REPORT OF THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

Interim Report: Best Practices for the Support Services of School Divisions

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

HOUSE DOCUMENT NO. 24

COMMONWEALTH OF VIRGINIA
RICHMOND
2003

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Preface

House Joint Resolution (HJR) No. 34 from the 2002 General Assembly Session requires that the Joint Legislative Audit and Review Commission (JLARC) "examine the best administrative, fiscal, and service practices in the Commonwealth's public school divisions." The study mandate expresses a particular interest in "the identification of practices that would result in revenue savings to school divisions and to the Commonwealth, and services that might be effectively outsourced [to] assist school divisions in providing the highest quality system of public education." The mandate for this study requires an interim report to be submitted to the 2003 General Assembly and a final report by the end of November 2003.

This review focuses, then, on best practices for the non-instructional services provided by school divisions. The concept of "best practices" is being defined broadly and inclusively in the review as "work methods, resource allocations, processes, and initiatives to improve a school division's efficiency and/or effectiveness." School division services addressed in this review include: administrative systems and services, attendance and health services, operation and maintenance services (including safety and security), pupil transportation, technology support services, food service operations, and school construction.

For this interim report, JLARC staff examined the growth in per-pupil expenditures for non-instructional services in recent years. Between FY 1990 and FY 2000, the per-pupil costs for the non-instructional services addressed by this review generally grew between the average annual rate of inflation (about three percent) and the average annual rate of growth in Virginia personal income per pupil (about four percent). An exception was per-pupil school construction costs, which grew at a more rapid rate. This analysis suggests that the costs of most of these services did not rise at clearly unusual or excessive levels during the 1990s. An inherent limitation of such trend analyses, however, is that the appropriateness of the expenditure amount in either the base year chosen or the end year is not established by the analysis.

Recurring (operational) costs addressed by this review include administrative costs, attendance and health costs, operation and maintenance costs, pupil transportation, and school food services costs. In FY 2000, local, State, and federal taxpayers, as well as fees and other charges, paid for a statewide average cost of about $9.30 per child per school day to provide these five operational services. Over the years, the State has employed several approaches that have restrained the costs that it recognizes in determining its funding responsibility for non-instructional services. Therefore, the State pays for its share of costs based on amounts less than the statewide average cost.

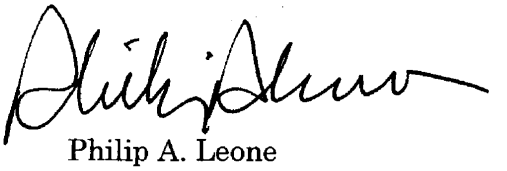
There is substantial variation across school divisions in the costs paid for these services. For example, while a majority of divisions spent between $8.00 and $9.99 per pupil per school day in FY 2000 for the five operational services described, some school divisions spent less than $8.00, while some others spent $12.00 or more. It is not fully clear the extent to which these cost differences reflect differences in

the degree to which best practices are used, differences in the expected caliber of services, or differences in other local characteristics and factors.

Pursuant to the mandate, JLARC's review seeks to address the issue of the potential that may exist for increased efficiency and effectiveness in the provision of non-instructional services through a greater use of best practices. A two-step approach is being employed. In the first step, undertaken during this interim phase of the review, the focus has been upon identifying potential best non-instructional practices that are being used in some school divisions in the Commonwealth. JLARC staff established a location on the JLARC internet site where school division staff could submit practices that have been successful in their division. Through this process, over 180 best practice ideas were submitted by the school divisions. A list of descriptive titles for these best practices, with the names of the school divisions submitting them, is provided as an appendix at the back of this report.

In the second phase of the study, JLARC staff plan to examine the best practice ideas in more detail, and consider the potential for wider use of the best practices. In addition, staff plan to consider the potential impacts upon the costs, the quality of services, and the funding of school divisions that might be achieved through more widespread use of the best practices. To accomplish the objectives for the second phase of the review, JLARC staff anticipate conducting a substantial number of school division site visits, if staff time and resources permit.

On behalf of the JLARC staff, I would like to thank the school divisions for their assistance in this phase of the review, and particularly the staff who prepared and submitted best practices for inclusion in the study. In addition, I would like to thank Department of Education staff for their continued assistance in providing requested information.



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Director

January 27, 2003

Table of Contents

		Page
I.	**INTRODUCTION**	**1**
	Virginia's Funding of School Division Costs	2
	Scope of the JLARC Review	9
	Expenditure Growth and Daily Costs Per Pupil for Non-Instructional Services	11
II.	**RESEARCH ACTIVITIES FOR THE INTERIM AND FINAL REPORTS**	**17**
	Overview of Best Practices Concept Used in this Review	17
	Study Approach for Collecting Best Practice Ideas	19
	Overview of Best Practices Received to Date	21
	Planned Research Activities for the Final Report	31
APPENDIXES		**37**

I. Introduction

House Joint Resolution (HJR) No. 34 from the 2002 General Assembly Session requires that the Joint Legislative Audit and Review Commission (JLARC) "examine the best administrative, fiscal, and service practices in the Commonwealth's public school divisions" (see Appendix A). The resolution references the General Assembly's constitutional responsibility to provide for a system of public education and to "ensure that an educational program of high quality is established and continually maintained." In light of this responsibility, HJR 34 indicates that "integral to the provision of a quality public education system is efficiency in the administration of programs, services, and budgetary matters." The study resolution notes that while there have been mechanisms in place in Virginia to identify and analyze effective instructional programs and practices, "no similar mechanism" has been available to accomplish this task for non-instructional activities.

The study mandate notes that "the Commonwealth's public schools face continuing challenges as enrollments grow and required programs and services increase." At a time of constrained State and local budgets, the mandate recognizes that to provide a high quality system of education for the students, funding for schools will need to be used effectively and efficiently.

One of the ways this might be achieved is through the greater dissemination of non-instructional best practices among school divisions. However, the extent to which there are best practices for providing these services that could be more widely disseminated, and thereby achieve results leading to greater effectiveness and efficiency, is not currently known.

This JLARC review is designed to assess this issue. The study mandate requires an interim JLARC report prior to the 2003 General Assembly Session, and a final report by the end of November 2003. Pursuant to the mandate, JLARC has initiated a review of school division best practices for providing non-instructional services.

The review has proceeded using a two-step approach. In the first step, undertaken during this interim phase of the review, the focus has been upon identifying potential best non-instructional practices that are being used in some school divisions in the Commonwealth. JLARC staff established a location on the JLARC internet site where school division staff could submit practices that have been successful in their division. Through this process, over 180 best practice ideas have been submitted to date for the following categories of non-instructional services:

- Administrative systems and services,
- Attendance services,
- Health services,
- Operation and maintenance services,
- Pupil transportation,
- Safety and security,
- Technology support services,

- Food service operations, and
- School construction.

In the second phase of the study, JLARC staff will examine the potential for wider use of the best practices that have been reported. In addition, the potential impacts upon the costs, quality of services, and funding of divisions that might be achieved through more widespread use of the best practices will be examined.

Chapter I of this interim report provides some background information to describe the context and scope of the review. It describes Virginia's funding of school division costs, especially the manner in which non-instructional services have been funded. The extent to which local governments and the State currently participate in paying for these services will likely have an impact on the relative savings through greater use of best practices that might accrue to each. The chapter also describes the types of services included in the scope of this review, and provides an overview of expenditure growth and the per-pupil daily costs of the services covered by this study.

The second and final chapter of this interim report provides an overview of the research activities that have been undertaken to date. The second chapter also provides an overview of the research activities that are planned for the second phase of the review.

VIRGINIA'S FUNDING OF SCHOOL DIVISION COSTS

Virginia, like many states, is experiencing substantial fiscal problems that are leading to the implementation of budget reductions. A comparison of planned State general fund appropriations for operating purposes in FY 2004 with these appropriations from three years prior (FY 2001) shows the current situation. The general fund budgets for the Department of Medical Assistance Services (Medicaid) and the personal property tax relief budgets show growth between FY 2001 and FY 2004. Setting aside these two budgets and (for the moment) direct aid to public education, the typical reduction in the size of the general fund for operating purposes can be identified. As of November 2002, the planned general fund appropriation level for all other State government purposes in FY 2004 is about 15.7 percent less than the amount shown in the Appropriation Act from three years before.

Prior to the 2003 General Assembly Session, direct aid to public education has not experienced a substantial reduction in total State general fund appropriations from the FY 2001 level. However, the State's progress has also been limited in addressing issues that have been raised in Virginia regarding the adequacy of State support for some aspects of public education. A number of these issues are identified in a February 2002 JLARC report on elementary and secondary school education funding. (This prior JLARC study was requested in response to local government concerns that they often have programs and incur costs that go beyond State standards and what the State has been willing to help fund.)

Regarding specific changes in State direct aid to public education, the FY 2002 State general fund appropriation level and the planned FY 2003 appropriation

are less than the FY 2001 level, by about $47 million (1.2 percent) and $26 million (0.7 percent) respectively. In the 2002 Appropriation Act, the State's planned appropriation from general funds for direct aid in FY 2004 (about $4.041 billion) is about $100 million more than in FY 2001. While that planned appropriation amount for FY 2004 is higher than the FY 2001 level, the amount does represent only a 2.5 percent increase compared to three years prior. Also, considering the growth in pupil membership reflected in State budget acts, the planned FY 2004 appropriation is slightly less on a per-pupil basis than the FY 2001 appropriation. On an inflation-adjusted per-pupil basis, the decrease in buying power will likely be more pronounced than is suggested by the decrease in funding per pupil (even if the pace of inflation continues at the modest levels seen from FY 2001 to FY 2002).

In the new JLARC review in the area of public education, as directed by HJR 34, the focus is on best practices for non-instructional services, and the improvements in efficiency or effectiveness that might be achieved through more widespread adoption of these practices. Due to the relatively lesser visibility and popularity of public education's non-instructional activities and costs (in comparison to the activities that contribute most directly to the instruction provided to students), State policy-makers may wish to achieve some economies in funding the non-instructional activities covered by this review. In fact, the HJR 34 mandate for this review calls for "the identification of practices that would result in revenue savings to school divisions and to the Commonwealth," and calls for "recommendations regarding revenue-saving initiatives and practices."

To understand the potential for this review to help the State achieve savings in the funding it provides for non-instructional purposes, some background information about the State's approach to funding public education is necessary. Issues regarding State and local funding for public education in Virginia have received attention in numerous documents over the years, including several by JLARC. The JLARC studies include: *Funding the Standards of Quality, Part I: Assessing SOQ Costs* (1986); the technical paper *Selection of a Statistic to Represent Local Educational Expenditures*; *Funding the Standards of Quality, Part II: SOQ Costs and Distribution* (1988); *State Funding of the Regional Vocational Education Centers in Virginia* (1991); and *Review of Elementary and Secondary School Funding* (2002).

This interim report section does not seek to provide a comprehensive summary of how the funding arrangements work and all of the various issues involved. The intent here is two-fold. First, the section seeks to provide a brief overview of the funding system for those unfamiliar with the overall approach that is taken. Second, the section indicates some of the ways in which State funding for support services has been constrained, potentially making it more difficult for the State to achieve substantial savings from amounts that have been conservatively provided. It appears that the potential beneficiaries with the most to gain fiscally from a review of school division non-instructional best practices and costs are those local governments that currently pay for high-cost non-instructional services.

Overview of Funding for Virginia's School Divisions

Local government funding, State funding, other local funding, and federal funding provides the support for public education costs. In FY 2000, Virginia school divisions received funds from these sources in the following proportional amounts:

- Local government funding – 48.0 percent,
- Other local funding – 4.4 percent,
- State funds – 42.0 percent, and
- Federal funds – 5.6 percent.

The cornerstone of State support for public education is the State's Standards of Quality (SOQ). These standards represent the minimum requirements that are to be met by every school division in the Commonwealth. The *Constitution of Virginia* requires that the State Board of Education determine and prescribe the SOQ "from time to time," "subject to revision only by the General Assembly." The General Assembly has the constitutional responsibility to determine "the manner in which funds are to be provided for the cost of maintaining an education program meeting the prescribed standards of quality," and is to apportion those costs between the State and the local governments.

The State pays the majority of costs that it defines as "SOQ costs." In FY 2000, the State paid an average of about 57 percent of SOQ costs, for example. The State's percentage share of SOQ costs varies by locality, based on a measure of ability to pay called the composite index.

However, capital facility costs have not been considered part of SOQ costs. Further, there have been concerns as to whether the State's standards and current practices for determining SOQ costs are realistic to provide for a quality education, and are therefore realistic in helping to set State and local minimum funding responsibilities. Many localities, and particularly many of Virginia's largest localities, have chosen to provide more resources to meet education needs as they see them than the State recognizes and helps to fund. A concern has been that when the State abstains or withdraws from assisting localities in meeting education "needs" – as those needs are being defined in many Virginia localities – it is more likely that disparity can be observed in the education programs available, and in the level of local taxpayer burden needed to support programs with similar costs and quality.

"Support" Services Are Part of the SOQ, and Are Funded by the State and Localities

The operational activities and expenditures of Virginia's school divisions are often categorized into instructional personnel and support components. Instructional personnel costs represent the compensation paid for the services of principals, assistant principals, and teachers (a designation which includes guidance counselors and librarians). The support service designation refers to various operating activities and costs incurred by school divisions other than those associated with the compensation of instructional personnel.

While the support service category can most readily be defined by distinguishing the category from instructional personnel, a few examples may help illustrate the needs of school divisions that are met by services that are categorized as support. For example, school divisions need to make policy and budget decisions, plan for the current school year as well as the future, and handle funds from various sources, so administrative support services are needed. School divisions are typically expected to make bus and other transportation services available to get the students to school, so pupil transportation services are needed. Schools need to be kept safe and clean, so building and ground services and in some instances security staffing are considered necessary and are part of support services. During the day, students may also need access to health services, so oftentimes school nurses and other health care services may be available. With administrators, teachers, and students needing access to technology, school divisions must maintain their computers and computer networks in functioning order. Therefore, computer repair and system maintenance services are often needed.

Support services are addressed by a State standard that is codified as part of the State SOQ. As mentioned, the SOQ provide minimum requirements that all school divisions must meet; the standards are set by the State Board of Education, subject to revision only by the General Assembly. The second of the seven SOQ codified in the *Code of Virginia* pertains to support services. This standard, expressed in Section 22.1-253.13:2 of the *Code*, provides in part that:

> The General Assembly and the Board of Education believe that effective schools must provide and maintain efficient and cost-effective support services to ensure quality education... Each local school board shall provide those support services which are necessary for the efficient and cost-effective operation and maintenance of its public schools including, but not limited to, administration, instructional support, pupil personnel services, student attendance and health, operation and maintenance of the buildings and management information systems.

The SOQ thus recognize the necessity of support services, but also emphasize that those services should be provided in an efficient and cost-effective manner. The SOQ do not provide quantified standards for use in determining cost-effective service levels, however.

Since the inception of the SOQ in the early 1970s, support costs have been considered part of the foundation program that is provided by school divisions, and have been funded as part of the cost of the SOQ. Thus, the State and localities provide funding for the support services of Virginia's school divisions. Most of the State funding for support services is provided as part of what is called a "Basic Aid" appropriation. Basic Aid is a major funding account used to fund the SOQ.

The General Assembly Has Long Used Practices That Have Restrained State Funding for Support Costs

The State has historically funded most SOQ support services by paying its share of a calculated per-pupil amount. During the 1970s and early 1980s, the State's formal methodology for estimating the size of the support costs to be shared under the SOQ used the statewide average per-pupil cost. This approach stemmed from the work of the 1972-73 Task Force on Financing the SOQ.

However, in practice, Appropriation Act amounts were set based on increasing a base year cost that was less than the statewide average. The new amount set was based on fund availability, rather than the use of a specified methodology or calculation.

In 1985, JLARC staff were requested to review the State's approach to estimating SOQ costs. The approach that resulted from this review was the use of a weighted school division average, as opposed to the statewide average. Under this weighted average, known as the linear weighted average or L-estimator, school divisions with "moderate" unit costs (for example, a per-pupil cost) are given the greatest emphasis in the calculation, while school divisions with particularly low and high unit costs are given the least weight. In giving less weight to divisions with particularly low costs, the approach recognizes the potential for concerns regarding the quantity and/or quality of services provided by these divisions. In giving less weight to divisions with particularly high costs, the approach recognizes that these divisions may have unique factors, a level of local aspiration, or inefficiencies that ought not unduly impact the expenditure level expected of most divisions to meet the SOQ.

This approach has typically had the result of setting SOQ instructional salary levels and SOQ costs for support services at levels below the statewide average per-pupil cost, but above the median per-pupil cost. Hence, the State has funded its share of instructional salary levels and per-pupil support cost figures that have been less than the statewide average. As a result, the approach has been unpopular with many school division personnel, local government officials, and education interest groups, who believe that the statewide average is a more realistic figure. For support costs, as well as other types of costs like instructional salary levels, the percentage of the statewide average cost that is recognized by the linear weighted average figure can vary from year to year.

Irrespective of the debate regarding the adequacy of the cost produced by this measure, the approach did appear to increase State policy-maker confidence that the per-pupil support costs recognized by the State were not excessive. In addition, the State's approach gives localities an additional incentive to be efficient in their support expenditures. School divisions expending more on support services than is recognized by the linear weighted average do not receive State funds in support of their higher cost. Further, school divisions that can find means to provide support services at less than the linear weighted average cost are not penalized for the potential efficiencies they have achieved in their State funding level. Those localities still receive State support for the State's share of the linear weighted average cost.

Since the time of JLARC's work on education funding in the 1980s, several additional practices came to be used by the State that have dampened the support costs that the State has helped to fund. Among the practices that have been used are the following: not recognizing the costs associated with most types of administrative personnel, including administrative clerical support (although the current appropriation for FY 2004 does address this limitation, providing funding for 72 percent of the State share of the linear weighted average cost); no use of inflation to project non-personnel support costs and health insurance premium costs forward to the specific years to be funded; no salary increases assumed for support personnel (this is currently the case for FY 2002, FY 2003, and FY 2004 funding, as FY 2001 salary levels are used); and an assumption of mid-year rather than full-year salary increases when salary increases have been provided. The first two of these practices are discussed in more detail in Appendix B of this report. Existing areas of State restraint in funding support costs will have an impact on the size of State savings that can realistically be achieved by enhancing efficiency levels at the local level through the use of best practices.

Potential Fiscal Benefits of Best Practices Study in the Context of Current State and Local Contributions to Non-Instructional Costs

A greater dissemination of best practice ideas has the potential to achieve several benefits. Some best practice ideas may directly enhance the quality of services. These benefits may be enjoyed by the school division and its students as well as others in the local community.

Other best practices may increase the efficiency of services. With increased efficiency in non-instructional services, decisions can be made to translate this increased efficiency into: (1) net cost savings in the school budget, to be realized by those providing funds for school purposes, (2) the use of the savings elsewhere in the school budget, such as for enhanced instructional services, or for paying for inflationary cost increases without tapping into new revenues, or (3) the use of the savings to enhance the quality or quantity of support services that are available, if those services overall are currently inadequate.

The mandate for the JLARC review of best practices expresses a particular interest in the identification of practices that will result "in revenue savings to school divisions and to the Commonwealth." The mandate calls for "recommendations regarding revenue saving initiatives and practices." The mandate does not indicate how these savings are to be used.

The primary fiscal beneficiaries of a best practices review of public education non-instructional services are likely to be local governments that fund school divisions with high costs for these services. Unless their high levels of expenditures are due to factors largely beyond their control, school divisions with particularly high expenditure levels are obviously prime candidates to potentially achieve cost reductions through the greater use of best practices that offer efficiency improvements. Since relatively high levels of expenditures for these services are mostly due to local fund contributions, the local governments that fund these school divisions are prime candidates for reaping the potential rewards for improved efficiency in the

provision of these services. These local governments may use the savings that are made possible through the use of these best practices to pay for instructional purposes, to offset added costs due to factors such as inflation, or to reduce the base budget amount.

The Commonwealth of Virginia, on the other hand, is less likely to achieve substantial cost savings based on school division implementation of best practices. The preceding section has described the restrained manner in which the State has funded support costs over the years. Due to the mechanisms that are already in place that limit the State's funding responsibility for support costs, there is less of an opportunity for the State to achieve substantial savings through the broader dissemination of best practices among school divisions.

Further, the State has less of a role in funding the other non-instructional services that are included within the scope of this JLARC review – capital costs and school food costs. JLARC's prior review of education funding, for example, estimated that State funding for non-recurring (capital) costs paid about 25 percent of prevailing school division debt service costs per pupil in FY 2000, or about 20 percent of statewide average per-pupil costs. And, since that time, the State has reduced the size of its school construction grant as a budget-saving action. In addition, State general fund appropriations for school food payments have been at approximately the same level since FY 1985, and represented less than two percent of the school food expenditures reported by school divisions in FY 2000.

It appears that budget difficulties are likely to continue to surround the State's funding of its share of SOQ costs, unless revenues show some substantial growth by the 2004 Session. That is, under the existing State approach to SOQ costs and funding, the cost of the SOQ will increase for FY 2005. Under the existing approach, the State's calculation of SOQ costs is made more up to date (rebased) every two years, and rebasing has cost implications. For example, routine rebasing of the SOQ, using FY 2000 data as the base year for the 2002-2004 biennium, was estimated to cost about $400 million in State dollars over those two fiscal years. A roughly similar amount of new State funding to meet basic SOQ cost responsibilities may be needed for the upcoming 2004-2006 biennium, even without assuming salary increases for teachers and other personnel past FY 2002 levels.

School division initiatives to implement best practice ideas provided by their peers for this study will at best be implemented in FY 2003, and more likely will not be implemented until FY 2004. This means that school division cost savings that might impact the State's calculations of SOQ costs will not show up in the expenditure data used by the State until FY 2007 costs are calculated.

For all of these reasons, if there are fiscal benefits that stem from this study, the primary beneficiaries of those fiscal benefits are likely to be local governments, particularly local governments paying high costs for school division support services. Savings for the State, which has long been restrained in paying for these costs anyway, are likely to take more time to realize, and the magnitude of these savings compared to the cost increases that may accrue, due to factors such as increasing enrollments and increasing prices paid by school divisions, is unclear.

SCOPE OF THE REVIEW INCLUDES MOST "SUPPORT" SERVICES, PLUS SCHOOL FOOD AND FACILITY CONSTRUCTION SERVICES

The scope of the current JLARC review of best practices is guided by the language of HJR 34. The mandate calls for an examination of "administrative, fiscal, and service practices." The mandate specifically enumerates transportation, maintenance, and food services as examples of the types of services that might be addressed. The mandate also draws a distinction between the types of services to be addressed in this review, and the work that has been done in Virginia by a best practices unit of the Department of Education (DOE). This unit has focused on the issue of effective instructional programs and practices. The requested JLARC study, on the other hand, focuses on school division non-instructional services.

Services Included in the Review as Non-Instructional Services

The services addressed by this review can be summarized by the two categories shown below.

(1) Support Services as Traditionally Defined, But Excluding Instructional Support – the scope of the review includes the types of services that have typically been referred to as "support services" in Virginia, such as administration (including fiscal services), transportation, operation and maintenance, and attendance and health (but not "instructional support," such as teacher training or the use of substitute teachers). Technology support services – that is, activities that support a school division's technology infrastructure, both instructional and administrative, such as the maintenance of technology hardware – are included in the scope of the review.

(2) School Food Services and School Construction – the scope of the review also includes two categories of services, school food services and school construction, that are not traditionally thought of as "support costs" *per se*. These costs have not been considered by the State to be components of the regular day school program toward which State Standards of Quality (SOQ) funds are directed.

Within these broad categories, Table 1 shows the nine specific areas that are being covered within the scope of this study. The table indicates whether or not the area has typically been defined as a support cost and whether the costs in that area are generally treated as a SOQ cost by the State. The table also provides some specific notes about how the State treats these areas in its cost calculations and in State funding.

Depending Upon the Comparison Made, Cost Categories Addressed on Average Represent About 20 to 30 Percent of School Division Costs

The primary source of annual data on school division finances that is collected and reported by the State is the *Superintendent's Annual Report for Virginia.* Tables in that report provide data on the total receipts and the total expenditures of school divisions for all purposes, including construction-related costs. The report

Table 1

Overview of Services Included in the JLARC Best Practices Review

Service Category	"Support Cost" as Usually Defined?	Part of SOQ Costs?	Notes on State Cost Calculations and Funding
Administrative Systems and Services	Yes	Yes	State funding for the SOQ is based on paying a State share of the prevailing (linear weighted average) per-pupil cost. Within this category, however, the State ceased to fund any costs for most school division administrative personnel activities. This practice started in FY 1993 as the result of an oversight in compiling SOQ costs. The 2002 Appropriation Act contains a provision that seeks to correct this mistake.
Attendance Services	Yes	Yes	Included in the calculation of a linear weighted average per-pupil SOQ cost to be shared between the State and localities.
Health Services	Yes	Yes	Also included in calculations of a linear weighted average per-pupil SOQ cost.
Operation and Maintenance Services	Yes	Yes	Also included in calculations of a linear weighted average per-pupil SOQ cost.
Pupil Transportation	Yes	Yes	Separate linear weighted average costs are calculated depending on the nature of the transportation provided (regular, exclusive schedule, or special arrangement), and for regular and exclusive transportation, the relative size of the land area, and the relative number of pupils transported.
Safety and Security	Yes	Yes	These costs are reported under "operation and maintenance services," and are included in the linear weighted average per-pupil SOQ cost.
Technology Support Services	Yes	Yes	Inclusion in linear weighted average per-pupil SOQ costs has depended on how the costs are reported. To the extent that the costs have been reported as regular day school support costs, these costs have been included in SOQ per-pupil amounts.
Food Service Operations	**No**	**No**	These costs are not part of what has traditionally been defined as regular day school operating costs, and therefore are not usually considered part of "support costs." There is little State funding for food services. Most of the costs are borne by the federal government, local governments, and pupil reimbursements.
School Construction	**No**	**No**	Historically, State support has mostly been in the form of low-interest loans through the Literary Fund. In FY 1999, the State made Lottery Funds and a School Construction Grant fund available to assist with these costs. The school construction grant fund has since been cut in half, and the State's current fiscal problems may yet impact the remainder of the grant funds, and already have impacted the availability of Literary Fund loans.

Source: JLARC staff analysis.

also provides data on expenditures made for just operating costs. There is interest in seeing operating costs alone because these are the routine, recurring expenses of the division that do not vary based on the size of the school construction program.

Figure 1 uses data reported by school divisions in 1999-2000 to show two comparisons. In the upper half of the figure, the costs that are part of the JLARC review, and that have traditionally been viewed as regular day school operating costs, are shown as a fraction of total regular day school operating costs. Of an approximate cost of $7.666 billion, about 20 percent of these costs are reported to DOE in the attendance and health, administration, pupil transportation, and operation and maintenance cost categories. State SOQ costs are a subcomponent of these types of costs only. Thus, the study addresses about one-fifth of the types of costs that are considered within the framework of the SOQ.

The bottom half of the figure shows similar information, but with school food service costs and facility costs included. School food services and capital facility costs account for about one billion dollars in additional costs. (Debt service costs are not included due to a double-counting issue: current-year facility costs will show up for many years thereafter as debt service costs, even though already counted as facility costs. Similarly, current year debt service costs largely stem from construction project costs that were already counted in prior years as facility costs.)

Both of these services will be addressed in the best practices review. Therefore, the proportion of the costs shown in the pie chart that will be addressed by the JLARC review increases from the comparison showing regular day school costs only. About 30 percent of these school division costs are within the study scope of the JLARC best practices review.

It should be emphasized here that the State pays less than half of the costs incurred by divisions for this 30 percent slice of the expenditure pie. This is due to various factors, including: the State's use of the linear weighted average, the fact that school food services are funded by the federal government and by local funds, and the fact that the State pays a minority portion of facility costs, even given the Lottery Fund and school construction grant funds that were available in FY 2000.

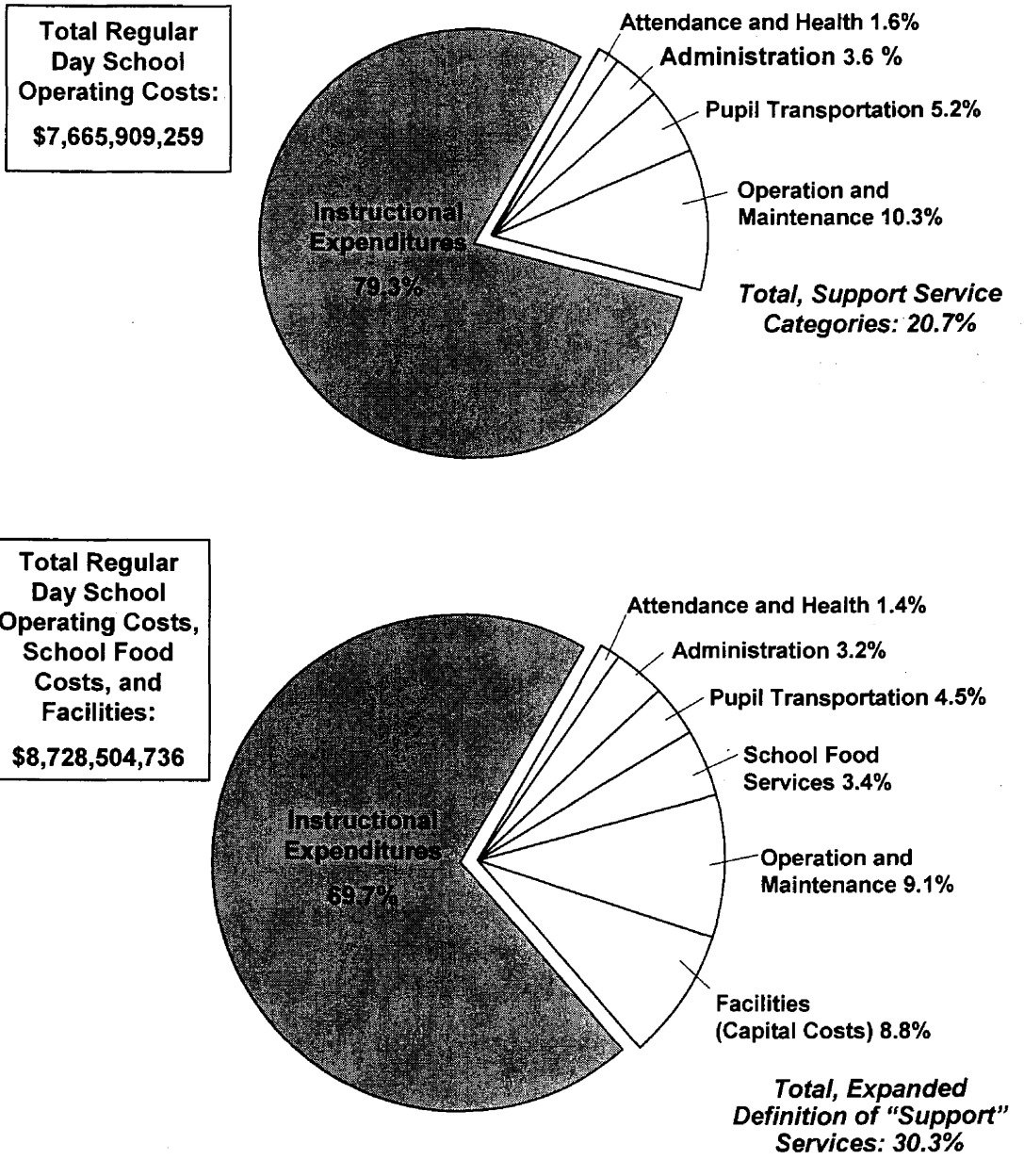
EXPENDITURE GROWTH AND DAILY COSTS PER PUPIL

For this interim report, JLARC staff examined the rate of growth in non-instructional service expenditures for the period from FY 1990 to FY 2000. The average rate of growth for these services was compared against two underlying indicators reflective of economic pressures toward cost increases. The finding of this review is that the growth in these costs during the time period examined does not appear to be particularly unusual or unexpected. With the exception of capital facility-costs, school division non-instructional costs per pupil generally grew at a rate that was between the rate of inflation and the rate of personal income growth.

However, a limitation of any such comparison is that the comparison itself does not reveal whether the expenditures in the base year (or the end year of the comparison) were adequate, excessive, or insufficient for the task of providing qual-

Figure 1

Relative Size of K-12 Instructional Expenditures and the Service Categories Addressed by the JLARC Best Practices Review (FY 2000 Statewide Totals)



Source: JLARC staff graphic based on data from the *1999-2000 Superintendent's Annual Report for Virginia.*

ity services. Moderate growth from an expenditure level that was insufficient in the base year would not likely provide an adequate level of funding in future years. On the other hand, moderate growth in expenditures that were excessive in the base year would likely lead to continued excessive levels of spending.

Therefore, there is a need to examine the level and adequacy of the spending, rather than just trend data. For this interim report, JLARC staff reviewed the average per-pupil cost for the recurring (operational) services provided by school divisions (operation and maintenance services, pupil transportation, school food services, central administrative and technology costs, and attendance and health costs). In FY 2000, these services cost about $9.30 per pupil per school day, and analysis of data from a table preliminarily prepared by DOE suggest that the cost was about $10 per pupil per day in FY 2001. The caliber of services that can be provided at this approximate cost level is not fully clear. An objective of this study is to reach some conclusions about the quantity and quality of services that can be purchased within the expenditure range that is seen in the Commonwealth, under differing locality circumstances, and when best practices are applied. However, conclusions on this issue depend on the findings that result from the second phase of the study.

Expenditure Growth

For this interim report, JLARC staff examined the rate of growth in non-instructional service expenditures for the period from FY 1990 to FY 2000. The average annual rate of growth in these per-pupil costs was compared against the average annual rate of growth in inflation and the average annual rise in estimated personal income in Virginia (also standardized on a per-pupil basis). The comparison with the rate of growth in personal income was used because the salary increases that are extended to non-instructional personnel are an important factor in determining the expenditure growth that can be observed.

As can be seen in Table 2, the rate of growth in non-instructional services during the 1990s does not appear to be exceptional relative to underlying economic changes. Most of the services experienced a rate of expenditure growth that was somewhat above inflation, but somewhat below the rate of increase seen in personal income. The largest average growth rate observed during this time period, a 4.6 percent annual growth rate in facility costs per pupil, is understandable in the context of the need for new facilities that was experienced in rapidly growing areas of the urban crescent in Virginia, as well as the fact that the majority of school buildings in Virginia were built before or during the 1960s and were beginning to reach the end of their useful life, necessitating either major renovations or replacement.

Analysis of data from a table preliminarily prepared by DOE (and with a JLARC staff assessment of technology expenditures in support cost categories) suggest that the expenditures in FY 2001 for operating categories addressed in this review may have increased by about seven percent per pupil over FY 2000. (The increase in personal income on a per pupil basis was also about seven percent, while the inflation rate was about 3.4 percent.) However, facility expenditures (mostly school construction costs) may have increased by almost 14 percent on a per-pupil basis. Expenditure data for FY 2002 are not yet available from DOE, even in pre-

Table 2

Average Rates of Increase for Non-Instructional Costs Compared to Virginia Personal Income Growth and Inflation, FY 1990 to FY 2000

	Average Annual Percentage Rate of Increase
Capital Facility Costs Per Pupil	+ 4.60
Virginia Personal Income (Per Pupil *)	+ 4.05
School Food Services Cost Per Pupil	+ 4.05
Administrative Costs Per Pupil	+ 3.72
Pupil Transportation Costs Per Pupil	+ 3.61
Attendance and Health Costs Per Pupil	+ 2.95
Inflation (CPI)	+ 2.92
Operation and Maintenance Costs Per Pupil	+ 2.89

* Personal income also standardized on a per-pupil basis, for consistency and to capture the change in the amount of income in the Commonwealth relative to the number of pupils in the public school system.

Source: JLARC staff analysis of data from Table 13 of the 1989-1990 and 1999-2000 *Superintendent's Annual Report for Virginia* and U.S. Census Bureau data.

liminary form. It is unclear, then, how these costs have been (and will be) impacted as budget difficulties at the State and local levels have begun to take hold.

Expenditures for Recurring Non-Instructional Services, Expressed as the Cost Per Pupil Per School Day

In FY 2000, Virginia had more than 1.1 million pupils in the public school system. The sheer volume of the population being served, as well as the size of the total expenditure, makes it somewhat difficult to interpret the magnitude of the expenditures that are made for non-instructional services in a practical way.

Table 3 therefore shows the costs of the recurring (operational) services that are provided using a smaller unit of analysis. The table shows the costs on a per-child, per-school-day basis (per-pupil costs divided by 180 days). For example, operation and maintenance services (a category which includes heating and cooling costs, electricity costs, janitorial services, and other building and grounds services

Table 3

Average Daily Expenditures Per Public School Child for Recurring, Non-Instructional Services (FY 2000)

Cost Category	Average Daily Cost Per Pupil, Statewide Average
Operation and Maintenance Services	$3.91
Pupil Transportation Services	$1.96
School Food Services	$1.47
Central Administrative Services	$1.36
Attendance and Health Services	$0.60
Total, Recurring Non-Instructional Services Addressed by the Review	**$9.30**

Note: Per-pupil expenditures are expressed as daily costs for illustrative purposes, with an assumption of a school year of 180 days. Since some support expenditures (for example, heating costs to maintain a minimum temperature over weekends, utility costs for central administrative activities during the summer, or pupil transportation costs for summer school activities) are made to pay for costs incurred outside of the five-days-a-week, 180-day school year, the daily costs shown are somewhat higher than is actually required to provide services for just school year days.

Source: JLARC staff analysis of expenditure and pupil data that Department of Education staff prepared for Table 13 of the *Superintendent's Annual Report, 1999-2000.* Expenditure and pupil count data for FY 2001 from a table preliminarily prepared by DOE suggest that the daily cost in that fiscal year for these services was about $10 per day.

is the most expensive set of services shown. In FY 2000, the average cost for these services was about $3.91 per child per school day. In total, local, State, and federal taxpayers, as well as fees and other charges, paid an average of $9.30 per pupil per day to make these five services available in Virginia. One of the purposes of this review is to consider whether a greater use of best practices might help to reduce these costs, or lessen the rate of increase that may be experienced in these costs over time.

II. Research Activities for the Interim and Final Reports

The research for HJR 34 is being conducted in two phases. In the first phase, the focus has been upon soliciting best practices from school divisions that have been implemented somewhere in Virginia. This is a necessary first step in meeting the charge of the mandate to examine the best practices "in the Commonwealth's school divisions."

In the second phase, the information obtained on best practices will be related to the objectives expressed in the study mandate. The mandate expresses a clear interest in the efficiency and effectiveness of school division provision of non-instructional services. The mandate calls too for the identification of practices "that would result in revenue savings to the Commonwealth" as well as "services that might be effectively outsourced." These issues will be examined in the second phase of the review through an examination of the variation that exists in school division expenditure levels for non-instructional services.

To conduct a more in-depth examination in the second phase, JLARC staff plan to obtain additional information as needed from divisions regarding the best practices that have been submitted. In addition, a quantitative analysis will be completed to identify key factors that appear to typically drive the non-instructional expenditures of school divisions. These factors will likely explain some of the differences among school divisions in the size of these expenditures. After these typical factors are identified, the review will focus on the ways in which more unique factors appear to lead to departures from the typical cost experience. These potentially unique factors include the use (or lack of use) of best practices. The potential role that more widespread dissemination of best practices might play in lifting the efficiency levels of school divisions will also be examined in more detail.

This chapter of the interim report describes the key research activities that have already been undertaken, and that are planned to complete this review. The chapter begins with a description of how the concept of "best practices" has been defined for this review. Next, the study approach that has been taken for collecting best practice ideas from the school divisions is described. An overview is then provided of the best practices that have been submitted to date by school divisions. Finally, the planned research for the second phase of the review is described.

OVERVIEW OF BEST PRACTICES CONCEPT USED IN THIS REVIEW

The mandate for the current JLARC review focuses on particular types of activities for the review ("administrative, fiscal, and service practices"), and on a particular approach (the use of best practices) as a potential means to achieve efficiency and enhance the quality of public education. To implement that charge, however, attention needed to be given as to how to more specifically define the concept of best practices for study purposes.

Study Definition of Best Practices

The mandate for the JLARC review does not provide a working definition of the term "best practices." In soliciting best practice ideas from school divisions for this review, JLARC staff defined the concept of best practices broadly. JLARC staff requested descriptions of practices that involved "work methods, resource allocations, processes, and initiatives to improve a school division's efficiency and/or effectiveness." The intent was to obtain a list of various practices that worked sufficiently well in a school division to be regarded as potential "best practices."

Practical Reasons Necessitate a Broad, Inclusive Definition of Best Practices for This Review

In common usage, "best practices" may be construed to mean "cutting edge" or "state of the art" methods of accomplishing work in the most efficient and effective manner. In the most rigorous sense, best practices for specific, targeted services might be determined by collecting detailed data (or even through conducting controlled experiments) regarding the use of several feasible alternative ways of accomplishing the same task or work objective. An attempt would be made to measure the time spent, costs incurred, and the quantity and quality of the products or outcomes for these alternative approaches, and the alternative with the best (or at least satisfactory) outcomes at the least cost would be judged the best practice.

However, this type of approach has not been used in other states that appear to have done the most work to date with regard to studying best practices for education (for example, Florida and Texas). It is impractical to apply such resource-intensive scrutiny across the broad range of functions provided by school divisions. In Virginia, few, if any, school divisions have actually conducted such rigorous experimentation, and it was beyond the scope of this JLARC review regarding all of the various non-instructional support services of school divisions to determine best practices in this manner.

In fact, although the term "best" practice may appear to connote that more than two practices have been compared before one of the practices is selected as a "best" practice, this is not how the term is frequently applied. For example, the literature on school division or district best practices in other states frequently refers to best practices that are simply considered better than one other implied alternative. For example, a "management structure" best practice from Florida states that "the district periodically reviews its organizational structure and staffing levels to minimize administrative layers and processes." The implied alternative to this best practice is to <u>not</u> periodically conduct such reviews.

The credibility of practices that are asserted to be "best practices" often rests on the fact that "common sense" strongly suggests that the best practice is appropriate, efficient, and effective relative to the alternative(s). The documents from other states, for example, do not cite elaborate studies or analyses providing the underpinnings of the stated best practices. It appears to make sense, for example, that a school division that periodically reviews its organizational structures and staffing levels to minimize administrative processes and layers will, on balance, benefit over

time by locating some increased efficiencies. Nonetheless, it is also possible that some divisions that are already quite efficient might in the long-term invest substantial time conducting such reviews and not realize any economies or efficiencies as a result; or some divisions could possibly become convinced through the constant comparison that they are too parsimonious, and they may add a layer or staffing to achieve parity with their comparison group. There are risks that practices that appear based on common sense to be "best" might not actually withstand experimental scrutiny. However, as a practical matter, this is often the basis upon which ideas to improve efficiency or effectiveness are pursued.

STUDY APPROACH FOR COLLECTING BEST PRACTICE IDEAS

Two approaches were used for collecting best practice ideas: (1) potential best practices were solicited from Virginia school divisions, and (2) some exploratory research was conducted regarding the work done in some other states to identify best practices. The focus of Phase I of the study was to collect best practice ideas from Virginia school divisions, because the mandate requires examination of practices that are "in the Commonwealth's public school divisions." JLARC staff also obtained information about best practice work in other states, to help provide a context for the Virginia review, and to identify some ideas of practices that may be missing in Virginia. However, this work was considered a lower priority activity. Each of these approaches is discussed in this section.

Obtaining Best Practices from Virginia School Divisions

To solicit best practice ideas from Virginia school divisions and systematically provide all divisions with the opportunity to provide input to the study, JLARC staff developed a web site that school divisions could use to submit best practices that they have implemented. The web site also enabled school divisions to view best practices submitted by other school divisions.

The best practices web site was accessed through JLARC's web site. School division staff entered their best practices into a template (see Exhibit 1) so that all best practices were in a similar format. After a school division submitted a best practice, it was reviewed by a JLARC staff member before being posted to the public web site. The intent was to have a fairly comprehensive inventory of best practices; therefore, JLARC staff provided only a minimum filter of the submitted practices. Once a best practice was posted to the public web site, it could be viewed by any individual who had access to the Internet.

JLARC staff used two methods to make school divisions aware of the web site: (1) a letter to all Virginia school division superintendents, and (2) a more tailored follow-up memo to various support services supervisory staff. The letter to the school division superintendents informed them of the web site, and requested that they ask the appropriate supervisory staff in their division to submit best practices. The letter described the study and the web site, and provided the superintendent with the user name and password needed to submit best practices (a copy of the letter that was sent to superintendents is included as Appendix C). This did not result

Exhibit 1

Template for Submitting Best Practices

INSTRUCTIONS VIEW BEST PRACTICES JLARC HOME CONTACT US

Best Practice Area: - Select One -

School Division:
(where this practice is used) - Select One -

Description of Best Practice:
(please provide enough information so that the best practice can be implemented by other school divisions)

Estimated Cost Increases or Savings Your Division Has Experienced from Implementing this Best Practice, if Any:
(please specify whether the dollar amount is a cost increase or savings)

Barriers to Overcome, or Factors that May Impact Whether the Best Practice Will Be Successful:

School Division Contact Name:
(where we can find out more information about this practice)

School Division Contact Phone Number:

School Division Contact Email Address:

Source: School Division Best Practices for Support Services web site.

in a substantial number of best practice submissions to the site, however. Therefore, a follow-up effort was initiated to encourage more best practice submissions.

The follow-up effort involved mailing memos to approximately 820 support services supervisory staff in all school divisions, except for those school divisions that had already submitted a substantial number of best practices in response to the initial superintendent letter, or had indicated to JLARC staff that they had an effort already under way to identify and submit their best practices. JLARC staff used the Department of Education's school division directory to obtain the names and titles of supervisory staff in the various functional areas under review (for example, transportation, food services, and technology). The follow-up memos were tailored for each of these functional areas. In addition, a generic memo was sent to supervisory staff who were responsible for more than one functional area.

The follow-up effort resulted in a substantial number of new best practice submissions. More information on the best practices that were submitted is provided in the section entitled "Overview of Best Practices Received to Date."

Research on Best Practice Efforts in Other States

In addition to collecting best practices from school divisions in Virginia, JLARC staff conducted research on best practices in other states. Two states appear to be leading the way in terms of identifying best practices for public education support services: Florida and Texas. This fact does not suggest that the two states are therefore leaders in the effective and efficient provision of support services. Rather, these states appear to have gone farther than most states in developing best practices for use in assessing support services. In addition, other states, such as Pennsylvania, conduct performance audits of local school divisions, and many of the recommendations made in these reports can be considered best practices.

A brief overview of the work done in Florida, Texas, and Pennsylvania is provided in Appendix D. While the focus of the review is on Virginia's practices, best practice ideas from other states that appear to be concrete and promising for use in Virginia may be included in the second phase of the review.

OVERVIEW OF BEST PRACTICES RECEIVED TO DATE

As of December 11, 2002, the JLARC best practices web site had received 188 best practice submissions from 39 Virginia school divisions, which is 30 percent of all school divisions in the State. (This figure represents a total count of submissions, and is not an unduplicated count. Some best practice ideas, such as the use of a nurse in each school building, were submitted by more than one division.) Table 4 shows the number of best practices received by functional area. A complete list of the best practices that were submitted can be found in Appendix E. Organized by functional area, the listing gives a descriptive title for each best practice and the name of the school division using the practice.

Table 4

Summary of Best Practices Received From Virginia School Divisions

Best Practice Area	Number of Best Practices Submitted	Percentage of All Best Practices Submitted
Administrative Systems and Services		
Personnel/Benefits	12	6%
Fiscal Services	7	4%
Purchasing Services	11	6%
Budget	6	3%
Other	19	10%
Subtotal	**55**	**29%**
Other Support Services		
Attendance	10	5%
Food Services	24	13%
Health Services	13	7%
Operation and Maintenance Services	9	5%
Pupil Transportation	31	16%
Safety and Security	5	3%
School Construction	6	3%
Technology Support Services	35	19%
Subtotal	**133**	**71%**
TOTAL	**188**	

Source: JLARC staff analysis of best practices submitted to JLARC's "School Division Best Practices for Support Services" web site.

Ideally, the set of best practices obtained through this effort would be able to meet several criteria. For example, ideally, there would be a good mix of best practices across the various non-instructional activity areas, with a good representation of best practices in the areas that constitute a high proportion of non-instructional costs. In addition, ideally, practices would be obtained from the various geographic regions of the State, and the practices would come from a good mix of locality types (urban, suburban, rural). Also, there was interest in obtaining best practices aimed at reducing school division costs, improving efficiency, and/or improving services, because both efficiency and effectiveness are mentioned in the mandate. (Since ideas that enhanced service quality or effectiveness were also solicited, some of the practices cost money to implement). Finally, the study mandate expresses an interest in best practices related to outsourcing, so ideally some best practices involving outsourcing would also be identified. The following section describes how well the best practices that were submitted met these criteria.

Frequency of Best Practice Submissions, by Non-instructional Service Area, Compared to the Size of the Costs for Those Services

As shown in Table 5, two areas that account for a high proportion of the non-instructional costs covered by this review – facilities (capital costs) and operation and maintenance – were the subjects of a relatively low proportion of the best practices submitted by school divisions to date. These may be two topical areas in which additional work during the second phase of the study may help uncover additional ideas of best practices to provide quality services while achieving enhanced levels of efficiency.

Table 5

Comparisons for Non-Instructional Areas: Each Area's Proportion of Total Non-Instructional Costs Versus Its Proportion of Best Practice Submissions

	Percent of FY 2000 Non-Instructional Service Expenditures	Percent of Best Practice Submissions*
Large Expenditure Areas		
Operation and Maintenance, Including Safety	30%	9%
Facilities (School Construction)	29%	4%
Lesser Expenditure Areas		
Pupil Transportation	15%	20%
School Food	11%	16%
Central Administration	10%	36%
Attendance and Health	5%	15%

* For comparison purposes against expenditures, the percentages for best practice submissions exclude the technology support best practices (N = 188-35=153). Table 13 of the *Superintendent's Report* does not break out expenditures separately for technology support purposes only.

Source: JLARC staff analysis of DOE data for the *Superintendent's Annual Report, 1999-2000*, and analysis using the JLARC best practices database.

Other topics addressed by this review – such as pupil transportation, school food, central administrative services, and attendance and health – are represented by about as high or even higher a frequency of best practice ideas than is suggested by the proportion of costs that they form. It should be noted, however, that the category of central administration, which was the subject of 36 percent of the non-technology submissions, included ideas designed to help the central administration improve administrative services in ways that could positively impact other support

services. Therefore, the magnitude of the apparent imbalance between central administrative best practice submissions and central administrative costs may be somewhat misleading. Further, the study mandate suggests that administrative services generally, and fiscal services *per se*, should be important parts of the study scope.

Characteristics of School Divisions that Submitted Best Practices

JLARC staff examined both the size (based on the number of students served) and geographic location of school divisions that submitted best practices. As indicated by Table 6, overall, large and medium school divisions submitted a substantial proportion (79 percent) of the best practices, with the percentage of best practices equaling or exceeding their proportion of ADM and the total number of divisions. However, although small school divisions comprise 82 percent of all school divisions in the State, they account for only 21 percent of the best practices submitted to date. Work conducted during the second phase of this study may uncover more best practices from these small school divisions, or the reasons why smaller school divisions may not make use of as many best practices as medium and large school divisions.

Table 6

Percentage of Best Practices Submitted by Large, Medium, and Small School Divisions

	Percent of ADM	Percent of School Divisions (n=132)	Percent of Best Practices
Large Divisions	33.7%	3.8%	33.5%
Medium Divisions	32.9%	14.4%	45.7%
Small Divisions	33.3%	81.8%	20.7%

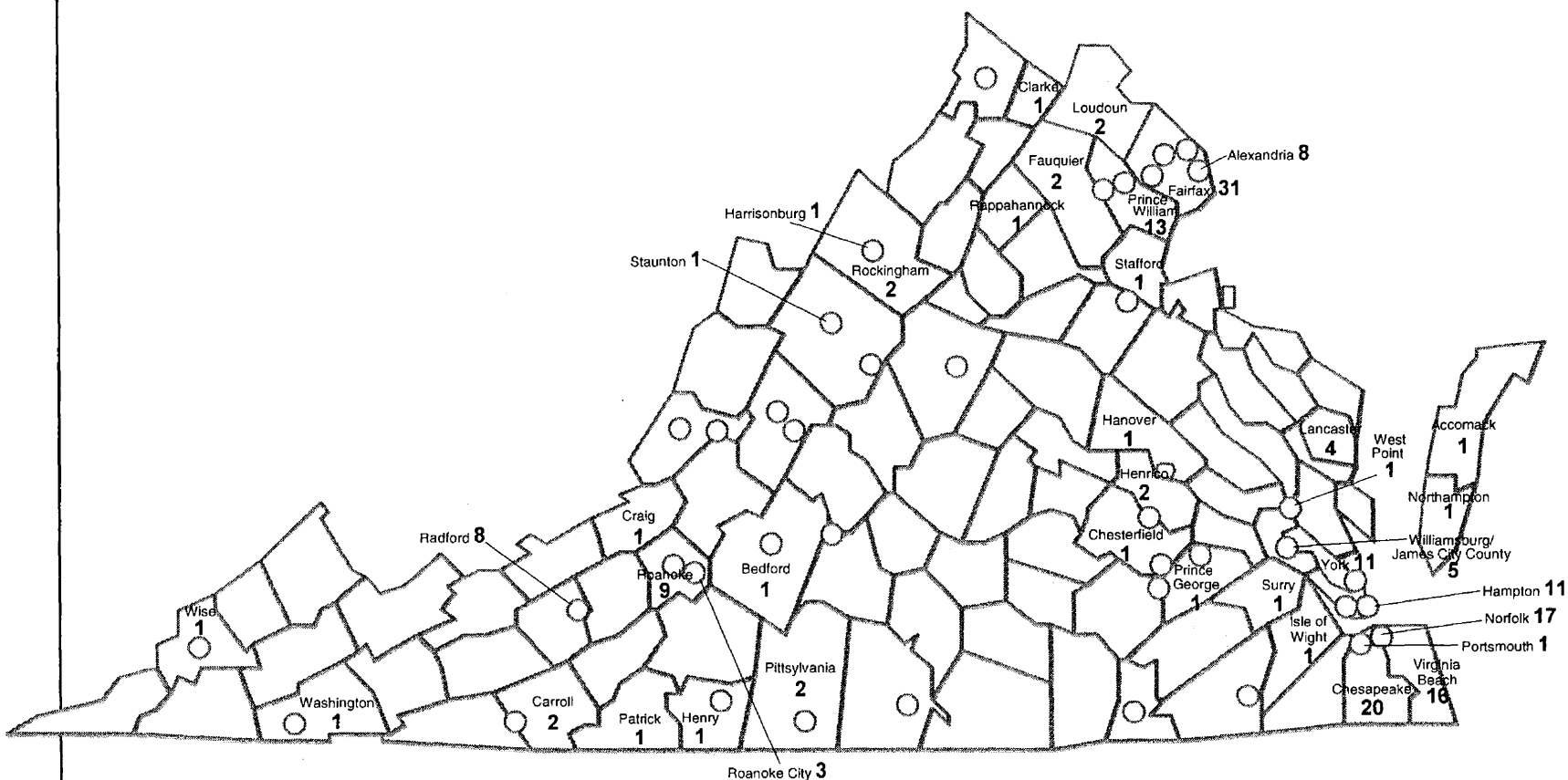
Note: Division size categories were based on roughly having one-third of the State's pupils in divisions of each grouping. As a result, large divisions ranged in size from 42,333 pupils to 158,537 pupils. Medium divisions ranged in size from 10,711 pupils to 38,129 pupils. Small divisions ranged in size from 307 to 10,685.

Source: JLARC staff analysis of Department of Education March 31, 2002 Average Daily Membership data and the JLARC staff best practices data base.

In general, school divisions that submitted best practices tended to be clustered in three areas of the state: Tidewater, Northern Virginia, and the Roanoke area (including several divisions in western southside Virginia). Of the four school divisions that submitted the most best practices (Fairfax, Chesapeake, Norfolk, and Virginia Beach), three are located in the Tidewater region. Few best practices were received from school divisions in the central to eastern portions of Southside Virginia, the far Southwest, and the Piedmont region of the State (see Figure 2).

Figure 2

School Districts Submitting Best Practices for this Study



Source: JLARC staff analysis of best practices survey results.

Types of Best Practices Submitted

In general, the best practices that were submitted in each of the support areas were wide ranging and diverse, and there was a good mix of practices that improved services and reduced costs. Approximately 52 percent of the best practices submitted were designed to improve services, 39 percent were designed to reduce costs or improve efficiency, and 9 percent accomplished both of these objectives.

In general, school divisions did not submit many duplicate best practices. There were a few exceptions, however. For example, several school divisions submitted best practices in the Health Services area that advocate having a nurse in every school. In addition, there were a few common themes that emerged, such as:

- purchase items with the local government or through a consortium to reduce costs (for example, a regional consortium of school divisions for the purpose of purchasing food for the school lunch program),
- work cooperatively with the local government in other ways, such as operating joint financial systems,
- use technology to automate tasks that were once performed manually (such as work orders and bus routing), and
- communicate/distribute information to staff, parents, and the community electronically (via email, intranets, and the Internet).

The following sections provide more detail on the specific best practices that were submitted.

Best Practices to Improve Services. Exhibit 2 provides an example of a best practice that was designed to improve services. This best practice improves services by presenting budget information in a more user-friendly format and facilitating the identification of budget reductions. Other examples of best practices that had the goal of improving services include the following:

- using an interagency, multidisciplinary approach to reduce truancy
- installing food court style serving areas in the high schools to increase participation in the National School Lunch Program
- conducting facility sanitation evaluations to ensure a safe and clean learning environment for students and staff
- instituting a Transportation Academy, and providing training to bus drivers twice per year, and
- developing guide specifications for school construction projects, to ensure consistency among projects, improve quality control, and use project managers' and construction inspectors' time efficiently.

Exhibit 2

Example of a Best Practice that Improves Services

Best Practice Summary:	Implement program budgeting
Best Practice Area:	Administrative Systems and Services
School Division: (where this practice is used)	Fairfax
School Division Size: (2001-2002 ADM)	158,537
Description of Best Practice:	As directed by our School Board, the FY 2003 budget was organized by program (e.g., International Baccalaureate, Project Excel, Success by Eight) rather than in the traditional format, which associated costs with instructional levels (e.g., elementary, middle, high). The purpose of the program budget was to provide detailed information -- including personnel costs, number of students served, and the transportation and facilities impact -- for each program. Because of revenue constraints, we have been forced to critically look at all programs and reduce or eliminate some to balance the budget. The program budget was well received by the community and facilitated identifying budget reductions at our focus group meetings.
Estimated Cost Increases or Savings Your Division Has Experienced from Implementing this Best Practice, if Any:	The program budget format clearly identifies the resources allocated to specific programs. Used in conjunction with program evaluation information, a more objective cost/benefit determination can be made.
Barriers to Overcome, or Factors that May Impact Whether the Best Practice Will Be Successful:	Initially, considerable time was required to realign the data in the financial management system into programs. Preparation of the FY 2004 program budget has been much less time consuming since the data has been realigned.

Source: School Division Best Practices for Support Services web site.

About one third of the best practices that were designed to improve services cost money to implement. For example, in the Health Services area, having a nurse in every school was considered to be a best practice in several school divisions. These divisions indicated that although it costs money to employ these additional nurses, it results in substantial benefits, such as improved health and well-being of students, and reduced student absenteeism because of illness. Another school division employs a full-time safety and training supervisor in its Transportation Department to provide training to bus drivers and assistants. Although this position costs money, the division believes that it improves the quality of their drivers, and it saves money in the long run, because a well-trained driving force can reduce accidents, resulting in savings on insurance premiums and vehicle repair costs.

Best Practices Resulting in Cost Savings or Improved Efficiencies. As stated above, many of the best practices that were submitted (about 39 percent) resulted in cost savings or improved efficiency, although less than half of these best practices (44 percent) had quantified cost savings in terms of dollars or staff time saved. Exhibits 3 and 4, for example, provide a best practice submission from a small and a large school division, respectively. Each of these divisions report cost savings by implementing efforts directed at conserving energy.

Exhibit 3

Example of a Best Practice that Reduces Costs

Best Practice Summary:	Make up-front investments to save on energy costs over the long-term and provide air conditioning
Best Practice Area:	Operation and Maintenance Services
School Division: (where this practice is used)	Patrick
School Division Size: (2001-2002 ADM)	2,634
Description of Best Practice:	At Patrick County High School, the school division: • added R-21 insulation to the roof, • replaced electrical strip heaters with heat pumps, • replaced lights with electronic ballasts and T-8 lamps, • installed motion switches in classrooms for lights, and • installed 7-day programmable thermostats for each heat pump unit. At our six elementary schools, the division: • changed from gas-fired boilers to heat pumps, and • provided air conditioning for the elementary schools with only a small increase in total energy cost.
Estimated Cost Increases or Savings Your Division Has Experienced from Implementing this Best Practice, if Any:	Patrick County High School is saving an estimated $100,000 per year in energy costs. We are not sure of the exact savings at the elementary schools by going to the heat pumps.
Barriers to Overcome, or Factors that May Impact Whether the Best Practice Will Be Successful:	Up-front cost of implementation.

Source: School Division Best Practices for Support Services web site.

Exhibit 4

Example of a Best Practice that Reduces Costs

Best Practice Summary:	Implement an energy management program
Best Practice Area:	Operation and Maintenance Services
School Division: (where this practice is used)	Prince William
School Division Size: (2001-2002 ADM)	59,629
Description of Best Practice:	Prince William County Public Schools' energy management program was established in 1994. Baseline energy usage was established for each utility at each location. Principals are promised one half of any annual savings as determined by subtracting current usage from the established baseline. (Energy usage is monitored with commercially available utility tracking software.) Principals are encouraged to appoint a building energy coordinator with whom Plant Operations energy management personnel interact. Energy conservation presentations are made to principals, faculty, custodians, and kitchen staff at each school. As lighting was determined to represent approximately one half of electricity costs, it receives special emphasis in the presentations. Attention is also called to insulation of doors and windows, as well as the timely repair of faulty plumbing. Principals and building energy coordinators are encouraged to develop an understanding of heating and air conditioning controls, and further encouraged to monitor scheduled maintenance of that equipment. In addition to the aforementioned conservation approach, an aggressive, division-wide lighting upgrade program (conversion to energy-saving T-8 fluorescent lamps and electronic ballasts) is ongoing.
Estimated Cost Increases or Savings Your Division Has Experienced from Implementing this Best Practice, if Any:	Over $3 million in savings to date; over $1.5 million paid out to schools.
Barriers to Overcome, or Factors that May Impact Whether the Best Practice Will Be Successful:	Senior management (Superintendent, Associate Superintendents, and School Board) must be firmly committed to the program.

Source: School Division Best Practices for Support Services web site.

Other examples of the types of cost savings that have been achieved by school divisions include the following:

- annual savings of $70,000 to $100,000 by using an intranet to distribute reports and data,
- annual savings of approximately $28,000 by using court-ordered weekend community service participants (usually individuals convicted of non-violent misdemeanors) to wash and clean school buses, and
- annual savings of $9,750 by installing more user-friendly automated controls on heating, ventilation, and air conditioning systems (approximately 1.5 hours of staff time are saved each day).

Some best practices improved efficiency without necessarily reducing costs. For example, one school division's cafeteria managers use Excel spreadsheets to compile daily and monthly report information, and then email the information to the central office. This division reports that this approach improves the cafeteria managers' productivity and helps the information get to the central office in a more timely manner, but does not necessarily result in specific cost savings.

Best Practices Involving Outsourcing. Few of the best practices that were submitted dealt with outsourcing. Exhibit 5 provides an example of one best practice that involved outsourcing.

In addition to this example, there were three other outsourcing best practices:

- contract out "big ticket" school bus maintenance items such as transmission repairs and engine replacements,
- use an independent construction consultant to help manage major capital improvement projects and provide cost-cutting advice, and
- report and track technology maintenance and support needs in the classroom through the use of an outsourced, web-based service provider.

It appears that the goal of these outsourcing best practices was to reduce costs and improve efficiency, rather than improve services.

Exhibit 5

Example of an Outsourcing Best Practice

Best Practice Summary:	Outsource the fueling of school buses
Best Practice Area:	Pupil Transportation
School Division: (where this practice is used)	Virginia Beach
School Division Size: (2001-2002 ADM)	75,518
Description of Best Practice:	The outsourcing of fueling for school buses has been very beneficial to Virginia Beach City Public Schools. The school division removed itself from the fueling business to eliminate underground storage tanks and the liability associated with the possibility of leakage. By privatizing the fueling operation, we placed this function in the hands of fueling professionals, provided our drivers with convenient fueling sites, and saved taxpayer dollars.
Estimated Cost Increases or Savings Your Division Has Experienced from Implementing this Best Practice, if Any:	The school division uses in excess of one million gallons of diesel fuel per year. We are saving approximately 26 cents per gallon with this contract with a private provider instead of using city-owned sites.
Barriers to Overcome, or Factors that May Impact Whether the Best Practice Will Be Successful:	Fuel contractors in the area must be able to handle vehicles the size of school buses. The fuel sites need to be conveniently located for the school bus drivers. The fuel type used by the school division must be readily available.

Source: School Division Best Practices for Support Services web site.

PLANNED RESEARCH ACTIVITIES FOR THE FINAL REPORT

The mandate for this study calls for an examination of best support practices in Virginia's school divisions. It is also clear from the language of the mandate that the purpose of this examination is to promote efficiency and support program effectiveness in the school divisions.

The first step in this examination of best practices for support services was to identify, at least on a preliminary basis, the various practices that Virginia's school divisions actually implement and that might be considered best practices. This was done, as described in this interim report, through the solicitation of best practices from the divisions via a web site.

The second step in the examination is to gain a better understanding of the factors that drive differences between school divisions in the magnitude of their support costs, and specifically to understand how more widespread use of the identified best practices might change the efficiency and effectiveness of support activities and potentially lead to cost savings.

To the extent that greater use of best practices can enable school divisions to achieve economies in the delivery of non-instructional services without sacrificing necessary quality, then the potential exists to either achieve savings, or to fund within existing revenue levels some cost increases that may be due to enrollment, inflation, or classroom instruction needs. If the achievable economies are mostly in school divisions with relatively high costs, then the great majority of the benefits will accrue to local governments funding those high costs. To the extent that the efficiencies are available to even medium cost divisions, State SOQ costs will be impacted in the longer term, and a meaningful State "savings" may also be achieved.

On the other hand, this study also does not assume that all best practices will lower costs, or that having low cost levels indicates that one uses best practices. As was mentioned earlier in this chapter, some school divisions submitted best practices that require the use of more resources than might otherwise be in place. Moreover, it is conceivable that some school divisions with low costs may provide a level of service that does not provide adequate safety levels for students or is otherwise unacceptable or undesirable.

The focus of the second phase of the review, then, will be on conducting research activities to gain a more detailed understanding of the factors impacting the size of support costs, and the potential role that a wider use of best practices might play in changing those cost levels. The primary research activities that are planned for the second phase of the review are: (1) an analysis of quantitative data and the selection of school divisions for site visits, and (2) the implementation of site visits to selected school divisions.

Analysis of Quantitative Data and Selection of School Divisions for Site Visits in the Second Phase of the Review

State law does not place any constraints on the maximum amounts that may be spent by local governments to provide public education services. The size of local expenditures depends on local needs and conditions, including local taxpayer ability and willingness to pay. Therefore, there is a wide range in local (and total) per-pupil expenditures across the State for public education.

A range in the cost experience of school divisions is also apparent in the service categories addressed by this study. For example, Table 7 shows the distribution of divisions into various cost levels for recurring non-instructional services, based on FY 2000 data. While over half of the divisions in FY 2000 had per-pupil costs for these services clustered between $8.00 and $9.99 per school day, some school divisions spent less than $8.00 per pupil per day, while others spent $12.00 or more per pupil per day. (A table in Chapter I showed that the statewide average in FY 2000 was $9.30.)

Variations in the size of school division expenditures (on a per-pupil basis) may be a function of many factors. For example, one factor might be differences in community expectations about the quantity and quality of services that should be provided. Other potential factors may include, but are not limited to: differences in regional prices for goods and labor; the number of schools that are sited relative to

Table 7

Distribution of School Divisions, Daily Costs Per Pupil (FY 2000 Recurring Non-Instructional Costs*)

	Daily Cost Per Pupil (Dollar Ranges)						
	$ 6.24 - $ 6.99	$ 7.00 - $ 7.99	$ 8.00 - $ 8.99	$ 9.00 - $ 9.99	$10.00 - $10.99	$11.00 - $11.99	$12.00 and up
Number of Divisions (132)	9	17	40	31	12	10	13
Percentage of Divisions	7%	13%	30%	23%	9%	8%	10%

*Recurring non-instructional costs included are: operation and maintenance, pupil transportation, central administration, attendance and health, and school food. Costs shown are school division costs only, and do not include expenditures made at regional centers.

Source: JLARC staff analysis of DOE data for the *Superintendent's Annual Report, 1999-2000.*

the number of students to be served; travel distances and other factors that may impact transportation costs; climate (for example, the impact of temperature ranges on energy costs); and the age of school buildings. The relative efficiency with which services are provided may also contribute to some of the cost differences. The mandate for this JLARC study is predicated upon this possibility.

Therefore, JLARC staff plan to conduct further analysis of quantitative data, with a focus on assessing the factors that appear to typically account for differences in expenditure levels for the services that are the focus of this review. JLARC staff will examine factors that appear to account for cost differences in the provision of particular services, and will examine factors that appear to account for overall cost differences. Some correlation and regression analysis work has been initiated to begin in this direction. A regression model will be built that best estimates typical school division expenditure levels based on objective data indicators, and school divisions' actual costs can be compared against the typical cost estimate expected for a division with similar characteristics.

A profile will then be built for each school division showing the relative resource levels that it uses for the services under review, based upon the quantitative data that are available. These profiles will be used as an aid in selecting a subset of school divisions for visitation. Each division profile will show the school division's rank relative to the other divisions in the state in its use of resources. The profiles will show resource level rankings for individual services, as well as a summary ranking across all services. Items that will likely be part of the profiles include:

- rank, non-instructional service expenditures per pupil,
- rank, difference between the division's actual expenditure per pupil for non-instructional services, minus the typical cost expected, based on a model developed for the study,
- rank, proportion of school division operating costs consumed in providing non-instructional services,
- rank, percentage growth in non-instructional expenditures over recent years, and
- rank, non-instructional staff positions reported per 1,000 pupils.

The profiles will be used to help identify the divisions as relatively high, low, or medium users of resources for non-instructional service provision. This identification process will particularly focus on the difference between the division's actual per-pupil expenditure and the best estimate that can be made of what that division might typically be expected to spend, based on that division's characteristics and the overall spending pattern across all school divisions in the regression model.

JLARC staff then plan to select a sub-group of school divisions for site visitation. The sub-group will be selected in a manner that some divisions that expend high, medium, and low levels of resources (as identified by the quantitative analysis) will be included. Also, the sub-group will be selected so that at least some of the divisions included are urban, rural, and suburban.

An effort will also be made to include good geographic representation in the sites visited. In fact, to facilitate the likelihood that some strong, meaningful contrasts can be observed in the site visits, JLARC staff currently anticipate identifying some geographic "matched pairs" to visit in different regions of the State. That is, there appear to be some school divisions in the Commonwealth that: (1) are neighbors or nearly neighbors, and (2) appear to have similar characteristics, yet (3) have very different per pupil cost levels for non-instructional services. Visits to these school divisions may help reveal the extent to which these differences appear to be due to unanticipated actual differences in characteristics that are beyond local school division control, or differences in the quality of the services that are rendered, or differences in the approaches taken to providing services, including the relative use of best practices.

Site Visits to Selected School Divisions

As staff time and resources permit, site visits to the school divisions will be used to gather additional data for the study that is primarily of a qualitative nature. The purpose of the site visits is to explore the relative roles of the following in leading to cost differences: differences in service provision approaches (use of best practices, for example, or use of particularly inefficient practices); unique cost factors; or differences in the caliber (quantity and quality) of services that are provided.

As feasible, JLARC staff will seek to visit sites in the following order: low-cost sites first, high-cost sites second, and medium-cost sites third. This approach will be used in general, or on a particular trip-basis where longer distances are traveled and several divisions need to be visited as part of the same trip.

On site visits to divisions with low resource use, JLARC staff will examine how these divisions are able to provide these services at low cost levels. During these visits, JLARC staff will consider whether the low cost levels appear to reflect:

- the use of best/efficient practices for accomplishing the work, or
- acceptance of a fairly limited level of service, or
- unique local circumstances or demographics that facilitate low costs, or
- unusual data reporting practices, where costs that might be reported as non-instructional elsewhere are instead reported as instructional, making non-instructional costs look low, or
- a combination of the above.

These visits may reveal that some divisions are able to provide high quality services while achieving low costs through the use of best/efficient practices. The best practices that these divisions use may have been anticipated by the list of best practices identified in the first phase of this review. On the other hand, it is also possible that the site visits may reveal some potential best practices that were not identified during the first phase. Either way, as the use of best practices is noted, an attempt will be made to identify the best practices that appear to particularly promote efficient and effective results.

On visits to school divisions with high expenditures per pupil for non-instructional services, JLARC staff will observe the factors that appear to differentiate these sites from the previously-visited low-cost sites. JLARC staff will consider whether the high cost levels at these sites appear to reflect:

- a lack of use of best/efficient practices, or even the use of highly inefficient practices, for accomplishing the work, or
- spending to achieve a desired high level of service, or
- unexpected unique local circumstances or demographics that raise costs, or
- unusual data reporting practices that make non-instructional costs appear to be higher than they are, or
- a combination of the above.

The greater the extent to which these divisions appear to lack best practices that may help them lower costs, the greater the potential there is that savings may result from the dissemination and successful implementation of the best practices by these divisions.

Finally, in divisions with medium costs per pupil, JLARC staff will consider the following types of questions:

- To what extent do medium-cost school divisions utilize the best practices that have been identified through the review? Do these school divisions use any practices that have "best practice" potential, but were not identified during the first phase of the review? To what extent does it appear that these divisions could benefit from greater use of the practices?

- What is the level of service (quality and quantity of services) that is provided at medium cost levels in Virginia?

- In these divisions, are "unique cost-driving factors" largely absent? (These "unique cost-driving factors" are the unique local circumstance or demographic factors that may have appeared in earlier site visits to be contributing factors in lowering or raising costs in the low and high-cost school divisions.)

- Do the data reporting practices of these divisions differ in any major way from the data reporting practices of low and high cost divisions?

Using the results from the quantitative data analysis and the site reviews, JLARC staff will develop conclusions and recommendations for the final report. The final report will consider the prospects for improving the efficiency and/or effectiveness of non-instructional services through the use of best practices. The report will also consider whether a mechanism should be used to institutionalize the identification and dissemination of best practice ideas, and whether incentives may be useful to foster school division adoption of these techniques.

Appendixes

		Page
Appendix A:	**JLARC Study Resolution**	**A - 1**
Appendix B:	**State Approach to Administrative Personnel Costs and Inflation in Estimating SOQ Support Costs**	**B - 1**
Appendix C:	**Request for Submission of Best Practices**	**C - 1**
Appendix D:	**Overview of Other States' Best Practice Initiatives**	**D - 1**
Appendix E:	**Summary of Best Practices Received**	**E - 1**

Appendix A

HOUSE JOINT RESOLUTION NO. 34
2002 Session

Directing the Joint Legislative Audit and Review Commission (JLARC) to examine best administrative, fiscal, and service practices in the Commonwealth's public school divisions.

WHEREAS, pursuant to Article VIII, § 1 of the Constitution of Virginia, the General Assembly must "provide for a system of free public elementary and secondary schools...and...ensure that an educational program of high quality is established and continually maintained"; and

WHEREAS, integral to the provision of a quality public education system is efficiency in the administration of programs, services, and budgetary matters; and

WHEREAS, with the adoption of Senate Joint Resolution 171, the 1989 Session of the General Assembly established a commission to study the efficiency of the use of public education funds, and directed this commission to "review the requirements of state and federal mandated educational programs to determine the feasibility of consolidating certain programs, services, and school division functions, assess whether and to what extent the instructional, supervisory and administrative staff levels exceed need, particularly given the number of students enrolled in the public schools of the division, review the organizations, planning, and budgetary structures of the school divisions to determine the need and ways in which such structures may be improved to maximize the utilization of personnel and funds, and recommend such statutory, regulatory and policy changes as may be necessary to facilitate the efficient use of public education funds"; and

WHEREAS, more than a decade has passed since the commission explored these efficiency concerns, and the Commonwealth's public schools face continuing challenges as enrollments grow and required programs and services increase; and

WHEREAS, while the Standards of Quality establish within the Department of Education a "best practices" unit to "identify and analyze effective instructional programs and practices and professional development initiatives," there is no similar mechanism for the identification of effective administrative and fiscal practices to assist school divisions in promoting efficiency and program effectiveness; and

WHEREAS, the identification of practices that would result in revenue savings to school divisions and to the Commonwealth and services that might be effectively

out-sourced will assist school divisions in providing the highest quality system of public education; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission be directed to examine best administrative, fiscal, and service practices in the Commonwealth's public school divisions. In conducting the study, the Commission shall select from among the several school divisions, a sample that is representative of urban, suburban, and rural school divisions in the Commonwealth. The Commission shall also (i) consider, among other things, the work of the Commission on Efficiency in the Use of Public School Funds; (ii) identify those programs and services that might be consolidated, are not achieving their intended purpose, or for which the mission is no longer relevant or discernible; (iii) identify those services, such as transportation, maintenance, food service, and other initiatives that might be effectively out-sourced; and (iv) develop recommendations regarding revenue-saving initiatives and practices.

All agencies of the Commonwealth and those local school divisions included in the sample shall provide assistance to the Commission, upon request.

The Commission shall submit an interim report of its findings and recommendations to the Governor and the 2003 Session of the General Assembly, and shall complete its work by November 30, 2003, and submit its final written findings and recommendations to the Governor and the 2004 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Appendix B

STATE APPROACH TO ADMINISTRATIVE PERSONNEL COSTS AND INFLATION IN ESTIMATING SOQ SUPPORT COSTS

As indicated in Chapter I of this report, the use of a linear weighted average in estimating support costs has been one factor that has restrained the size of these costs that have been recognized by the State as part of the Standards of Quality (SOQ). The use of this measure has stemmed from a JLARC study of SOQ costs in the mid-1980s. However, in addition to the linear weighted average, a number of practices have been used by the State that have had the impact of restraining the support costs that are estimated for the SOQ. SOQ cost estimates in turn are used to establish the State's cost responsibility. Two of these practices involve the State's calculation of administrative personnel costs, and the State's approach to recognizing inflation in calculating SOQ costs.

State's Approach to Administrative Personnel Costs. Originally stemming from an error of omission in the calculation of SOQ costs for FY 1993, the State ceased to include administrative personnel costs other than for the superintendent and assistant superintendent in its estimates of SOQ costs. The impact of this error on SOQ cost calculations is described in the February 2002 JLARC report on education funding. The 2002 Appropriation Act seeks to remedy this problem, by phasing-in a restoration of the linear weighted costs associated with these positions. However, it is unclear whether fiscal issues will prevent this matter from being fully addressed in FY 2004.

It is important to note that the State has no funding account that is specifically identified and defined to pay administrative costs. Rather, administrative costs are just one of several components that are used to calculate SOQ basic aid amounts. Therefore, the impact of the shortfall in the State's cost calculations for administrative staffing has been just to lessen the total State SOQ funding available to school divisions. Remedying this problem means providing more total SOQ funds to school divisions. The State funds can be used by localities to help them pay for the costs of administrative personnel they already have, or for any SOQ purpose. As these funds are not dedicated to administrative purposes, school divisions are not thereby encouraged to hire additional administrative staff that they do not need.

State's Approach to Inflation in Costs for Non-Personnel Support Costs. A second State practice that tends to dampen costs -- and is not currently slated for change in the 2002 Appropriation Act -- is the approach to the issue of inflation in non-personnel support costs. For these costs, the State uses WEFA inflation rates to move support costs forward from a base year (for example, FY 2000) to the year prior to when the new biennium begins (for example, FY 2002). (The acronym "WEFA" stands for Wharton Econometric Forecasting Associates). FY 2002 support costs are then used to represent SOQ costs in FY 2003 and FY 2004 (see table). As a result, no inflation is assumed in State funding during the two fiscal years for which the appropriations are provided.

Role of Inflation in Estimating SOQ Costs for Non-personnel Support Services Under the State's Current Approach
(Illustrated for the 2002-2004 Biennium Costs)

Fiscal Year	SOQ Cost Is ...
2000	The Base Year Per-Pupil Cost
2001	Adjusted for Inflation
2002	Adjusted for Inflation*
2003 (Budgetary Year)	**No Inflation Assumed Prospectively**
2004 (Budgetary Year)	**No Inflation Assumed Prospectively**

* Executive amendments to the 2002-04 Biennium Budget provided for the use of third quarter inflation from calendar year 2001 in determining FY 2002 costs for use in the FY 2003 and FY 2004 budget amounts. This action led to a reduction in funding of over $22 million in each year of the biennium, or total savings of about $45.5 million for the two years. It is unclear whether the budget for FY 2004 will be amended at the 2003 General Assembly Session to take into account the latest actual inflation data, now that FY 2002 is completed.

Source: JLARC's *Review of Elementary and Secondary School Funding,* February 2002 (information was based on DOE staff description and a review of the SOQ model calculations), and a January 22, 2002 document of the Secretary of Finance and DPB on Executive Amendments to the Budget.

The current approach differs from the cost methodology employed in conjunction with the linear weighted average in the JLARC SOQ reports from the 1980s. In these reviews, once support costs were determined for a base year, the costs were increased to the current time based on actual inflation rates, and the costs were projected forward to the new biennium to be funded based on projections of inflation. This approach was taken in the study to help ensure that the SOQ-funded cost remained realistic. The approach recognized that some degree of inflation has been a fairly dependable historical fact. (The consumer price index, for example, has shown an increase of at least 1.5 percent in each of the last 27 fiscal years, and the average annual rate over the past 20 fiscal years has been about 3.2 percent. From September 2001 to September 2002, a period of modest inflation, the consumer price index increased by about 1.5 percent.)

The State's existing methods for restraining the support costs it chooses to recognize could have an impact upon the size of any savings that might accrue as the result of best practice implementation by school divisions. For example, if the State were to continue to provide limited recognition of administrative personnel costs in its funding, then new practices that might achieve economies or efficiencies in this area would accrue predominately or solely to local governments. Further, best practices may be found that would enable a school division to provide services at a lesser cost than it is experiencing in FY 2003. However, it needs to be recognized that State funding to the division in that fiscal year (and in FY 2004) is based on the assumption that salary levels have not been increased since FY 2001, the use of typical health care premium amounts from FY 2002, and the use of typical per-pupil non-personnel support costs from FY 2002. If the size of the potential savings identified due to the use of the best practice is not large, then these potential best practice savings may be rendered moot (for the State), as it may have already realized equivalent or greater savings by funding cost levels from prior years.

Appendix C

COMMONWEALTH of VIRGINIA

Joint Legislative Audit and Review Commission

Philip A. Leone
Director

Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

(804) 786-1258

August 1, 2002

Mr. W. Richard Bull, Jr.
Superintendent
Accomack County Public Schools
P. O. Box 330
Accomac, Virginia 23301

Dear Mr. Bull:

House Joint Resolution No. 34 from the 2002 General Assembly Session requires the Joint Legislative Audit and Review Commission (JLARC) to examine best administrative, fiscal, and service practices in the Commonwealth of Virginia's public school divisions (see attached copy of the mandate). As part of this study, JLARC staff is compiling a list of best practices for non-instructional activities (administrative, fiscal, and other support service practices).

JLARC staff are seeking input from school divisions to help define these best practices, and has developed a web site so that division staff can submit best practices online. These best practices will be compiled in a database that can be viewed online by other school divisions, and other individuals with access to the Internet.

For the purposes of this study, best practices are defined as work methods, resource allocations, processes, and initiatives to improve the efficiency and/or effectiveness of non-instructional services. We are requesting that school divisions submit best practices in any or all of the following areas:

- Administrative Systems and Administrative Services (this can include board services, executive administration services, information services, personnel services, planning services, fiscal services, purchasing services, reprographics, data processing services, administrative clerical services, and the organization of administrative activities),
- Attendance Services,
- Food Service Operations,
- Health Services,
- Operation and Maintenance Services,
- Pupil Transportation,
- Safety and Security,
- School Construction, and
- Technology Support Services (this includes activities that support school divisions' technology infrastructure, such as the maintenance of technology hardware).

Mr. W. Richard Bull, Jr.
August 1, 2002
Page Two

Please note that, pursuant to the study resolution, best practices for providing instruction are not part of this study.

Best support practices that are submitted by school divisions will be reviewed and possibly edited by JLARC staff before they are added to the database. JLARC staff may need to contact the staff person who submitted the best practice if more information is needed.

We would appreciate it if you would share this letter with staff members in your division who might be able to describe some best practices in their specialty areas (for example, your division may have a food service director, facilities director, finance director, etc.). We may send a postcard or letter to staff specialists to encourage their response. However, we need your assistance in providing a copy of this letter to key staff, as it is the primary means that we are using to inform school divisions that we are soliciting best practice ideas.

Best practices can be submitted by way of a web site developed for this purpose. The web site may be accessed by going to the JLARC web site at http://jlarc.state.va.us/ and clicking on School Division Best Practices for Support Services in the Surveys and Special Links section. [*NOTE: Information was given here on how to submit a best practice.*]

We are sending this letter now in the hope that some school divisions may be able to submit some of their best practice ideas before the start of the school year. However, the time frame during which we are seeking these best practice ideas extends from now until the end of October of this year. An interim report of the JLARC study of best practices will be briefed in December 2002. The final report will be available in the summer or fall of 2003. Both reports will be available on the JLARC web site.

Thank you for your assistance on this important study. If you have questions about the study, please call Bob Rotz, the division chief for this review, at (804) 819-4585. Questions about the use of the best practices web site can be directed to Christine Wolfe or Bob Rotz at (804) 786-1258.

Sincerely,

Philip A. Leone
Director

PAL:bct

Enclosure

Appendix D

OVERVIEW OF OTHER STATES' BEST PRACTICE INITIATIVES

As stated in the report, two states appear to have done the most work in terms of developing best practices for use in potentially improving the efficiency and effectiveness of public education support services: Florida and Texas. In addition, other states, such as Pennsylvania, conduct performance audits of local school divisions, and many of the recommendations made in these reports can be considered recommendations for divisions to install best practices. This appendix provides a brief overview of these states' work in addressing best practices for support services.

Florida's Best Financial Management Practices. In 1997, the Florida state legislature directed the state's Office of Program Policy Analysis and Government Accountability (OPPAGA) and the Auditor General to develop an assessment system to improve school districts' management and use of resources. The assessment system that was created was based on a comprehensive set of best practices that were developed by OPPAGA and the Auditor General. The best practices, called Best Financial Management Practices, cover a broad range of school district educational and operational programs and services, including: management structures, administrative technology, personnel systems and benefits, facilities construction and maintenance, student transportation, food service operations, and safety and security.

To develop the best practices, OPPAGA and the Auditor General conducted an extensive literature review and contacted a broad range of education stakeholders, professional organizations, legislative staff, universities, departments of education in Florida and other states, and other agencies to obtain input in developing the best practices and indicators. They also consulted with more than half of Florida's school districts.

OPPAGA groups each of its best practices under broad goals. Then, OPPAGA provides several indicators for each best practice to help assess whether school districts are meeting each best practice. Table D-1 provides an example from the Facilities Maintenance functional area.

As stated above, Florida's best practices are used as part of the state's program to improve school district management and use of resources and to identify cost savings. Each school district is supposed to undergo a Best Financial Management Practices Review once every five years. These reviews are designed to encourage school districts to:

- use performance and cost-efficiency measures to evaluate programs;

Table D-1

Example of Goal, Best Practice, and Best Practice Indicators From OPPAGA Best Financial Management Practices

Facilities Maintenance	
Goal	The district has an annual budget for facilities maintenance and operations that is equitable throughout the district, supports annual ongoing and deferred maintenance requirements, and allows administrators to track and control maintenance and operations costs.
Best Practice	The district accurately projects cost estimates of major maintenance projects.
Indicators	a. Cost estimates are based on the district's experience with prior similar projects, current estimating cost standards, and market conditions. b. The cost of inflation for maintenance projects is projected for five years. c. The district regularly evaluates projected cost estimates for accuracy and utilizes this information to improve future estimates.

Source: OPPAGA's "Best Financial Management Practices for Florida School Districts."

- use appropriate benchmarks based on comparable school districts, government agencies, and industry standards to assess their operations and performance;
- identify potential cost-savings through privatization and alternative service delivery; and
- link financial planning and budgeting to district priorities, including student performance.

The results of these reviews are detailed reports that include findings, recommendations, fiscal impacts, and implementation plans.

The Texas School Performance Review Program. The state of Texas has taken a slightly different approach to developing best practices for education support services. Rather than proscribing which best practices school districts should be using, Texas developed a database of best practices that are currently in use in Texas school districts.

As part of the Texas School Performance Review (TSPR) program, the goal of which is to improve the management and finances of individual public school districts, the Comptroller of Public Accounts conducts performance reviews of school districts. The goal of these reviews is to identify a district's administrative, organizational, and financial problems and recommend ways to cut costs, increase revenues, reduce overhead, streamline operations, and improve the delivery of educational services. Best practices that are identified during the school review

process are verified by the districts and then compiled in a database called "A+ Ideas for Managing Schools" (AIMS). School districts can also submit best practices to the database, subject to verification by TSPR staff.

The database contains more than 400 best practices. The following are examples of best practices in the database:

- charge students for transportation that is not funded by the state and provide revenue for the district;
- implement a second breakfast period to increase revenues;
- contract with an energy management firm to develop and implement energy conservation measures and realize cost savings;
- hire a small core maintenance staff augmented by contractors for peak loads; and
- foster partnerships with businesses and other groups as resources to support and enhance district computer services.

Pennsylvania's Performance Review Program. The Pennsylvania Department of the Auditor General has been conducting school district performance reviews since 1997. The goal of the reviews is to identify ways to improve school district efficiency and effectiveness and identify best management practices. The reviews are intended to help districts "use tax dollars as efficiently and effectively as possible" and to help ensure that the "maximum amount of... hard earned tax dollars... reach the classroom for teaching and learning." The reviews also point out strengths of the school districts, which are similar to best practices.

From 1997 to July 2001, the department completed 18 such reviews. Each of the reviews entails a substantial amount of work by the department. For example, the number of interviews conducted at the district sites has ranged from a low of 13 to a high of 104, with an overall average of 49 interviews per site.

Each of the primary written products containing observations and recommendations from the performance reviews have been entitled "A Strategic Blueprint for Moving More Tax Dollars Into the Classroom." The intensive reviews have led to the identification of some projected savings. For example, the most recent school district review found $690,000 in potential savings. Recommendations in this review, some of which can be considered best practices, include the following:

- establish a central warehouse and an inventory system,
- segregate employee duties in the business office,
- evaluate the benefits of implementing Internet purchasing, and
- hire a full-time grant writer to explore more grant opportunities.

Appendix E

Summary of Best Practices Received as of December 11, 2002*	
School Division	**Best Practice Summary**
Administrative Systems and Services	
Chesapeake	Submit budget on line
Chesapeake	Automate the calculation of overtime and substitute pay
Chesapeake	Purchase textbooks on consignment
Chesapeake	Automate data related to employee and retiree benefits
Chesapeake	Create a web page for information regarding attendance zones and capital improvement plans
Chesapeake	Use a mailing service for school administration mail
Chesapeake	Identify and employ outstanding teacher candidates through an early commitment process (Career Commitment Program)
Chesterfield	Purchase goods and services cooperatively with the county government
Clarke	Combine various school division administrative functions with local government
Fairfax	Streamline the grants reimbursement process by submitting reimbursements electronically
Fairfax	Implement a procurement (credit) card program
Fairfax	Establish a Grants Development section in the Budget Office
Fairfax	Require new employees to use direct deposit
Fairfax	Use school finance support team and other tools to assist school-based personnel in financial matters
Fairfax	Work with other school divisions to obtain and publish budget information and comparative data that use common definitions and calculations
Fairfax	Implement program budgeting
Fairfax	Manage shipping costs associated with textbook orders by implementing centralized freight management
Fairfax	Implement a "passive order" program for products/supplies that are ordered on a recurring basis
Fairfax	Automate the warehouse request system
Fairfax	Implement an employee self-service system that allows employees to access their human resources and payroll information online
Hampton	Order textbooks through a centralized textbook ordering system
Henrico	Provide school attendance boundary information via the Internet
Henrico	Develop a CD with information on employment opportunities, application forms, etc. to use as a teacher recruitment tool
Loudoun	Implement an online employment application
Norfolk	Link operating budget to districtwide accountability system
Norfolk	Implement a comprehensive accountability system
Norfolk	Implement an Electronic Document Cabinet for processing and maintaining employee records

Summary of Best Practices Received as of December 11, 2002 (continued)

School Division	Best Practice Summary
Norfolk	Cross train employees in the Department of Pupil Services
Norfolk	Relocate ID badge and fingerprinting operations to an off-site facility that is more accessible to employees
Norfolk	Consolidate the banking arrangements for all schools that maintain student activity funds
Norfolk	Develop a systemic approach to allocating teachers within the division
Norfolk	Limit the number of vendors who provide Tax Sheltered Annuity plans to employees to a few "best in class" vendors
Norfolk	Consolidate vending operations throughout the division
Prince William	Allow vendors to register with the purchasing department on-line
Roanoke City	Consolidate locality and school system financial and payroll records
Roanoke City	Use a joint purchasing consortium for office and paper supplies
Roanoke County	Offer special recognition programs to support employees
Roanoke County	Have Human Resources personnel give breaks to support personnel to familiarize themselves with the job responsibilities and increase morale among the support staff
Roanoke County	Monitor and provide support to new employees
Roanoke County	Operate joint financial systems with the county government
Roanoke County	Include local government staff in the school division budgeting process
Roanoke County	Place outstanding support applicants immediately
Surry	Establish a school system UPS account online
Virginia Beach	Implement a document imaging system
West Point	Use a student information database, an electronic gradebook, and an attendance dialer phone system
York	Use an intranet to allow access to various documents/ publications, time and attendance system, and maintenance/ computer repair requests
York	Redesign the applicant screening process and implement an online applicant tracking system
York	Allow a fund balance rollover to instructional technology
York	Develop a School Activity Funds manual
York	Use procurement cards for purchases under $1,000
York	Establish a Revenue Stabilization Fund
York	Share a centralized purchasing operation with the county government
York	Produce the school division budget on a CD
York	Use Business Process Reengineering (BPR) method to examine traditional practices/procedures
York	Publish a Standard Operating Procedures manual

Summary of Best Practices Received as of December 11, 2002 (continued)

School Division	Best Practice Summary
Attendance Services	
Fairfax	Use school attendance officers (SAOs) to address student attendance/ truancy issues
Lancaster	Have a strong networking arrangement with all schools in the tracking of attendance
Lancaster	Automate the monitoring of student attendance
Lancaster	Involve parents early in the truancy process
Lancaster	Develop a close working relationship with the court system
Norfolk	Hire attendance technicians using Safe Schools/Healthy Students Grant funds
Pittsylvania	Use an interagency, multidisciplinary approach to truancy reduction
Prince William	Implement a program for interagency truancy prevention and intervention
Rappahannock	Have an answering machine for parents to call absent students in early, and have the SRO or other staff pick up truants
Rockingham	Establish multi-level services to address prevention, intervention, and enforcement of the mandatory attendance laws
Food Services	
Alexandria	Increase the variety of food offerings and participation in the school lunch program by integrating international foods and learning materials into school lunch menus
Alexandria	Provide a financial incentive for food services staff to learn more about safety and sanitation
Alexandria	Implement an incentive award program for perfect attendance
Alexandria	Implement an Employee of the Month (and Year) program
Alexandria	Implement a computerized school lunch accounting system
Alexandria	Develop a Pictorial Training Manual for staff with limited reading abilities
Alexandria	Donate a portion of cafeteria cookie sales to the Kindergarten Snack Program
Alexandria	Develop a plan to feed students and staff during emergency situations
Bedford	Control food cost using a "food cost analysis" software program
Chesapeake	Update the database of students receiving free and reduced lunch electronically instead of manually
Fairfax	Centralize vending services throughout the division
Fauquier	Participate in a multi-district food buying co-op
Fauquier	Allow Child Nutrition administrators to become certified instructors, and provide training to managers and staff locally
Norfolk	Operate a central commissary cook-chill facility
Norfolk	Use food court style serving areas in the high schools
Norfolk	Have the Child Nutrition Department input its own payroll
Norfolk	Conduct promotions that market school breakfast and lunch

Summary of Best Practices Received as of December 11, 2002 (continued)

School Division	Best Practice Summary
Norfolk	Implement a "self-service" breakfast program during the summer
Prince William	Host an annual food show
Prince William	Develop a Quality Standards Manual as a tool for employee training, quality monitoring, and employee evaluation
Prince William	Operate a centralized food service program and conduct "Hazard Analysis at Critical Control Points"
Radford	Use Excel templates to compile daily and monthly reporting information and the lunch count
Roanoke County	Use technology to improve inventory control
Roanoke County	Develop written cycle menus and cycle production records
Health Services	
Carroll	Provide a registered nurse in each school, and a full-time registered nurse as health supervisor/administrator
Chesapeake	Use in-house staff instead of contract staff for occupational therapy and physical therapy services
Hampton	Have a Registered Nurse (RN) in every building
Hampton	Use the Internet for health-related research and communications
Hampton	Track student health information using a customized health service data base
Hampton	Maintain a close working relationship with the local health department
Portsmouth	Employ at least one full-time registered nurse at every school, and additional nurses at schools with more than 750 students
Prince William	Hire additional nurses, identify children with special health care needs early, and collaborate with outside agencies
Roanoke City	Establish an employee health clinic to provide outpatient services and worker's compensation screenings
Roanoke County	Staff each school with a registered nurse on a part-time basis
Washington	Place a nurse in each school building
Williamsburg-James City	Employ a full-time registered nurse and full-time clinic assistant in every high school, and a full-time registered nurse in every middle and elementary school
Wise	Have a full-time school nurse in every school
Operation and Maintenance Services	
Chesapeake	Install computer graphics packages on HVAC control systems
Hampton	Consolidate maintenance and custodial services into one department
Hampton	Use maintenance and technology staff to complete the networking of school offices and classrooms
Patrick	Make up-front investments to save on energy costs over the long-term and provide air conditioning
Prince William	Implement an energy management program
Prince William	Standardize the division's telephone systems
Prince William	Conduct facility sanitation evaluations

Summary of Best Practices Received as of December 11, 2002 (continued)

School Division	Best Practice Summary
Prince William	Use bar codes and scanners to inventory the division's equipment
Prince William	Use a temporary worker pool to handle the summer workload
Pupil Transportation	
Fairfax	Require bus drivers to hang a pennant in the back window of their bus when it is parked as a way to ensure that drivers check to make sure that no children are left on the bus
Fairfax	Purchase buses that have air-actuated service doors
Fairfax	Provide supervisory and management skills training to bus drivers to prepare them to become supervisors
Fairfax	Provide comprehensive training programs for new and veteran school bus drivers and attendants
Fairfax	Purchase buses using an RFP process that focuses on the lowest total cost of ownership rather than an IFB process
Fairfax	Encourage school division employees to recruit new bus drivers by providing employees with a $1,000 bonus
Fairfax	Reduce the number of crossing guards needed by transporting students on existing buses that have space available
Fairfax	Foster communication with drivers and attendants by having monthly advisory council and pyramid meetings, and publishing a monthly newsletter
Fairfax	Equip buses with 2-way radios
Fairfax	Equip new buses with video cameras that record on-board activity to tape
Fairfax	Equip new buses with dual-unit air conditioning
Hampton	Use buses more efficiently by using a two-tier school bell time system, consolidating runs and routes for special events and academic programs, and using automation
Hampton	Publicize bus stops for the upcoming school year via a booklet rather than the newspaper
Hampton	Reduce transportation maintenance costs by contracting out "big ticket" items, and purchasing parts through a consortium
Hampton	Transport middle and high school students via local city transit system
Norfolk	Trade in old school buses as part of the new bus purchase process
Northampton	Purchase gasoline in bulk, and purchase gasoline buses instead of diesel buses
Pittsylvania	Utilize technology and participate in quarterly meetings with other area school divisions
Prince William	Establish express bus stops for students in specialty programs
Prince William	Implement strategies to eliminate contaminated fuel
Rockingham	Bus routing software, two-way radios, and other practices
Virginia Beach	Stagger operating hours of schools
Virginia Beach	Outsource the fueling of school buses
Virginia Beach	Use court-ordered weekend community service individuals to wash and clean school buses

Summary of Best Practices Received as of December 11, 2002 (continued)

School Division	Best Practice Summary
Virginia Beach	Implement a computerized routing system
Virginia Beach	Use both the regular education school bus fleet and the special needs fleet to provide service to all students
Virginia Beach	Equip all school buses with two-way radios and video cameras
Virginia Beach	Distribute the transportation newsletter electronically
Virginia Beach	Employ a full-time safety and training supervisor to provide training to bus drivers and assistants
Virginia Beach	Conduct a bus driver recruitment program on an ongoing basis
York	Provide training to bus drivers twice per school year (transportation academy)
Safety and Security	
Fairfax	Examine the use of various door access technologies
Fairfax	Submit, review, and store site-specific crisis plans electronically
Fairfax	Install exit door number signs in all schools
Fairfax	Implement a weather warning pilot project
Williamsburg-James City	Give all principals and key administrators pagers so they can be contacted via group-paging in emergency situations
School Construction	
Chesapeake	Develop standardized layouts of elementary and middle school spaces
Chesapeake	Develop guide specifications for construction projects
Chesapeake	Develop written, uniform guidelines for project managers
Chesapeake	Use digital cameras to document construction progress and concerns
Loudoun	Use prototypical designs for school construction
Norfolk	Utilize an independent construction consultant to help manage and provide cost-cutting advice for major capital improvement projects
Technology Support Services	
Accomack	Train students to assist with technology support needs
Carroll	Use the division's Internet site to disseminate information
Chesapeake	Use email as primary means of communication between school division personnel and Information Technology staff
Chesapeake	Deliver antivirus software and updates to all computers electronically
Chesapeake	Use parts from surplus computers to repair and upgrade computers
Chesapeake	Have teachers enter grades directly into computer system
Chesapeake	Use cross-trained teams of information technology professionals to handle technology problems, and have them meet daily to coordinate schedules and service calls
Chesapeake	Designate a primary and secondary contact person in each school to interact with the Department of Information Technology and troubleshoot problems

Summary of Best Practices Received as of December 11, 2002 (continued)

School Division	Best Practice Summary
Craig	Report and track classroom maintenance and technology support needs through the use of outsourced "TroubleTrakker" services
Fairfax	Implement an Education Decision Support Library (EDSL) that provides access to institution-wide data to support decision-making throughout the school system
Fairfax	Develop a public-private partnership to address the division's technology objectives
Fairfax	Implement an integrated technology support model, which includes several entities that provide focused, direct technical support to schools and administrative sites
Hanover	Reorganize the technical operations department, and implement a web-based work order system
Harrisonburg	Develop a database to help school division personnel troubleshoot common technical problems
Henry	Implement wireless WAN and LANs
Isle of Wight	Install software that monitors networks and servers and detects problems
Prince George	Automate technology support
Radford	Use proxy servers to help control the need for more bandwidth to the Internet
Radford	Employ a full-time staff person in the technology lab of each school to assist students and staff
Radford	Standardize software for grades K through 12
Radford	Develop replacement plans for key computer equipment
Radford	Use e-mail to communicate with parents, and for attendance information, announcements, and work orders
Radford	Assign one person responsibility for providing SASI support (training, creating manuals, etc.)
Radford	Assign personal digital assistants to teachers
Stafford	Use wireless transmission of data
Staunton	Install software in student computer labs that eliminates any changes made to a computer upon rebooting
Virginia Beach	Implement a five-year instructional computer equipment replacement policy
Virginia Beach	Implement a Customer Support Center (comprising the Help Desk and Data Operations) and track requests for assistance electronically
Virginia Beach	Use version control software to store all custom-developed programs and documentation
Virginia Beach	Implement single platform standards
Virginia Beach	Use an intranet to distribute reports and data
Virginia Beach	Elevate the information technology function within the division's organizational structure and appoint a Chief Information Officer
Williamsburg-James City	Perform detailed reviews of invoices from the division's digital services provider to ensure charges are appropriate

Summary of Best Practices Received as of December 11, 2002 (continued)

School Division	Best Practice Summary
Williamsburg-James City	Switch long distance account to Virginia DIT long distance contract
Williamsburg-James City	Review cell phone usage, and implement a centralized cell phone management system

*To read more about these best practices, visit the "School Division Best Practices for Support Services" web site. Go to the JLARC web site at http://jlarc.state.va.us/ and click on the School Division Best Practices for Support Services link in the Special Links section.

DISCLAIMER: The best practices in this database are for information purposes. Their inclusion in this database does not mean that they are endorsed by JLARC, nor does it mean that all school divisions can or should implement all of the best practices in the database. For example, some best practices may not be applicable to all school divisions, or may not be feasible for some divisions to implement. In addition, there is no guarantee that the estimated cost savings will be achieved by other school divisions.

Source: JLARC staff summary of school division best practice submissions, August to December 2002.

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