Nine years and 30 school district studies later, the Texas Comptroller's office has uncovered more than 3,500 specific ways to control costs, reduce overhead, streamline operations and improve services. So far, these changes saved taxpayers an estimated $390 million.

These improvements are the result of the Texas School Performance Reviews (TSPRs) that have been completed on a variety of districts--large and small, rich and poor, urban and rural. After talking to people who work and live in these districts, some common themes emerged.

To help all school districts in Texas learn from others’ mistakes, TSPR created a list of the Top 10 issues facing public schools and some innovative ways to solve them. These creative solutions have come not only from nationally recognized experts in education, but from local district employees.

TSPR was created by the Texas Legislature in 1991 to help public schools rise to the increasingly difficult challenge of spending more of their scarce resources in the classroom rather than on needless bureaucracy.

**Top 10 Ways To Improve Public Schools**

1. Equitably allocate resources.
2. Get rid of the piles of paper.
3. Make administrators into facilitators.
4. Plan before you build.
5. Use the "Yellow Pages Test".
6. Buy what you need, when you need it, at the best price you can get.
7. Have a vision; plan how to get there; live it.
8. Tag 'em; count 'em; track 'em.
9. Adopt policies and procedures -- who knows who will be doing this job tomorrow.
10. Find every dollar you can.

**Why the Top 10 list was created**
Recognizing that less than 52 cents of every state education dollar is spent on instruction, Comptroller Carole Keeton Rylander wanted to give local school officials the ability to move every possible dollar to the classroom. In addition, she wanted to ensure that school districts' best practices and exemplary models are no longer left buried inside individual TSPR reports.

To that end, Comptroller Rylander has ordered best practices and exemplary programs to be shared quickly and systematically among all of the state's school districts, and with anyone who requests such information. She, therefore, has directed TSPR to serve as an active clearinghouse of the best and brightest ideas in Texas public education.

Comptroller Rylander began by establishing new criteria for selecting school districts for future reviews. Priority is given to districts that are performing poorly, either academically or financially, and to reviews that benefit the greatest number of students. "These are the school districts and children that need help the most."

Not every public school district needs or wants a full-fledged performance review. In fact, TSPR has found that widespread support on the local district level for a performance review is the best indicator of how effectively its recommendations will be implemented.

Once a review is announced, TSPR settles in for months of detailed study. Assisted by outside experts, the performance review team consults a wide range of administrators, principals, teachers, parents, students, community leaders and business groups. Students are provided surveys to take home, newspapers are offered questionnaires to publish, concerned citizens are invited to attend public meetings, and all community members are encouraged to call a special hotline 1-800-531-5441 extension 5-3676 to offer their best ideas. The e-mail address is "tspr@cpa.state.tx.us".

The Comptroller's team looks at every major area of a school district's operations, including food services, transportation, safety and security, educational service delivery, district organization and management, computers and technology, facilities, personnel, community involvement, purchasing, asset and risk management, and financial management.

TSPR's work isn't a financial audit in the traditional sense, nor is every recommendation designed to cut costs. In fact, some have no direct fiscal effect at all, while others call for reinvestments to attract greater public and private funding. All, however, promise improvements in student services and administrative efficiency.
TSPR's Top 10 ways to improve public schools

By identifying recurring problems and suggesting solutions for improvement, TSPR has developed a Top 10 list of challenges facing most public school districts. Under each of the following issues are ways that some Texas schools have addressed those challenges and manage to hold the line on costs, reduce their administrative expenses, and make their operations more efficient and effective.

1. Equitably allocate resources.

Resource allocation—especially of personnel—should fluctuate with the changes in the student population and in the facility size. To make this allocation process fair and equitable, it is important that schools monitor various ratios that measure the efficiency of staff. For example:

- Educational and administrative staffing ratios show how many students per teacher or per administrator are in each school. And with this information, staff can be reallocated when student populations surge at one school and decline at another.
- Support staff ratios, such as the number or custodians per square foot of space and cafeteria meals served per labor hour, help administrators determine the productivity of support staff and identify the needs of each school.

Specific standards and ratios are set, in many cases, by state laws and guidelines, industry standards, state and national organizations, and trade organizations. Strictly followed formulas can cause problems, so common sense should be used when applying them.

TSPR has found that staffing or productivity standards supported by board policies have the following benefits:

- Employees are more likely to be equitably distributed among all schools and locations, and staffing decisions are more likely to be based on demonstrated needs.
• School boards, superintendents and administrators have fewer special requests. When special requests are received, district officials have a staffing criteria on which to evaluate real needs.
• Budgeting is more consistent. For example, if student enrollment increases or decreases, or if facilities are expanded, corresponding staff needs increase or decrease according to the standards.
• Savings can be achieved by monitoring the standards and establishing goals. Productivity standards allow for the impartial measurement of performance for workers, classes of workers, and individual schools. TSPR has found that setting goals for improvement and focusing attention on performance typically results in marked improvement.
• School districts faced with financial changes can make equitable budget cuts by adjusting the ratios. Much debate over funding priorities can be eased by using accepted formulas and ratios for staffing.
Get rid of the piles of paper.

Although technology is a major issue for school districts, much of the emphasis centers on instructional technology while the most basic administrative applications are left to paper, pen, pencil and antiquated typewriters. Even in the most sophisticated districts, decisions to spend money on administrative technology draw opposition from individuals, claiming that the children must come first.

TSPR has found, however, that the failure to invest in technology at the administrative level stunts instructional programs by diverting vital resources to labor-intensive manual processes. Too little thought is sometimes given to the fact that an investment in technology should repay itself in a matter of years, reducing overlapping or duplicated tasks, and increasing productivity.

TSPR recommends that districts fully automate and integrate administrative functions and look for ways to eliminate as much paper shuffling and labor hours from the process as possible.

Examples of using automation to successfully curb administrative costs include:

- automated payroll processing and an integrated payroll, attendance, benefits, and accounting system that eliminates redundant data entries;
- automated and integrated accounting and purchasing systems;
- automated school bus routing systems;
- food service systems that track student meal participation and payment, menu planning, labor hours, and nutritional information; and,
- on-line communication systems and internet access for campuses and administrators.

The most successful districts report that any decision on administrative automation must begin with a clear and comprehensive cost-benefit analysis, and the school board should include an element of accountability for achieving those benefits in the process. If the analysis fails to show that a system will pay for itself in a relatively short time--say, three to five years--the system may simply be automation for the sake of automation and not cost effective. If the administration is not held accountable for
achieving planned results, the district will lose twice: once from the purchase of the system and then again from falling short of promised productivity gains.
Address warning signs before they turn into trouble.

In 1990, Texas state lawmakers passed legislation taking the first formal step toward site-based decision-making by requiring districts to develop and implement a plan no later than September 1992.

TSPR found that even though all districts have such a plan, few have actually fully understood and implemented it.

Under site-based decision-making, a district's central office should:

- serve as a service provider or facilitator;
- decentralize central operations so that time, energy and financial resources are targeted at the school level and specifically at student needs;
- reduce levels of management in the district's organization;
- establish two-way communications avenues that work vertically and horizontally throughout the school district; and
- allow for decision making at the campus level.

While this seems logical and appropriate, many districts have not shifted the roles of central office personnel from managers to service providers and facilitators.

TSPR found that successful school districts have begun by revising the job descriptions of central office administrators to reflect a service orientation. In addition, successful district administrators have begun spending as much as half their time in the schools. Districts that have placed central administrators more routinely in schools report this to be one of the single most beneficial recommendations made in TSPR reports.
Plan before you build.

Facilities represent the single most costly financial investment for most school districts. Planning for these investments, however, is often inadequate—and, in some cases, non-existent. Good facility master planning can maximize the invested dollars, hold spending to critical needs, and in rare cases avert the need for capital spending.

TSPR has found that failed bond elections are often blamed on external factors such as economic downturns and voter apathy, when in truth, a district may have simply failed to do its homework. With input from teachers, principals, taxpayers and community leaders, districts should determine their true needs, plan for addressing those needs, and then communicate those needs effectively to the community.

Effective management of a school district's facilities requires that it have in place a sound facilities planning process, including:

- an appropriate staff organization to coordinate and control the planning process;
- reliable estimates of future enrollments;
- up-to-date listings of facility repair and renovation needs;
- up-to-date inventories of existing space by type of space;
- a well-documented program delivery plan for the district as a whole and for each school;
- established facility use rate and amount of space guidelines;
- comparisons of future space needs with current inventories by type of space;
- an annual plan and operating budget for addressing recurring maintenance needs such as roof and equipment replacements; and
- specific long-range improvement plans for each campus and the district as a whole.

In addition to planning, construction management is also critical. Fraud, poor workmanship, poor quality components and general cost overruns can be avoided or reduced by having an appointed or specially-hired employee of the district monitoring daily construction progress and regularly reporting back to the board.
Good facilities management as described above is an integral part of a well-run school district's operations, allowing short- and long-term goals to be set and sound budgetary decisions to be made.
5

Use the "Yellow Pages Test".

Comptroller Rylander says that all goods and services should be put to the "Yellow Pages test." In other words, government should do no job if a business in the Yellow Pages can do that job better and at a lower cost. Whether a district has decided to contract out an entire segment of its operation, contract for management services or conduct all phases of the operation in-house, regular evaluation is necessary to ensure that the highest quality services are provided at the lowest price. Therefore, TSPR recommends regular cost/benefit analyses of all school functions and services.

If a district contracts out a segment of its operations, TSPR looks carefully at the terms and conditions of contracts to find out whether the district is getting its money's worth. Contractors should be held accountable for producing the desired results, and provisions should be included in the contract to reward good performance and penalize poor performance. Accountability assumes that the district has thought through the desired results and has a system in place to monitor performance.

When contracts are being written, a district could consider writing in provisions that will allow the district to bring the services back in-house, should that later prove necessary. For example, the Wimberley ISD has outsourced transportation but continues to own a portion of the fleet, and a clause in the contract would allow the district to buy vendor-owned buses on a lease-purchase basis should the contract be terminated. In other words, it will be affordable for the district to terminate the contract. Not only does this give the district some options in the future, but the vendor is more apt to continue to provide quality services at a lower cost knowing that the district has options.

Tough contract negotiations are necessary if the district's interests are to be protected. All too often, contracts are renewed without a thorough review of the contract's terms and conditions. What incentive is built into the contract to encourage the contractor to improve the quality of service or hold the line on costs? For example, escalator clauses sometimes allow contractors to raise prices without experiencing price increases in the costs of materials or labor. In this environment, poor performance has few
ramifications. Contracts must be examined carefully to ensure that the
district is receiving the best service at the lowest cost.

Rebidding the contracts periodically can help to determine if another
company can do a better job at a lower cost, or if new services or methods
of service delivery are available in the marketplace. During the contract
rebidding process, a district could examine the cost of conducting those
same services in-house. A school district cannot afford to relinquish
control of any operation to a contractor without regularly re-evaluating its
decision.

If a district now operates a function such as food services, or even special
education services in-house, opening the service to competition with a
request for proposal will allow the school district Board of Trustees and
the administration to evaluate the cost-effectiveness of continuing to
operate that function in-house. When comparing the costs of in-house
operations to services provided by contractors, the district should factor in
all of the in-house costs that would pass to the contractor—the cost of
employees, benefits, training and any other functions the contractor would
assume. Only then is a true comparison possible.

At a minimum contracts should contain:

- mutually agreed upon performance standards;
- financial incentives for good performance; and
- penalties for poor performance.

The Houston ISD decided to contract out the management of its food
service function and, in doing so, has become a model for food service
contracting. According to the November 1997 issue of the publication,
Privatization Watch, "HISD laid out several criteria that each privatization
transaction would have to meet before it would be approved. The
arrangement would have to ensure lower and predictable costs while at the
same time increasing the level of service provided to HISD's students,
faculty and administration." The goal outlined in the request for proposal
was to achieve cost savings, improve quality and service, take care of
HISD employees, and improve customer satisfaction. When TSPR
conducted its one-year progress report of Houston ISD, it found that its
food service contract had, in just two months from start up, resulted in
16,000 additional meals being served daily.

But, support functions are not the only areas where contracting might
benefit a district's operations. More and more, districts around the state
and nation are finding ways to use contracting to enhance their educational
or academic programs or to address those nagging areas that
disproportionately tax administrative and instructional resources. And, not
all contracts are with for-profit entities. Some contracts are with non-profits, other districts or even cities or county governments.

For example, providing academically sound alternative education programs is often problematic—-for both large and small districts and for a variety of reasons. Some districts have found solutions by contracting for alternative education services from a nearby school district with an exceptional program. Others have looked to external vendors.

In either case, the decision to contract was made because the quality of the services provided exceeded the current level of services provided in-house and/or the cost to provide similar services in-house was not cost effective—-that's the "Yellow Pages Test" in action.
Buy what you need, when you need it, at the best price you can get.

An efficient purchasing department should have management processes in place to ensure that supplies, equipment and services are purchased from the right source, in the right quantity and at the lowest price—all in accordance with national, state and local purchasing guidelines.

The most common complaint heard by TSPR during its reviews involves the public perception of misconduct in a school district's purchasing processes, including allegations of nepotism, favoritism, excessive costs and cost overruns, and circumvented policies. Many of these allegations are unfounded. They are simply perceptions that result from a district's failure to clearly define and communicate its procedures and the state's guidelines to vendors and the general public.

Successful purchasing practices include:

- a set of purchasing policies adopted by the board that follow applicable laws and guidelines;
- administrative procedures for implementing policies that reflect step-by-step purchasing guidelines for central office staff and school administrators; and
- policies and procedures clearly communicated to potential vendors and the general public, and followed without deviation.

In addition, the purchasing processes within many districts do not serve customers well. Teachers and administrators complain that they can't get supplies in a timely manner, that purchasing paperwork and bureaucracy take too much of their time, and that students are hurt by delays in getting needed goods or services.

To address the needs of the customers, TSPR has found that successful school districts have:

- re-engineered their purchasing processes to make them as streamlined as possible;
• automated the requisitioning, purchase order and receiving processes to the fullest extent possible;
• eliminated all but the most critical approval signatures needed to maintain an adequate level of control;
• instituted blanket purchase orders and catalog purchasing where appropriate;
• eliminated or significantly reduced the number of "emergency" purchase orders by redefining them to truly mean emergency, rather than simply that someone forgot or wanted to circumvent the system; and
• made use of a controlled credit or debit card system for spot purchases.
Have a vision; plan how to get there; live it.

Strategic planning enables a district to define its goals and objectives, establish priorities, and determine specific implementation strategies. The process begins as a school district assesses its strengths and weaknesses, both in the instructional and support areas. From broad goals, very specific strategies for achieving them are developed. One of the most critical strategies involves the allocation of resources to make those goals happen. Priorities are set, meaning that some goals will be targeted immediately, while others will be deferred until additional money or resources become available.

While most districts engage in some sort of planning, few have gone past the creation of district or campus improvement plans, which typically focus on instructional issues, not on the district as a whole. In most districts, the annual budget process and the district and campus improvement plan processes occur at different times. Consequently, the plans are not directly linked to the resource allocation process, resulting in unfunded plans and budgets that fail to fulfill the district's goals.

Seldom do instructional and support goals and objectives have any link. Understanding the link between the quality of education and transportation, food service and school security, as well as purchasing, financial management and all the other support activities of a district is paramount to achieving significant improvements.

Districts that make the best use of their resources and achieve high student performance rates generally practice some form of strategic planning that looks at all district operations, links support functions to the achievement of instructional goals, and has a direct link to the annual planning and budgeting process.

Effective strategic planning includes:

- knowing your customers and understanding their priorities through surveys or focus groups of students, parents, teachers, administrators and community leaders;
• direction and focus from the school board and a steering committee to set priorities or major goals;
• broad-based and diverse committees set up to address the established priorities and develop activity plans to address each priority;
• activity plans that contain measurable outcomes, dates and assignments of responsibility for implementation;
• two-way communication between the governing body and the committees during the plan development period;
• decisive governance that uses the recommendations of the committees to the greatest degree possible when approving the final plan;
• performance-based annual monitoring and adjusting of activity plans; and
• budgets requiring expenditures to be tied directly to the overall goals and priorities of the district.
Tag 'em; count 'em; track 'em.

Fixed assets include all properties, vehicles, equipment and building contents. Accounting for these fixed assets involves tracking and reconciling additions and deletions to property in the inventory. The most important purposes for keeping and maintaining accurate accounting records of fixed assets are:

- Properly kept fixed asset records furnish taxpayers with information about their investments in the district, in contrast to expenditures, for current operations;
- fixed asset records provide the basis for adequate insurance coverage;
- systematic physical inventories of fixed assets allow the district to survey the physical condition of its assets and assess the need for repair, maintenance or replacement;
- periodic inventories establish a system of accountability for custody of individual items;
- for budgeting purposes, reliable information about fixed assets now owned can provide material assistance in determining future requirements; and
- periodic inventories identify lost or stolen items so that insurance claims can be filed, additional controls instituted and accounting records adjusted to reflect the losses.

According to Texas Education Agency guidelines, purchases of $5,000 or more for equipment or furniture with a useful life of more than one year are considered expenditures for fixed assets. As such, they are capitalized instead of expensed by the district. There are, however, valuable items purchased by a district that cost less than $5,000, including computer components, desks, audio and visual equipment, and the like.

The most successful districts report that items over $5,000 should be capitalized as fixed assets and made subject to external audit, but all valuable items should be maintained on a control log and inventoried annually. This means:

- tagging of all valued assets when they are received using a bar code system;
• using accounting codes to track capitalized fixed assets as well as expensed assets;
• inventorying all assets on an annual basis;
• using the annual inventory results to set insurance rates; and
• identifying inventory shrinkage and tightening controls when necessary.
Adopt policies and procedures -- who knows who will be doing this job tomorrow.

Effective school management is built on sound, clearly written and legally valid policies. The Texas State Board of Education mandates that each school board adopt policies governing the operation of its schools and make them accessible to all school district employees and the public.

Each district reviewed by TSPR thus far has had a policy manual, but in many cases, the manuals are not well maintained and include policies inconsistent with state laws, or that are past their useful life. It's not surprising to find confusion in districts over the correct way to do things.

Procedures on the other hand show district employees how to carry out the policies in their various organizational units.

Well-written and organized procedures:

- implement and assure compliance with board policies as well as documenting the intent of those policies;
- protect the institutional knowledge of an organization, so that as experienced employees leave, new employees have the benefit of the others' years of experience;
- provide the basis for training new employees; and
- offer a tool for evaluating employees based on their adherence to procedures.

TSPR regularly meets opposition from school district officials opposed to formally documenting procedures. The prevailing view is that policy and procedure are the same thing. Why write a procedure if the policy clearly tells them what they need to do? When staff members are asked why things are done in a certain way, they often pull out aged memos from long-gone directors or superintendents as their support.

The concept of documenting daily activities in a step-by-step format seems foreign. Yet, in almost every school district reviewed, examples were found of key personnel abruptly leaving positions as a result of sudden illness, death or other personal tragedies, and leaving the department in a state of chaos. Other examples abound of whole departments without trained back-ups for critical positions like payroll,
and of poor training techniques that show new employees how to perform a task, but not why.

TSPR recommends that policy manuals be updated and kept current at all times. This means setting up a system for regular updates and distribution, as well as periodic reviews to ensure that all old policies are removed when no longer needed.

In addition, TSPR recommends that administrative procedures be formally documented, with each administrator held responsible for creating and maintaining understandable, cross-referenced procedures.
Find every dollar you can.

State funding and local taxes pay most of the costs of operating Texas school districts. Yet, other funding sources exist, including federal and state grants, federal reimbursement for the Shared Health and Related Services (SHARS) program, and matching or donated funds from businesses and civic groups. Many school districts fail to maximize these external funds and miss opportunities to supplement their financial resources for expanding student services.

One example of an underused funding source is the SHARS program. In September 1992, the Texas Medicaid program was amended to allow school districts to enroll as Medicaid providers and apply for Medicaid reimbursement for services they are already providing to children with disabilities. School districts need not spend new money, but instead can simply apply for reimbursement for specific services provided to Medicaid-certified children. Because this money is reimbursement for funds already spent, it is returned to the district and is available to offset future expenses, without restrictions.

Fewer than half the state's school districts take advantage of this source. When asked why they don't participate, district officials often explain that it would require them to hire someone to administer the program. But with participating school districts receiving between $10,000 and $1 million annually from this program, the hiring of a single individual or even part-time individual may be a worthwhile investment.

Another example of missed funds is the National School Lunch and Breakfast Programs. Many school districts realize that significant funds are available from the federal government to pay for free- or reduced-priced breakfasts and lunches for economically disadvantaged children. Increasing participation in these programs draws down more federal dollars, which can then be spent to serve more meals.

Identifying children at-risk of failing is the key to receiving this Tier I and Tier II Compensatory Education money. In Texas, districts receive about $600 in additional funds for every child eligible for free- or reduced-price meals. Few districts, however, use all of the available tools to identify economically disadvantaged children. Some send home a form at the beginning of the school year and are content with whatever response they receive.
Other avenues for identifying these students include:

- family identification--identifying all of the children in a family as eligible for free and reduced-price meals through one application;
- using Texas Department of Human Services data on food stamp eligibility to automatically qualify students for the federal meal program;
- instituting automated point-of-sale systems in cafeterias to remove any stigma associated with participation in the program; all students enter a personal identification number into the system, whether they pay for lunches or receive them free; and,
- simply advertising the program more effectively and doing more follow-up with families to encourage participation.

Every indicator shows that children perform better in school and have fewer discipline problems when they aren't hungry. The additional benefit to identifying eligible participants is drawing down more federal and state program dollars.

Cash and investment management involves the systematic coordination of cash-flow forecasting, cash-flow management, investment of surplus cash and sound banking and investment relationships. Many districts perform only limited, long-range cash-flow forecasting. Annual forecasting tells a district that it needs to borrow or invest large amounts of money over the school year, but it does not address the daily ebb and flow of money through the district.

Considering that even the state's smallest districts have annual cash-flows of millions of dollars, interest earnings on excess cash can make the difference in whether an extra teacher is hired, teacher pay raises are given, money is returned to taxpayers or classroom computers are purchased.

TSPR has found that:

- the simple overnight investment of excess cash, through the use of zero-balance account features, can significantly increase a district's interest revenues;
- placing long-term cash in investment pools or U.S. securities, rather than in local interest-bearing accounts or certificates of deposits, can in some cases increase the investment yield by as much as 2 to 3 percent; and
- a cash-flow forecasting model that allows a district to determine its daily and monthly cash requirements makes it possible for districts...
to develop investment strategies for investing excess cash overnight and on a long-term basis in secure, high-yield investment instruments or make appropriate short-term loans only when absolutely needed.

Texas School Performance Review: helping public school districts improve their own operations.

Each of these Top 10 ideas are easily implemented, yet can create dramatic results. Education professionals across the nation are sitting up and taking notice of TSPR. For example, Florida began a program patterned after the Texas School Performance Review, and the Comptroller has fielded calls from as far away as Australia from school districts searching for solutions to their own unique challenges.

In Texas, the response to TSPR has ranged from open arms enthusiasm to cautious wait-and-see attitudes. In one district, the superintendent and a majority of board members signaled their early support and ultimately went above and beyond TSPR’s proposals, making improvements in areas not even suggested in the original report. In another district, TSPR was about as welcome as fire ants at a school picnic. Yet, even there, district officials eventually came to recognize the value of the work and achieved impressive results by implementing TSPR’s recommendations. Many have learned that a performance review of their district’s operations can serve as a useful foil against the inevitable backlash of unpopular, if necessary, changes. Sometimes, only an impartial third party is truly able to touch upon areas previously considered untouchable. In the end, TSPR has found broad support and a wealth of dedicated professionals willing to use the recommendations to refocus their efforts and address the challenges facing their schools.

The Texas School Performance Review won a 1999 Innovations in American Government award for its efforts to improve education. The awards are administered by the John F. Kennedy School of Government of Harvard University in partnership with the Council for Excellence in Government. They are funded by the Ford Foundation, which gave TSPR and nine other award winners $100,000 grants to replicate their cutting-edge programs across the nation. Learn more about the Innovations in American Government and this year’s other winners at our web site.
If you would like more information on any aspect of the Texas School Performance Review, please visit the Comptroller's Web site at http://www.window.state.tx.us or call 1-800-531-5441 extension 5-3676.