003), 21.

### ***Districts Provided a Variety of Health Insurance Plans***

According to the Idaho School Administrators Handbook, districts generally include health insurance as a part of their benefit package.<sup>3</sup> Because health insurance benefits are generally determined through negotiations between local boards of trustees and teacher associations, and are part of an overall compensation package, health insurance plans vary from district to district. Exhibit 5.1 compares costs and other characteristics of the 16 plans offered by the 11 districts visited.

As the exhibit shows, in fiscal year 2003, districts offered a variety of plan types. While most plans were traditional indemnity plans, several districts also offered coverage through preferred provider organizations (PPO) or health maintenance organizations (HMO). The premiums of these health plans varied from \$162 to \$361 per employee per month. The health insurance benefits offered under the plans also varied. Annual employee deductibles ranged from \$0 to \$500, out-of-pocket maximum amounts ranged from \$500 to \$10,000, and employee coinsurance portions were generally either 10 percent or 20 percent.

Districts also addressed health insurance coverage for employee families differently. In most cases, districts paid only for an individual insurance and required the employee to pay for any family coverage. In contrast, Grangeville and Wilder paid the full cost of family insurance and Lewiston paid 80 or 88 percent.<sup>4</sup> Two other districts, Moscow and Wallace, provided an allowance that employees could use for family coverage or as additional pay.

### **Options to Control Costs Involve Tradeoffs**

Efforts to control health insurance costs have required districts to make choices. Increasing deductibles or requiring employees to contribute to the cost of health insurance, as some districts have done, causes employees to pay a bigger share of their health care costs and may affect a district's abilities to attract and retain employees. Switching to a Preferred Provider Organization plan limits employee choices with respect to where they go for health care services. However, if districts continue to devote more resources to provide employees with the health insurance coverage they have received in the past, fewer resources may be available for other needs. A number of options could be considered to help control future cost growth in this area. These options may require in-depth study because districts have varying needs and financial capabilities.

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<sup>3</sup> Idaho State Department of Education, *Idaho School Administrator's Handbook*, Dr. Michael Friend and Dr. Darrell K. Loosle (2001), 36.

<sup>4</sup> As an incentive to encourage employees to enroll in its lower cost PPO plan, Lewiston pays 88 percent of family coverage for employees enrolled in its PPO plan, but only 80 percent of family coverage under its traditional plan.

### Exhibit 5.1: Health Insurance Plans for 11 School Districts, August 2003

<u>District Plan</u>	<u>Type of Plan<sup>a</sup></u>	<u>Deductible<sup>b</sup></u>	<u>Employee Co-insurance<sup>c</sup></u>	<u>Out-of-Pocket Maximum<sup>d</sup></u>	<u>Monthly Cost Per Employee</u>
Basin	Traditional	\$100	\$0/20 <sup>e</sup>	\$1,000	\$352
Boise Option 1 <sup>f</sup>	Traditional	150	20	1,000	361
Boise Option 2 <sup>f</sup>	Traditional	None	co-payment <sup>g</sup>	1,250	361
Grangeville	Traditional	200	20	1,000	265
Lake Pend Oreille	PPO	500	10	1,500	264
Lewiston PPO <sup>f</sup>	PPO	250	10	1,500	196
Lewiston Traditional <sup>f</sup>	Traditional	250	20	1,000	262
Meridian	PPO	500	10	3,000	274
Moscow Plan 1 <sup>f</sup>	Traditional	300	20	1,000	319
Moscow Plan 2 (part-time employees) <sup>f</sup>	Traditional	None	50	10,000	162
Murtaugh	Traditional	200	20	1,000	323
Preston PPO <sup>f</sup>	PPO	200	10	1,500	240
Preston Traditional <sup>f</sup>	Traditional	200	20	500	273
Wallace HMO <sup>f</sup>	HMO	None	co-payment <sup>h</sup>	2,500	302
Wallace Traditional <sup>f</sup>	Traditional	300	20	2,000	328
Wilder	Traditional	100	20	1,000	292

Note: PPO = Preferred provider organization; HMO = Health maintenance organization

<sup>a</sup> Traditional indemnity plans generally involve few restrictions on which providers an employee may use. PPO and HMO plans require employees to use a designated provider or group of providers to receive full benefits (if an employee uses some other provider, the employee will be required to pay a higher percentage of the costs).

<sup>b</sup> Amount an employee must pay before an insurer is required to pay any part of a claim.

<sup>c</sup> Dollar amount an employee must pay even after the deductible has been met and regardless of the full cost of a service.

<sup>d</sup> Maximum amount of coinsurance and copayments an employee must make in a year. When the out-of-pocket maximum has been reached, the insurer is obligated to pay 100 percent of remaining claims.

<sup>e</sup> If the deductible has been met, employees are not required to pay any part of office visits but must pay 20% of hospital services.

<sup>f</sup> Districts offering two insurance plans; plans shown separately.

<sup>g</sup> Employee must pay \$20 for each office visit and \$400 for each hospitalization.

<sup>h</sup> Employees pay \$20 for each office visit and \$500 each hospitalization.

Source: Office of Performance Evaluations analysis of district health insurance plans.

### ***Participation in an Insurance Pool***

Districts can potentially control or reduce the cost of employee health insurance by forming an insurance pool consisting of multiple districts. As one insurance commissioner in another state testified, “The purpose of insurance is to spread risk among as large a group of people as possible (pooling). By creating larger pools, insurers reduce the uncertainty...and can more accurately predict the losses the group will suffer. Groups are better able to absorb increased claims costs of individuals within the group...”<sup>5</sup> According to the Idaho Department of Insurance, the concept that a larger group poses less risk and therefore less premium cost than a smaller group is fundamental to the insurance industry.

**Idaho School District Council.** In an effort to reduce costs by becoming a part of a larger group, many districts participate in the Statewide Schools Insurance Program operated by the Idaho School District Council. According to the council, 97 of Idaho’s 114 districts (85 percent) currently obtain their health insurance coverage through the program. These districts have about 15,000 covered employees. Although the council initially offered only two plans, the number of options has increased over time. Currently, districts can choose from nearly 20 different plan configurations with annual deductibles ranging from \$100 to \$3,000. Along with multiple plans, the council has also classified member districts into three risk groups based on previous claims costs incurred by district employees.

Because the council has increased the number of plan options and create risk groups to meet the varying needs and financial capabilities of districts, the Statewide Schools Insurance Program may not be controlling costs to the extent it could. Multiple plan options and groups divide a larger pool into smaller ones, and may partially offset the main objective of participating in the pool—to spread claim risks over as many individuals as possible. For example, a member of Oregon’s Public Employees Benefits Board told us Oregon reduced the cost of its employee plan by as much as 20 percent by eliminating 10 of its 12 plan options. In Idaho, most state employees previously had two options under the state employee health insurance plan, but as of fiscal year 2004, the plan no longer offers a choice.<sup>6</sup>

**Statewide Insurance Pool.** If *all* districts participated in a statewide insurance program, it would create an insurance pool of more than 24,000 employees, or about 60 percent larger than the current Statewide Schools Program operated by the Idaho School District Council. Such a pool, with *limited* plan choices, could potentially help control health insurance cost increases.

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<sup>5</sup> Steven B. Larsen, Maryland Insurance Commissioner, testimony before the Subcommittee on Health of the Committee on Ways and Means, U. S. House of Representatives, April 4, 2001, <http://waysandmeans.house.gov/legacy/health/107cong/4-4-01/4-4lars.htm>.

<sup>6</sup> State employees in five north Idaho counties had a third option, an HMO plan that has also been discontinued.

Idaho Code allows districts to participate in the state employee health insurance plan operated by the Department of Administration.<sup>7</sup> While none of the districts are currently covered under the state plan, a number of other public entities do participate.<sup>8</sup> District participation in the plan, as it is currently configured, may be impractical for two reasons. First, participating entities are currently required to pay a flat amount of \$458 per month per employee under the state plan.<sup>9, 10</sup> This is more than the 11 districts visited currently pay for health insurance. Second, the state plan's deductible (\$350) and out-of-pocket maximum (\$4,300) are higher than most district plans. However, the state health plan is changed periodically, and could be restructured with benefits and premiums that are more suitable to districts.

Other states have similarly permitted or even required district employees to participate in their state employee health plans.<sup>11</sup> In addition to states that already allow school employees to participate in state health insurance plans, Oregon legislators recently considered a bill that would have required district employees to participate in its state employee health plan. Committee members decided to study the concept further.

Some states have also established separate statewide health insurance plans, expressly for school employees. In both Texas and New Mexico, separate state agencies administer a statewide health insurance plan developed expressly for public school employees. In addition to these states, Montana legislators recently considered a bill that would have created a public school benefits board as a separate agency to administer a statewide employee health insurance pool. The concept was referred to an interim committee for further study.

Participation in the state employee plan or establishment of a separate statewide insurance pool for districts would reduce the discretion local districts now exercise in setting employee health benefits. Further study, involving district representatives, will be needed to determine if such a plan would reduce health insurance costs and address differing district needs and financial capabilities.

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<sup>7</sup> IDAHO CODE § 67-5768 (2001).

<sup>8</sup> For example, Dry Creek Cemetery District and Port of Lewiston participate in the state health insurance plan.

<sup>9</sup> This rate does not reflect the actual cost of coverage of an employee, but was developed to simplify budgets and payment processing. The actual cost under the fiscal year 2004 plan ranges from approximately \$254 for an individual employee to \$895 for full family coverage.

<sup>10</sup> Employees are also required to pay a portion of their health insurance costs, ranging from \$24 to \$81 depending on the number of dependents covered.

<sup>11</sup> States we reviewed that allow or require school district employees to participate in the state employee health insurance plan are Arizona, Arkansas, Kansas, Kentucky, Mississippi, North Carolina, and Washington.

### ***Districts Have Other Cost-Saving Alternatives***

Because district officials currently have some discretion in determining what health benefits to offer, they have some alternatives available to them to control health insurance costs. We identified two such options that could help control health insurance costs without creating a larger insurance pool.

**Self-Funded Deductible Buy-Down Plan.** Districts could potentially control insurance costs without substantively reducing benefits by establishing a self-funded deductible buy-down plan. Such a plan involves negotiating a lower-cost health plan with a higher deductible.<sup>12</sup> Under this option, districts could use a portion of savings from reduced premium costs to reimburse employee out-of-pocket expenses that arise from the increased deductible. Before implementing such a plan, districts should compare the cost savings with potential employee reimbursements and the administrative costs of processing claims.<sup>13</sup>

**Expand Use of Preferred Provider Organizations.** Districts could save health insurance costs and possibly improve employee benefits by enrolling in a PPO plan. Exhibit 5.1 on page 41 shows that the PPO plans already offered by the districts we visited are among the lowest cost plans offered. Additionally, as long as employees stay within the provider network, they generally pay coinsurance of only 10 percent of the cost of service (after deductible has been paid). In contrast, most traditional plans require employees to pay coinsurance of 20 percent. Availability of a network of preferred providers is necessary if employees are to reasonably benefit from such a plan.

### **Recommendation**

- 5.1. To address the rising costs of health insurance, the Legislature could consider authorizing further study of the potential cost savings of a statewide health insurance plan for school districts.

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<sup>12</sup> Because a self-funding arrangement may affect premium costs, districts should ensure that insurers are aware of district plans to self-fund part of the deductible.

<sup>13</sup> A district would also be required to register its plan with the Department of Insurance and meet reserve fund requirements only if its annual deductible buy-down is larger than \$500 per employee or \$50,000 for all employees, IDAHO CODE § 41-4003(2)(a)(2003).

# Appendices



**Appendix A: Administrators and Administrative Support Positions (FTEs), FY2003**

	<u>Enrollment</u>	<u>Number of Schools</u>	<u>Students Per Position</u>	<u>District Administrators</u>	<u>School Administrators</u>	<u>District Business/Support</u>	<u>School Support</u>	<u>Other Supervisory Positions</u>	<u>All Administrative Positions<sup>a</sup></u>	<u>Administrative Percent of All FTEs</u>
Statewide	248,515	682	78.7	392.9	718.5	728.2	801.5	517.6	3,158.7	12.8%
<b>Enrollment 15,000 or more</b>			<b>96.0</b>							<b>11.2</b>
Meridian Joint	25,939	35	106.6	32.2	69.5	44.8	58.0	38.7	243.2	10.6
Boise Independent	25,816	50	87.2	34.2	77.7	88.3	72.3	23.7	296.1	11.2
<b>Enrollment 5,000–14,999</b>			<b>86.3</b>							<b>12.6</b>
Nampa	12,380	21	100.6	9.0	32.7	29.6	43.4	8.4	123.1	11.0
Pocatello	11,768	27	77.7	14.0	30.5	45.7	35.7	25.6	151.5	13.6
Idaho Falls	10,514	21	83.4	11.1	27.5	46.1	30.0	11.3	126.1	12.3
Coeur d'Alene	9,193	17	85.6	8.5	23.8	27.0	35.1	13.0	107.4	12.6
Bonneville Joint	7,650	15	99.6	10.6	20.0	14.9	23.7	7.7	76.8	11.3
Twin Falls	7,033	13	94.7	5.0	19.0	21.3	17.9	11.1	74.3	11.7
Caldwell	5,885	10	92.6	10.0	14.0	10.1	12.6	16.8	63.5	11.5
Lewiston Independent	5,089	13	61.5	8.0	14.0	32.4	18.2	10.0	82.7	15.2
<b>Enrollment 1,500–4,999</b>			<b>79.8</b>							<b>12.7</b>
Cassia County Joint	4,996	16	74.3	7.0	15.2	10.0	15.0	20.0	67.3	12.8
Post Falls	4,841	8	120.7	5.0	11.5	8.8	8.7	6.2	40.1	9.3
Mountain Home	4,363	10	79.5	9.9	11.0	8.2	19.6	6.1	54.9	12.8
Minidoka County Joint	4,338	10	80.3	7.6	11.3	9.7	17.2	8.3	54.0	12.4
Lakeland	4,146	9	101.2	6.3	12.0	7.5	13.1	2.0	41.0	11.3
Madison	4,112	12	91.7	4.0	12.8	6.5	15.9	5.6	44.8	11.9
Vallivue	4,090	7	81.7	8.0	9.0	9.0	12.1	12.0	50.1	13.2
Blackfoot	4,079	14	92.3	4.0	13.5	9.9	14.8	1.9	44.2	10.9
Lake Pend Oreille	4,041	12	51.5	7.3	12.0	19.6	20.3	19.4	78.5	17.8
Jefferson County Joint	3,971	9	94.3	3.0	11.3	10.2	12.2	5.4	42.1	11.7
Kuna Joint	3,321	8	87.8	5.9	8.0	7.6	10.8	5.5	37.8	12.4
Blaine County	3,103	8	64.5	7.0	8.5	16.4	10.5	5.8	48.1	12.0
Jerome Joint	3,028	7	88.2	5.0	8.0	8.6	7.7	5.1	34.3	11.6
Emmett Independent	2,928	9	84.9	3.6	7.4	4.7	7.9	10.9	34.5	12.5
Preston Joint	2,449	5	107.3	3.8	5.0	1.8	5.8	6.4	22.8	12.0

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Appendix A—continued

	<u>Enrollment</u>	<u>Number of Schools</u>	<u>Students Per Position</u>	<u>District Administrators</u>	<u>School Administrators</u>	<u>District Business/Support</u>	<u>School Support</u>	<u>Other Supervisory Positions</u>	<u>All Administrative Positions<sup>a</sup></u>	<u>Administrative Percent of All FTEs</u>
Moscow	2,376	8	66.3	4.0	8.0	11.6	9.4	2.8	35.8	12.9
Fremont County Joint	2,369	9	76.7	2.9	6.7	8.4	7.3	5.7	30.9	12.2
Middleton	2,368	5	80.2	5.0	8.0	5.4	7.4	3.7	29.5	13.9
Shelley Joint	1,990	4	79.3	2.3	6.0	4.0	6.7	6.1	25.1	13.6
Snake River	1,936	6	84.2	1.5	5.5	4.5	6.3	5.1	23.0	12.4
Payette Joint	1,883	6	77.0	1.0	5.9	2.8	6.2	8.6	24.5	13.9
Boundary County	1,648	7	64.3	4.7	5.0	4.4	8.7	2.9	25.6	14.0
American Falls Joint	1,640	5	73.6	2.5	4.0	5.7	5.4	4.7	22.3	12.8
Weiser	1,631	5	72.3	2.4	6.0	2.8	6.1	5.3	22.6	13.2
West Bonner County	1,533	6	57.8	3.5	5.8	4.4	8.3	4.6	26.5	15.8
Fruitland	1,524	6	74.7	1.6	4.0	6.4	4.2	4.3	20.4	12.8
Grangeville Joint	1,520	9	63.2	2.4	5.0	3.2	7.6	5.8	24.1	13.5
<b>Enrollment 500-1,499</b>			<b>62.8</b>							<b>14.2</b>
Marsh Valley Joint	1,421	6	61.1	2.3	5.0	4.3	5.7	5.9	23.3	15.2
Bear Lake County	1,419	6	59.9	2.0	5.0	3.4	4.5	8.8	23.7	15.9
Orofino Joint	1,414	9	48.0	4.7	4.0	4.6	6.3	9.9	29.4	16.5
Kellogg Joint	1,386	5	54.4	6.1	4.0	2.7	6.4	6.3	25.5	15.4
Teton County	1,374	6	73.9	2.8	4.5	3.1	4.6	3.6	18.6	13.5
Buhl Joint	1,345	3	76.7	3.5	3.5	4.8	4.0	1.8	17.5	12.5
Filer	1,327	4	74.3	3.0	3.1	2.8	4.4	4.6	17.9	13.7
Sugar-Salem Joint	1,288	4	73.1	1.8	4.4	3.1	3.7	4.6	17.6	13.3
Kimberly	1,285	3	79.2	3.8	3.0	2.8	5.5	1.2	16.2	12.5
Homedale Joint	1,260	4	79.6	3.5	3.4	2.8	4.5	1.7	15.8	10.9
Gooding Joint	1,254	4	71.0	2.8	3.8	3.6	4.7	2.7	17.7	13.7
St. Maries Joint	1,139	5	62.5	2.3	3.9	4.3	4.1	3.8	18.2	14.2
Salmon	1,112	6	57.2	2.2	4.0	4.3	5.2	3.8	19.4	15.2
Wendell	1,043	3	92.3	1.2	3.0	1.5	3.8	1.8	11.3	10.7
Parma	1,034	3	70.8	2.4	3.0	3.7	3.0	2.5	14.6	12.4
Soda Springs Joint	1,028	8	75.8	1.0	3.5	2.4	4.8	1.9	13.6	13.3

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Appendix A—continued

	<u>Enrollment</u>	<u>Number of Schools</u>	<u>Students Per Position</u>	<u>District Administrators</u>	<u>School Administrators</u>	<u>District Business/Support</u>	<u>School Support</u>	<u>Other Supervisory Positions</u>	<u>All Administrative Positions<sup>a</sup></u>	<u>Administrative Percent of All FTEs</u>
New Plymouth	986	3	85.5	1.9	3.2	1.6	3.3	1.6	11.5	11.9
McCall-Donnelly Joint	985	6	45.1	5.4	4.0	1.9	8.9	1.7	21.9	19.1
Firth	941	3	88.2	1.4	2.1	1.9	2.4	3.0	10.7	12.7
Oneida County	919	4	113.9	1.0	3.0	1.7	2.3	0.1	8.1	8.8
Aberdeen	907	2	70.3	1.5	3.0	2.0	2.0	4.4	12.9	12.5
Marsing Joint	765	3	60.2	2.4	3.0	2.9	2.4	2.0	12.7	13.6
Ririe Joint	702	3	61.9	0.5	2.5	3.0	3.4	2.0	11.4	15.7
Melba Joint	690	3	54.6	1.9	2.5	3.4	2.2	2.6	12.6	16.6
West Jefferson	680	3	69.2	1.0	2.5	1.0	2.6	2.7	9.8	12.7
Valley	629	1	75.9	1.5	2.5	1.8	0.7	1.8	8.3	11.8
Glenns Ferry Joint	610	3	49.6	1.2	2.9	2.7	2.3	3.4	12.3	16.6
Wallace	599	3	53.0	3.3	2.0	2.6	2.9	0.5	11.3	14.7
West Side Joint	577	3	59.8	1.3	1.7	1.1	2.5	3.0	9.7	15.6
Kamiah Joint	553	3	49.5	1.9	2.0	2.5	2.4	2.3	11.2	16.0
Potlatch	550	2	62.0	1.2	2.0	2.5	1.5	1.6	8.9	13.1
Wilder	546	2	51.7	3.7	2.0	1.4	1.9	1.6	10.6	14.4
Shoshone Joint	526	2	52.4	1.0	2.0	1.9	2.4	2.8	10.0	17.3
Grace Joint	522	3	49.9	1.0	1.8	1.8	2.2	3.7	10.5	14.6
Challis Joint	520	6	47.2	1.5	1.8	2.7	2.3	2.8	11.0	15.3
Lapwai	519	4	29.8	6.8	3.0	3.7	2.3	1.6	17.4	19.7
Plummer/Worley Joint	516	3	41.1	1.2	3.0	2.5	2.4	3.4	12.6	15.4
Butte County	512	4	55.8	1.0	2.0	3.0	2.2	1.0	9.2	14.1
Bruneau-Grand View Joint	504	5	60.3	1.0	2.0	2.0	2.4	1.0	8.4	13.0
<b>Enrollment 100-499</b>			<b>40.7</b>							<b>17.4</b>
Cottonwood Joint	481	3	52.6	1.0	1.9	1.4	2.3	2.6	9.1	15.6
Basin	472	2	62.5	0.9	1.5	1.9	1.6	1.6	7.6	13.3
Hagerman Joint	413	2	54.6	0.8	1.3	1.8	2.1	1.6	7.6	16.1
Hansen	374	2	40.8	1.8	1.9	1.7	1.4	2.4	9.2	18.2
Cascade	369	2	57.3	0.9	1.8	2.1	0.0	1.6	6.4	14.2

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Appendix A—continued

	<u>Enrollment</u>	<u>Number of Schools</u>	<u>Students Per Position</u>	<u>District Administrators</u>	<u>School Administrators</u>	<u>District Business/Support</u>	<u>School Support</u>	<u>Other Supervisory Positions</u>	<u>All Administrative Positions<sup>a</sup></u>	<u>Administrative Percent of All FTEs</u>
Castleford Joint Council	355	1	50.4	2.0	1.0	1.7	0.8	1.6	7.0	17.5
Kendrick Joint	342	2	52.1	0.5	1.5	1.4	1.8	1.4	6.6	15.8
Notus	339	3	31.3	1.0	2.0	3.0	2.1	2.7	10.8	23.5
Genesee Joint	333	2	39.4	2.0	1.0	2.0	1.8	1.7	8.5	17.5
Troy	326	2	39.1	1.2	1.0	2.0	1.4	2.8	8.3	19.9
Horseshoe Bend	308	2	44.6	0.6	2.0	1.1	1.5	1.7	6.9	15.3
Garden Valley	307	3	37.2	2.5	1.5	1.4	0.8	2.1	8.3	19.5
Whitepine Joint	304	3	46.3	0.7	1.0	2.1	0.8	2.0	6.6	16.0
Kootenai Joint	280	2	31.6	1.8	1.5	2.0	1.5	2.1	8.9	17.8
Mackay Joint	279	2	40.3	0.8	1.6	1.5	1.3	1.7	6.9	17.5
Highland Joint	246	2	43.5	0.5	1.4	1.7	1.5	0.7	5.7	15.3
Murtaugh Joint	245	2	51.0	0.5	1.0	1.5	0.8	1.0	4.8	16.1
Clark County Joint	229	3	42.9	1.0	1.0	1.0	0.8	1.6	5.3	16.1
Culdesac Joint	220	3	39.9	1.0	0.7	1.8	0.0	2.1	5.5	17.7
Richfield	207	1	41.2	0.7	0.9	1.0	0.7	1.7	5.0	17.5
Dietrich	204	1	35.7	1.0	0.9	1.0	1.0	1.9	5.7	19.0
Nezperce Joint	194	1	30.3	1.0	0.4	1.3	2.0	1.6	6.4	22.3
North Gem	186	2	29.4	1.0	0.8	2.5	0.5	1.5	6.3	19.9
Meadows Valley	184	2	31.4	1.5	0.0	1.2	0.7	2.5	5.9	19.4
Bliss Joint	180	2	25.4	2.3	1.0	2.1	0.0	1.7	7.1	26.2
Cambridge Joint	180	1	44.2	1.0	0.5	1.8	0.0	0.8	4.1	14.5
Camas County	179	2	31.3	1.0	0.6	1.1	1.3	1.7	5.7	18.3
Rockland	158	2	33.1	0.4	1.0	1.0	0.7	1.7	4.8	17.4
Mullan	147	1	45.7	1.6	0.1	1.0	0.3	0.2	3.2	11.6
Midvale	145	2	22.7	0.9	0.7	1.0	2.2	1.6	6.4	21.8
South Lemhi	134	2	41.2	1.1	0.1	1.0	0.8	0.2	3.3	14.2
	130	2	34.5	0.8	0.8	1.0	0.0	1.3	3.8	14.4

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Appendix A—continued

	Enrollment	Number of Schools	Students Per Position	District Administrators	School Administrators	District Business/Support	School Support	Other Supervisory Positions	All Administrative Positions <sup>a</sup>	Administrative Percent of All FTEs
<b>Enrollment fewer than 100</b>										
	58	3	26.9	0.8	0.0	0.9	0.0	0.5	2.2	24.4
Swan Valley Elementary										22.9
Avery	29	2	9.5	1.5	0.0	0.8	0.0	0.8	3.0	27.1
Pleasant Valley Elem.	19	2	18.1	0.3	0.0	0.8	0.0	0.0	1.1	35.4
Arbon Elementary	10	1	20.0	0.0	0.0	0.5	0.0	0.0	0.5	13.6
Three Creek Joint Elem.	8	1	--	0.0	0.0	0.0	0.0	0.0	0.0	--
Prairie Elementary	5	1	9.1	0.0	0.0	0.5	0.0	0.1	0.6	32.5
<b>Charter schools<sup>b</sup></b>										
	998	1	--	0.0	0.0	0.0	0.0	0.0	0.0	17.5
Idaho Virtual Academy										0.0
Liberty Charter	335	1	90.5	0.4	1.0	0.9	1.5	0.0	3.7	16.3
Hidden Springs Charter	312	1	195.0	0.0	1.0	0.0	0.6	0.0	1.6	8.9
Coeur d'Alene Charter Academy	306	1	43.7	0.0	2.0	2.0	2.0	1.0	7.0	26.7
Pocatello Community Charter	181	1	67.0	0.0	1.0	1.0	0.3	0.5	2.7	19.1
Meridian Charter High	174	1	96.7	0.0	1.0	0.0	0.8	0.0	1.8	10.6
Idaho Leadership Academy	143	1	110.0	0.0	0.4	0.9	0.0	0.0	1.3	13.4
Anser Charter School	138	1	37.3	0.0	2.0	0.6	1.1	0.0	3.7	30.4
Idaho Virtual High School	124	1	77.5	0.0	1.0	0.0	0.6	0.0	1.6	30.6
Moscow Charter School	97	1	26.9	0.6	0.4	0.4	1.0	0.0	2.4	21.7
Renaissance Charter School	102	1	42.5	0.0	1.0	1.0	1.6	0.0	3.6	30.2
Sandpoint Charter School	88	1	80.0	0.0	0.5	0.6	0.0	0.0	1.1	14.0
Blackfoot Community Learning	60	1	60.0	0.0	0.3	0.0	0.7	0.0	1.0	12.4

<sup>a</sup> Total may not sum due to rounding.

<sup>b</sup> Charter schools include Idaho Virtual Academy, with nearly 1/3 of all charter school enrollment and no administrative positions.

Source: Office of Performance Evaluations analysis of data from the Idaho Basic Education Data System (IBEDS) and fall enrollment data, State Department of Education.



## Appendix B

# Salary-Based Apportionment

Idaho Code establishes a formula for determining the amount of state funding each district receives for staffing.<sup>1</sup> This formula is called salary-based apportionment. The exhibit illustrates a simplified version of this formula. In fiscal year 2004, salary-based apportionment was \$667 million of the \$943 million appropriation from the state for all staffing positions within districts. The salary-based apportionment formula includes several key components:

- Number of support units (roughly equivalent of one classroom unit)
- Experience index (composite number of the level of experience for all related positions within the district)
- Base salary (base salary is determined in Idaho Code)
- The assigned multiplier (set number in Idaho Code)

The formula starts with the number of support units in the district. A support unit is roughly equivalent to one classroom unit. Administrative, instructional, and classified staff each have a multiplier assigned that is used to aid in the determination of how much funding the state will provide to each district for these positions.<sup>2</sup> The administrative multiplier is 0.075; it applies to certificated administrative positions, such as superintendents, principals, supervisors, and directors. The multiplier is then applied to the number of support units. Adjustments are made for smaller districts. During fiscal year 2003 there were 1,048 FTE certified administrators statewide, with total salaries of \$71 million.

Districts generally employ more staff than the state staffing allocation. When a district employs more staff than they were allocated, the difference between the allocation and the actual staff employed by the district is made up of a combination of funds not included in salary-based apportionment, such as local, federal, and discretionary funds. A total of \$10.8 million statewide was spent on certificated administrator positions above the state allocation. Of the 114 school

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<sup>1</sup> IDAHO CODE § 33-1004.

<sup>2</sup> The instructional multiplier is 1.1; this applies to teaching and other certificated instructional staff, such as technology assistance specialists. The classified multiplier is 0.375; it applies to other non-certificated positions ranging from instructional aides to clerical support positions.

**Appendix B: Salary-Based Apportionment Funding Formula**

$$\begin{array}{l}
 \text{Admin FTE:} \\
 \text{Admin salary:}
 \end{array}
 \left\{ \begin{array}{l}
 0.075 \\
 \text{Index}
 \end{array} \right\} \times \text{Base } \$33,760 = \text{Average salary} \times \text{FTE allowance} + \text{Support units} = \text{Adjustments for smaller districts} = \text{Adjustments/waivers} + \text{Salary-based apportionment}$$

Source: Idaho Code § 33-1004 and data from the State Department of Education.

districts, 84 percent funded certificated administrative staff beyond the state allocation.

Every district utilized their entire allocation for administrative staff in fiscal year 2003. During this time, 18 districts did not incur expenditures above their allocation for certificated administrators. Districts that expended additional funds ranged from \$55 to \$4.5 million dollars above the state allocation for certified administrator salaries.

*Appendix C*

**Administrator and Administrative  
Support Staff Positions, Duties,  
and FTE Counts in Eleven  
Districts, FY2003**

**Appendix C.1: District Administrators in Eleven Districts, FY2003<sup>a</sup>**

	<u>Boise<sup>b</sup></u>	<u>Meridian<sup>b</sup></u>	<u>Lewiston<sup>b</sup></u>	<u>Lake Pend Oreille<sup>b</sup></u>	<u>Moscow<sup>b</sup></u>	<u>Preston</u>	<u>Grangeville</u>	<u>Wallace</u>	<u>Wilder</u>	<u>Basin</u>	<u>Murtaugh</u>
Superintendent <sup>c</sup>	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	1.0
Assistant Superintendent <sup>d</sup>	1.0	2.0	1.0	-	1.0	-	-	-	-	-	-
Director <sup>e</sup>	5.0	10.2	3.4	4.6	2.0	1.4	1.0	1.0	1.7	0.4	-
Supervisor/ Coordinator <sup>f</sup>	27.2	19.0	2.7	1.7	-	1.4	0.4	1.3	1.0	-	-

<sup>a</sup> Duties are quoted/paraphrased from the Idaho State Department of Education's Idaho Basic Education Data System, *Description of IBEDS Assignments Codes*, August 2003.

<sup>b</sup> Does not include charter schools.

<sup>c</sup> Serves as the chief executive officer and primary advisor to the board of education.

<sup>d</sup> Performs high-level executive management functions for a superintendent in the areas of administration and instruction.

<sup>e</sup> Directs individuals and manages a function, program, or supporting service under the direction of a senior staff member.

<sup>f</sup> Performs professional management, administrative, research, analytical supervisory, and/or ancillary services for a senior executive.

Source: Office of Performance Evaluations analysis of Idaho Basic Education Data System (IBEDS) data from the State Department of Education.

**Appendix C.2: School Administrators in Eleven Districts, FY2003<sup>a</sup>**

	<u>Boise<sup>b</sup></u>	<u>Meridian<sup>b</sup></u>	<u>Lewiston<sup>b</sup></u>	Lake Pend <u>Oreille<sup>b</sup></u>	<u>Moscow<sup>b</sup></u>	<u>Preston</u>	<u>Grangeville</u>	<u>Wallace</u>	<u>Wilder</u>	<u>Basin</u>	<u>Murtaugh</u>
Principal Elementary <sup>c</sup>	34.0	23.0	7.0	5.3	4.0	2.0	2.5	1.0	1.0	0.5	1.0
Principal Secondary <sup>d</sup>	14.2	11.0	3.0	3.7	2.0	2.0	2.5	1.0	1.0	1.0	–
Assistant Principal <sup>e</sup>	29.5	35.5	4.0	3.0	2.0	1.0	–	–	–	–	–

<sup>a</sup> Duties are quoted/paraphrased from the Idaho State Department of Education's Idaho Basic Education Data System, *Description of IBEDS Assignments Codes*, August 2003.

<sup>b</sup> Does not include charter schools.

<sup>c</sup> Performs the highest level of executive management functions in an individual (elementary) school, a group of schools, or units of a school system.

<sup>d</sup> Performs the highest level of executive management functions in an individual (secondary) school, a group of schools, or units of a school system.

<sup>e</sup> Performs the highest level of executive management functions in an individual (elementary or secondary) school, a group of schools, or units of a school system. An assistant to the principal.

Source: Office of Performance Evaluations analysis of Idaho Basic Education Data System (IBEDS) data from the State Department of Education.

### Appendix C.3: District Business and Support in Eleven Districts, FY2003<sup>a</sup>

	<u>Boise<sup>b</sup></u>	<u>Meridian<sup>b</sup></u>	<u>Lewiston<sup>b</sup></u>	<u>Lake Pend Oreille<sup>b</sup></u>	<u>Moscow<sup>b</sup></u>	<u>Preston</u>	<u>Grangeville</u>	<u>Wallace</u>	<u>Wilder</u>	<u>Basin</u>	<u>Murtaugh</u>
Clerk, Board of Trustees <sup>c</sup>	0.9	-	-	0.5	-	-	0.2	0.1	1.0	1.0	-
Human Resource <sup>d</sup>	10.6	0.9	1.0	3.0	1.0	-	-	-	-	-	-
Public Information <sup>e</sup>	0.9	0.9	1.0	-	-	-	-	-	-	-	-
Business Manager/ District Clerk <sup>f</sup>	-	2.8	1.0	1.0	1.0	-	1.0	0.9	-	-	1.0
Computer Technology <sup>g</sup>	0.8	4.4	13.0	3.6	2.0	-	-	-	-	-	-
Technology/ Data Analysis <sup>h</sup>	18.2	11.0	-	1.0	-	-	-	-	-	-	-
District Support <sup>i</sup>	56.9	24.9	16.4	10.5	7.6	1.8	2.0	1.6	0.4	0.9	-

<sup>a</sup> Duties are quoted/paraphrased from the Idaho State Department of Education's Idaho Basic Education Data System, *Description of IBEDS Assignments* Codes, August 2003.

<sup>b</sup> Does not include charter schools.

<sup>c</sup> Activities to perform the duties of the secretary or clerk of the board of trustees.

<sup>d</sup> Performs activities concerned with staff recruitment, selection, training, and assignment.

<sup>e</sup> Attempts to foster good relations between the school and the public as a whole, by planning and conducting programs to disseminate accurate information.

<sup>f</sup> Directs individuals and manages a function, program or supporting service under the direction of a senior staff member.

<sup>g</sup> Performs technical support for computer hardware or software.

<sup>h</sup> Activities to prepare data for storage, retrieval and reproduction as information for reporting purposes.

<sup>i</sup> Performs the activities of preparing, transferring, transcribing, systematizing, or preserving communications, records, and transactions.

Source: Office of Performance Evaluations analysis of Idaho Basic Education Data System (IBEDS) data from the State Department of Education.

**Appendix C.4: School Support and Other Supervisory Positions in Eleven Districts, FY2003<sup>a</sup>**

School Support	Lake Pend Oreille <sup>b</sup>										
	<u>Boise<sup>b</sup></u>	<u>Meridian<sup>b</sup></u>	<u>Lewiston<sup>b</sup></u>	<u>Oreille<sup>b</sup></u>	<u>Moscow<sup>b</sup></u>	<u>Preston</u>	<u>Grangeville</u>	<u>Wallace</u>	<u>Wilder</u>	<u>Basin</u>	<u>Murtaugh</u>
Personnel <sup>c</sup>	72.3	57.9	18.2	20.3	9.5	5.8	7.6	2.9	1.9	1.6	0.8
<b>Other</b>											
Maintenance Supervisor <sup>d</sup>	2.8	2.1	1.0	1.0	1.0	1.0	-	-	1.0	0.5	0.5
Child Nutrition Manager <sup>e</sup>	17.3	31.3	6.2	12.4	0.8	1.8	-	-	0.6	-	0.7
Child Nutrition Supervisor <sup>f</sup>	0.9	3.5	0.8	1.0	-	0.8	-	-	-	0.8	-
Custodian Supervisor <sup>g</sup>	1.9	0.9	1.0	4.0	-	2.8	5.8	-	-	-	-
Transportation Supervisor <sup>h</sup>	0.8	0.9	1.0	1.0	1.0	-	-	0.5	-	0.4	0.3

<sup>a</sup> Duties are quoted/paraphrased from the Idaho State Department of Education's Idaho Basic Education Data System, *Description of IBEDS Assignments* Codes, August 2003.

<sup>b</sup> Does not include charter schools.

<sup>c</sup> Performs such activities as preparing, transcribing, systematizing, or preserving written communication and reports or operating office equipment.

<sup>d</sup> Activities to direct, manage, and supervise the operation and maintenance of the school plant facilities.

<sup>e</sup> Directs individuals and manages a function, program, or supporting service under the direction of a senior staff member.

<sup>f</sup> Activities to direct, manage, and supervise for service operations.

<sup>g</sup> Supervises and monitors the housekeeping and servicing activities for the upkeep and safety of the school.

<sup>h</sup> Directs, manages, supervises student transportation services.

Source: Office of Performance Evaluations analysis of Idaho Basic Education Data System (IBEDS) data from the State Department of Education.



# Responses to the Evaluation

*The response from the State Department of Education lists recommendations as written from an earlier draft of the report. Although the recommendations did not change, some wording changes in the final report were made for clarity.*





DIRK KEMPTHORNE  
GOVERNOR

January 26, 2004

Mr. Rakesh Mohan, Director  
Office of Performance Evaluations  
STATEHOUSE MAIL  
Boise, Idaho 83720-0055

Dear Rakesh:

Thank you for the opportunity to respond to this evaluation of Local School District Administration.

While many of the issues raised in the review are entirely within the purview of local districts, your recommendations to provide consistent processes and procedures regarding contracting and purchasing will assist the districts to improve utilization of all funds. Allowing local school districts access to statewide purchasing contracts should generate savings on common purchases made by many state and local governmental entities.

Finally, your recommendation to provide comparative information on administrative staffing and salaries will assist district boards and patrons to review statewide equity issues when making personnel decisions.

Thank you again for the good work of your staff. We look forward to working with the State Department of Education and the State Board of Education to implement your recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Whitlock".

Brian Whitlock  
Chief of Staff

BW/me





## IDAHO STATE BOARD OF EDUCATION

650 W. State Street • P.O. Box 83720 • Boise, ID 83720-0037  
208/334-2270 • FAX: 208/334-2632  
e-mail: [board@osbe.state.id.us](mailto:board@osbe.state.id.us)

January 22, 2004

Rakesh Mohan, Director  
Office of Performance Evaluations  
Joe R. Williams Building  
Lower Level, Suite 10  
Boise, ID 83720-0055  
Statehouse Mail

Dear Mr. Mohan:

On behalf of the State Board of Education, I would like to thank you and your staff for the your review of Idaho's school districts' administration methods. A copy of this report will be provided to all Board members for their review and development of a plan for addressing the recommendations made in your report.

Thank you for the opportunity to participate in this study.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary W. Stivers", written over a horizontal line.

Gary W. Stivers  
Executive Director

GWS/am





## DEPARTMENT OF EDUCATION

P.O. BOX 83720  
BOISE, IDAHO 83720-0027

DR. MARILYN HOWARD  
STATE SUPERINTENDENT  
PUBLIC INSTRUCTION

January 26, 2004

Rakesh Mohan, Director  
Office of Performance Evaluations  
Idaho State Legislature  
Statehouse

Dear Mr. Mohan,

We have reviewed the draft report from your office on public school administration.

The following are the Department's responses to the recommendations given in the executive section of the report. The recommendation from your office is followed by the SDE's response.

1. To improve the uniformity and accuracy of fiscal data collected and reported by school districts, the State Department of Education should:
  - Modify the Idaho Financial Accounting Reporting Management System (IFARMS) chart of accounts to eliminate unneeded detail and clarify the definitions for selected programs and object codes.

Response: The State Department of Education (SDE) agrees with this recommendation. The IFARMS chart of accounts is revised based on updates received from the U. S. Department of Education and input from the Idaho Association of School Business Officials (IASBO). In the past five years, we have received one update (Dec 2003) from the U. S. Department of Education. Upon completion of the FY 2003 Financial Summaries in mid-February, SDE Finance staff will revise program and object codes, and review to determine if there is a need to eliminate any unneeded detail. In a related effort, we recently revised a section of the IFARMS manual to incorporate recent major accounting changes from the Governmental Accounting Standards Board (GASB). Larry Kirk, formerly of Legislative Audit, was contracted to incorporate these changes into the manual. It is my understanding that the Idaho Student Information

Management System (ISIMS) team will also be reviewing school district financial data for inclusion in this system.

- Expand training offered to school district staff responsible for coding and reporting school district expenditures.

Response: The SDE supports the recommendation of expanded training. The SDE Finance section currently provides limited training through IASBO's annual Finance workshop, the SDE's post-legislative regional workshops, and telephone support. The SDE Finance has one specialist (0.6 FTE), whose primary responsibility is to oversee the collection and reconciliation of IFARMS data, and publish the Financial Summaries. This specialist works with a representative from each of the 114 school districts and 16 charter schools. Expanded training would require additional resources in the form of FTE and funds to provide regional training.

- Review the data submitted by districts to identify instances of non-reporting and possible coding problems.

Response: The SDE agrees with this recommendation. In the process of reconciling a school district's IFARMS report with the audited financial statements, balance sheet and income statement activity is reviewed and reclassified where necessary. Financial data are reviewed to ensure proper object codes (for example, all transfers should be 800). In order to more effectively identify instances of non-reporting and coding problems, the SDE would need to review school district transactions. Currently, the SDE relies heavily on the assistance of the auditor hired by the school district to review and assist in proper coding. In light of the instances where incorrect coding has been identified, the SDE will work with the auditors and IASBO to improve the coding of financial data.

2. To enhance the value of annual school district financial audits as a tool for state oversight, the State Department of Education should:

- Direct school districts to (1) include in their annual financial audits a review of district revenue and expenditure coding, and the accuracy of district enrollment, staffing, and pupil transportation data; and (2) report the results of this review to the department.

Response: The SDE believes that school districts are currently submitting what they believe to be accurate data. The SDE reviews this data for reasonableness with respect to previous year's data, average daily attendance relative to enrollment, etc. In the event that the SDE staff discovers data that appears questionable, school district staff and/or auditors are contacted to verify the data or to obtain revised data. The SDE is certainly willing to reinforce with its annual letter to auditors certain areas of emphasis, as this report suggests.

- Provide guidance and training to audit firms that conduct district financial audits regarding the standards to be used when assessing district coding of revenues and expenditures, and the accuracy of district enrollment, staffing, and pupil transportation data.

Response: The SDE sends a letter each year to school district auditors (most recent attached) to direct them to review data and procedures in the areas of foundation payments, pupil transportation, federal grants, and budgeting. An additional letter from Child Nutrition is also included regarding uniform reporting in the Child Nutrition fund. The SDE also includes a schedule of special distributions (replacement tax, technology, lottery, etc.), the SDE website, and available reference materials such as the IFARMS manual and revenue, expenditure, and balance sheet codes. School district staffing data collected through IBEDS is verified by school districts after the SDE has processed the data. The SDE will include additional items suggested in this report to the FY 2004 auditor letter. Auditors are welcome at any school finance training session—the IASBO often includes auditors in its annual conference and regional meetings.

- Establish a process for annual review a small sample of school district financial audits to assess the adequacy of work performed by audit firms to test the accuracy of data districts report to the department. The department should consult with the Legislative Auditor when developing the review process.

Response: The SDE will contact Legislative Audit to discuss this recommendation. It is our understanding that Legislative Audit staff ensure that school district audits are completed properly and are in compliance with Federal guidelines.

3. To improve the usefulness of annual school district financial information, the State Department of Education should:

- Provide more comparative information about school district revenue and expenditures overall and in the major functional areas such as instruction, administration, and pupil transportation.

Response: The SDE will consider including additional comparative information as this report suggests.

- Provide information about how school district revenues and expenditures compare to the nation and neighboring states.

Response: The SDE uses and refers interested parties to various entities that collect and prepare consistent state education data such as the National Center for Education Statistics, and the National Education Association.

- Provide information about revenue and expenditure patterns over time.

Response: The SDE publishes a significant volume of annual data in a consistent format that can easily be compared from year to year. The SDE will consider including this suggestion in its publications and website.

- Publish a narrative summary to help readers better understand key information and trends.

Response: The SDE agrees with this recommendation and will incorporate into future publications and website.

- Make revenue and expenditure information available on the department's website in ways that enable users to make comparisons between districts.

Response: The SDE Finance staff will meet with the SDE Office Technology staff to discuss the feasibility of including data on the SDE website that can be accessed. Currently, the SDE staff make data available to individuals as requested.

4. To ensure that adequate administrative staffing information is available for review by policy makers and the public, the State Department of Education should:

- Improve reporting about administrative staffing in school districts by identifying the number and type of administrative staff in each district, the ratio of students to administrative staff, and changes in administrative staffing over time.

Response: SDE's Annual Statistical Report provides considerable information regarding administrative staff. The ratio of average daily attendance to administrative staff is already included for each school district in the SDE Profiles publication. As stated earlier, the consistent format of this publication allows for fairly easy comparison of data over time. SDE staff provide additional detail (IBEDS reports) to interested parties as requested. The SDE will consider modifying our report and website.

- Require districts to provide information regarding the duties of staff in director, coordinator, and supervisor positions.

Response: The SDE will consider revising the information requested from districts in these positions.

- Make staffing information available on the department's website in easily accessible formats.

Response: The SDE Finance staff will meet with the SDE Office Technology staff to discuss the feasibility of this recommendation. In the mean time, all data in our publications are available in spreadsheet or database form as requested.

5. To ensure districts obtain a fair price for their purchases and only spend the amount of funds necessary:

- The Legislature should consider requiring school districts to seek price quotes for purchases between \$5,000 and the formal bid threshold, as is currently required of state agencies and local governments. Requiring districts to document these quotations and testing a sample of these purchases in a financial audit will help to ensure the requirement is implemented.

Response: The SDE role in school district purchases has been one of ensuring that school districts understand the statutes governing purchases. The SDE recommends that the Idaho Association of School Administrators (IASA) and IASBO also be included in discussions pertaining to this recommendation.

- The State Board of Education should consult with the State Division of Purchasing to develop requirements similar to those that call for the solicitation of formal bids when state agencies purchase services exceeding \$50,000.

Response: The SDE agrees with this recommendation.

6. To ensure that districts have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized, the State Department of Education should direct districts to include a purchasing compliance review in their annual financial audits.

Response: The SDE will discuss this recommendation with the IASA and IASBO. It is likely that additional reviews such as this will increase the cost of annual audits to school districts.

7. To ensure districts can take advantage of statewide purchasing contracts available from the State Division of Purchasing:

- The Legislature should consider giving specific statutory authority to districts for the use of statewide contracts to eliminate the need for an agreement with the Division of Purchasing.

Response: The SDE agrees with this recommendation as an option for school district purchases.

- The State Department of Education should advise districts of this resource during any annual training or communications.

Response: The SDE will ensure that districts are advised of this resource.

- The State Department of Education should provide school district contact information to the State Division of Purchasing so that districts will be included

on the division's listserv. This listserv periodically provides information about statewide contracts to public agencies that may be able to use them.

Response: The SDE agrees with this recommendation.

8. To potentially achieve cost savings and to foster communications among individual districts regarding purchasing, the State Department of Education should:

- Work with districts and any pertinent associations to determine the opportunities for any favorable purchasing cooperatives.

Response: As mentioned earlier, the SDE has historically been limited in its involvement with school district purchases, but is willing and able to assist with this recommendation.

- Explore opportunities to use the Internet for school district purchasing activities. For example, a statewide school district purchasing website could allow electronic posting of bid solicitations, sharing of district purchasing information, and links to State Division of Purchasing statewide contract information.

Response: The SDE agrees with this recommendation as an option for school district purchases.

- Encourage district staff to attend the State Division of Purchasing's training annually to learn about best practices.

Response: The SDE agrees with this recommendation. In addition, appropriate SDE Finance staff will attend this training if possible.

9. To ensure district interests are protected when procuring services, the State Department of Education should work with the State Division of Purchasing to provide guidance to districts on the requirements and the necessary components of a written contract.

Response: The SDE agrees with this recommendation.

10. To address the rising costs of health insurance, the Legislature should consider authorizing further study of the potential cost savings of a statewide health insurance plan for school districts.

Response: This has been a topic at regional superintendent meetings over the past several months. Due to the scope and magnitude of a statewide health insurance plan for school districts, the SDE strongly recommends that the Legislature seek input from school districts, and education associations including the Idaho School Boards Association (ISBA), IASA, IASBO, and the Idaho Education Association (IEA).

Thank you for all of your and your staff's work in preparing this report and for the opportunity to respond.

Respectfully,

A handwritten signature in black ink, appearing to read "Timothy D. Hill". The signature is written in a cursive style with a large, sweeping initial "T".

Timothy D. Hill  
Bureau Chief, Finance / Transportation

enclosure



## DEPARTMENT OF EDUCATION

P.O. BOX 83720  
BOISE, IDAHO 83720-0027

DR. MARILYN HOWARD  
STATE SUPERINTENDENT  
PUBLIC INSTRUCTION

### MEMORANDUM

**DATE:** July 7, 2003  
**TO:** Auditors of Idaho Public School Districts  
**FROM:** Julie Oberle, Specialist  
Public School Finance  
**SUBJECT:** Local School Audits, 2002-2003

The State Department of Education (SDE) has been requested by various auditors, program personnel, and the public to assist in providing direction to auditors. This memo outlines a few of the major areas that each auditor should be reviewing and testing in their audits.

The Annual Report memos, reports, forms and a draft version of the IFARMS manual are available on our website at [www.sde.state.id.us/finance](http://www.sde.state.id.us/finance). Once at our website, select Forms, then 2002-2003 Annual Report Forms. You will also find a list of "Reminders" that may be helpful and a memo from the Department's Child Nutrition section.

Attached to this memo is a listing of the various state payments that have been made as of June 30, 2003 to the various school districts for the 2002-2003 school year.

#### State Foundation Program

Many districts receive over 60-70% of their General M&O revenues through the State Foundation Program. The amount received is based on information supplied by the district to the SDE during the year. In many cases, auditors are only confirming the amount received from the SDE and are not verifying the accuracy of the original data submitted by the district. The SDE recommends that auditors review how districts submit attendance data, test the attendance data, and confirm schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations.

Auditors should also be testing the Idaho Basic Educational Data System (IBEDS) information submitted annually by the districts to the SDE. This data is used in the calculation of Salary Based Apportionment. Testing should include the district's placement of certified staff on the education and experience multiplier table and that teaching assignments have been reported correctly. The data should reflect a "snapshot in time," which is the last Friday of September. **If you wish to obtain a copy of the IBEDS data for the district you are auditing, please contact Myrna Holgate at 332-6845.**

Each school district is required to submit an annual report, using the Idaho Financial Accounting Reporting Management System (IFARMS) as a guideline, within 90 days of fiscal year-end. Data in this annual report should agree to that shown in the audited financial report.

Various payments to the school districts are done using computations including fixed asset dollar amounts. The fixed asset information included in the notes to the financial statements must be separated into elementary, secondary, and administrative fixed asset dollars for these computations.

Office Location	Telephone	Speech/Hearing Impaired	FAX
650 West State Street	208-332-6800	1-800-377-3529	208-334-2228

to be accurate. It would also be helpful to have this information further separated by asset type, including buildings, equipment, transportation, etc.

Districts also receive state grant monies that should be tested to ensure the dollars are expended in accordance with the district's approved applications. These grants include, but are not limited to, technology, substance abuse, reading, and possibly creative and innovative grants. State grant monies should be reported separately from federal grant monies. The local district should have the reporting guidance manuals available for your review.

#### Pupil Transportation

Auditors should review the district's internal control procedures to confirm that reimbursable costs as well as miles have been reported properly on the Pupil Transportation Reimbursement Claim. SDE also recommends that auditors review bus purchasing procedures, the proper handling of any depreciation allowance and fuel excise tax refunds, and confirm schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations.

#### U.S.D.A. School Lunch

It is important for auditors to review the district's internal control procedures for the handling of cash receipts and commodities at the building level. There has been an increase in detected fraud within the school lunch program in recent years. Sufficient tests should be included in your review to detect errors and prevent irregularities and assure that the state revenue matching requirements under the National School Lunch Act have been met.

#### Federal Grant Monies - Cash Management Compliance

School districts receive cash advances from several federal programs, including those encompassed by the Single Audit Act: Title I, Title II (Eisenhower), Title IV (Drug-free Schools), Title VI (Innovative Programs), Title VI-B (Special Education), and Migrant Education. Auditors should examine federal cash balances and advanced funds to assure they do not exceed the district's immediate cash needs. The SDE recommends that auditors review the submitted cash balance reports to assure the district is in compliance with federal and SDE guidelines and regulations.

#### General Federal Guidelines

Auditors should review federal grants for compliance to Circular A-87 (outlines cost principles associated with federal grants) and to the Common Rule (details the reporting requirements). Audits should be conducted in accordance with the Yellow Book and the Single Audit Act, if appropriate.

#### Budgeting

Our website also includes a list of Idaho Code references pertaining to the budgeting for Idaho school districts. School districts must also follow State Board Rules and Regulations as well as reporting guidelines established by the SDE.

If you need further information, please call me at 332-6842.

cc: School Business Officials (E-mail copy of memo only)

## Office of Performance Evaluations Reports Completed 2000–Present

<u>Pub. #</u>	<u>Report Title</u>	<u>Date Released</u>
00-01	A Limited Scope Evaluation of Issues Related to the Department of Fish and Game	March 2000
00-02	The Department of Fish and Game's Automated Licensing System Acquisition and Oversight	June 2000
00-03	Passenger Vehicle Purchase Authority and Practice in Selected State Agencies, Fiscal Years 1999–2000	September 2000
00-04	A Review of Selected Wildlife Programs at the Department of Fish and Game	November 2000
00-05	Idaho's Medicaid Program: The Department of Health and Welfare Has Many Opportunities for Cost Savings	November 2000
01-01	Inmate Collect Call Rates and Telephone Access: Opportunities to Address High Phone Rates	January 2001
01-02	Idaho Department of Fish and Game: Opportunities Exist to Improve Lands Program and Strengthen Public Participation Efforts	January 2001
01-03	Improvements in Data Management Needed at the Commission of Pardons and Parole: Collaboration With the Department of Correction Could Significantly Advance Efforts	May 2001
01-04	The State Board of Medicine: A Review of Complaint Investigation and Adjudication	June 2001
01-05	A Review of the Public Works Contractor Licensing Function in Idaho	November 2001
01-06	A Descriptive Summary of State Agency Fees	November 2001
02-01	The Department of Environmental Quality: Timeliness and Funding of Air Quality Permitting Programs	June 2002
02-02	Management of State Agency Passenger Vehicles: A Follow-up Review	November 2002
02-03	A Review of the Idaho Child Care Program	November 2002
03-01HHW	Return of Unused Medications from Assisted Living Facilities	January 2003
03-01F	Agency Response to <i>Management of State Agency Passenger Vehicles: A Follow-up Review</i>	February 2003
03-01	Programs for Incarcerated Mothers	February 2003
03-02F	The Department of Environmental Quality: Timeliness and Funding of Air Quality Permitting Program	February 2003
03-03F	Data Management at the Commission of Pardons and Parole and the Department of Correction	February 2003
03-02	Overview of School District Revenues and Expenditures	April 2003
04-01	Higher Education Residency Requirements	January 2004
04-02	Fiscal Accountability of Pupil Transportation	January 2004
04-03	School District Administration and Oversight	January 2004
04-01F	Management of State Agency Passenger Vehicles	January 2004

Performance evaluations may be obtained free of charge from the  
 Office of Performance Evaluations • P.O. Box 83720 • Boise, ID 83720-0055  
 Phone: (208) 334-3880 • Fax: (208) 334-3871  
 or visit our web site at [www.state.id.us/ope/](http://www.state.id.us/ope/)

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