

Summary

Performance Review of the Beaumont Independent School District

Background

The Texas Comptroller of Public Accounts, initiated the Texas School Performance Review (TSPR) in March 1991. The program began as a pilot program for management and performance audits of select Texas school districts. Since its inception, the State Comptroller's objective has remained focused - *promote better elementary and secondary education in Texas through improved school district management and cost efficiency.* Thus, the primary focus has been to increase funds available for direct instructional services by maximizing the efficiency of instructional support and administrative functions.

KPMG Peat Marwick LLP (KPMG) was selected by the Comptroller to perform a management and performance review of BISD in April 1995. State representatives, Al Price and Mark Stiles, along with the BISD superintendent requested this review from the Comptroller with the approval of the BISD board of trustees.

Acknowledgments

The Comptroller would like to thank the BISD board of trustees, superintendent Dr. Jerry Mallett, and many school district employees, students, business leaders and community residents for their cooperation with the review team and who provided information during the preparation for, and implementation of, on-site activities. Special appreciation goes to Ms. Jolene Ortego (who was assigned by the superintendent to be our liaison with BISD for the review) for providing office space, equipment, meeting room facilities and helpful staff to accommodate the on-site needs.

Governance and Management

An overwhelming conclusion drawn from the community input and other on-site activities is that the BISD board of trustees has not been effective in leading the district. Texas Education Agency monitors, assigned by the Commissioner of Education, remain in the district after more than 2 years.

Micro-management practices by the board were cited by individuals; board members admitted to overextending their bounds on certain issues.

District history reflects that the ethnic make-up of the board has significant impacts on how BISD is governed. Too often, board decisions appear to be based on ethnic and cultural issues rather than doing what's best for BISD children. To address these concerns and to obtain support for a bond election, the Covenant was adopted by the board as district policy. This agreement between BISD, the board and the public was intended to improve the quality of education in BISD and regain the trust of the community. Despite good intentions, the Covenant has now become the focus of much of the infighting.

The superintendent's ongoing program of cutting central administration staff through attrition has left the district functionally fragmented. Although the cuts are absolutely critical to the financial well-being of the district, district staff are not managed effectively under the current structure and department heads are not held accountable for all aspects of their area (i.e., budget, performance, productivity, creativity, etc.).

Summary Results

This management and performance review identified total savings of more than \$21 million that could be realized over the next five years (school years 1995-96 to 1999-2000) when BISD implemented the recommendations. The recommendations include investment opportunities of \$365,994 in fiscal year 1996 and total investment opportunities of \$2.8 million over the next five years. The cumulative *net savings* (savings less recommended investments) from all recommendations is expected to reach almost \$18.2 million by fiscal year 2000.

If adopted, recommendations in this report could produce gross savings of \$2 million in the first year. Savings, are expected to rise in the second year of implementation to almost \$4.4 million, or 10.8 percent of BISD's administrative budget (total budget minus instructional costs such as teacher salaries and classroom supplies), or 4.6 percent of BISD's total annual operating budget. The savings opportunities identified in the report are conservative and should be considered the minimum that can be realized if all recommendations are implemented.

Many recommendations in this report would not have a direct financial impact, but nevertheless represent important improvements over current policies and operating practices. Many recommendations also would improve the level of customer service provided by BISD. Exhibits displaying the total savings and costs associated with TSPR's recommendations are listed at the end of this summary and in Chapter 15.

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On the basis of the findings of this review, TSPR has developed 144 recommendations.

TSPR identified a number of "best practices" in BISD's operations. This report highlights several model programs, operations and services being provided by BISD administrators, teachers and staff. Other school districts throughout the state are encouraged to examine these programs and services to see if they may be adapted to meet their needs. Several of these are listed below:

Exemplary Programs and Practices

- The Career and Technology programs provided by BISD in cooperation with industry prepare students for future jobs. The Metal trades program at the Taylor Career Center, for example, uses equipment donated by industry and constructed by community volunteers.
- Annual board retreats are being held to enhance board member relationships and aid the board with their planning activities at no cost to the district, thanks to contributions made by Temple Inland Corporation.

- TAAS test results for 1995 show significant improvements in grades 3, 4 and 5. The 1995 district TAAS test results showed a 66 percent passing rate for all tests in Grade 3 as compared to 55 percent in 1994; 51 percent passing rate in Grade 4, as compared to 40 percent the previous year, and a 58 percent passing rate in Grade 5, compared to 46 percent in 1994. In addition, many Chapter I program schools are demonstrating improvements in their TAAS test results.
- For the last two years, BISD has written and received approval for a Retention Reduction Grant that lists major objectives to eliminate retention as a strategy for mastery of the essential elements and to train parents as facilitators of their child's learning and academic success.
- BISD has developed a comprehensive program to serve gifted and talented students in the area of general intellectual ability, specific subject matter, aptitude, creative and productive thinking and leadership ability.
- A comprehensive salary and compensation study was conducted for the district's non-teaching administrative and professional positions.
- The district has automated many of its personnel functions and replaced many of its manual processes.
- The school volunteer program has brought in more than \$326,000 worth of volunteer hours during 1993-94, and local businesses have demonstrated a significant level of support for the district.
- The business office has recently streamlined the requisitioning process by eliminating the number of approvals required to process a requisition.
- BISD participates in the Texas General Services Commission's purchasing cooperative, the Region V Food Service Cooperative and Southeast Texas Cooperation Purchasing Organization.
- The Purchasing department utilizes blanket purchase orders for maintenance equipment and supplies and music department supplies.
- BISD is minimizing the need for a traditional warehousing function by utilizing Just-In-Time delivery for office and school supplies that the district needs throughout the school year.
- BISD has effectively minimized capital outlay debt commitments each year through effective planning, auctioning retired buses and acquiring newer buses when needed.

Major Findings and Conclusions

District Organization and Management - The functional fragmentation of the district's central administration must be addressed immediately. This report recommends a complete structural reorganization which should be

complimented by the placement of highly qualified individuals. A total of 12 administrative positions are eliminated and nine positions are created for a net reduction of three administrative positions.

Safeguards, specifically accountability measures, called for by the Covenant have not been put in place. If the Covenant is going to achieve its goals, accountability for the money, the programs and the outcomes must be monitored by the district.

The budget does not channel district resources to achieve the specific, attainable goals and objectives outlined by the strategic plan. The strategic plan does not provide a structure for prioritizing the objectives or developing accountabilities for the achievement of the objectives. In addition, the district's current organizational structure does not lend itself to achieving the objectives of the strategic plan.

Educational Service Delivery - Student performance remains below state averages, although improvements are occurring. Responsibility for educational service delivery is scattered between the three district assistant superintendents, with functional gaps and overlaps contributing to program inefficiencies. More than \$1 million in federal and state funding for Special Education programs could be achieved over the next five years by timely billing for all services eligible for Medicaid reimbursement.

Personnel Management - The district has not integrated its automated personnel and payroll system. The lack of integration results in duplicate processing of employee information and the needless shuffling of paperwork. Minority recruitment efforts need to be more focused if goals of racial parity between the teaching and student populations is to be achieved.

Community Involvement - The district does not effectively coordinate requests for community involvement and participation in campus and administration activities. Increased parent and central administration participation in campus level topics and issues is needed.

Facilities Use and Management - Better planning could eliminate the need for many portable buildings and could reduce the need for new construction. The district has not established a minimum cleaning standard for custodians that is comparable to other districts. In addition, the district does not monitor or manage productivity standards for maintenance craftsmen.

Asset and Risk Management - The district's current insurance procurement structure must be reorganized due to a recent Attorney General opinion

that requires all insurance to be competitively bid. Cash management can be improved through the use of "sweep" accounts.

Physical inventories are not being done in BISD. Purchasing a computerized bar coding module will allow the district to tag all fixed assets and efficiently conduct an annual inventory of assets.

Financial Management - In fiscal year 1995, district administrators provided projections for a bond election that erroneously counted both increased local aid and static state aid in its revenue projections. The district's failure to plan and monitor its financial operation and to develop projections has created a budget problem for future fiscal years and has significantly depleted the district's fund balance. Movement of all financial, computing and planning and budgeting operations under one functional area and the hiring of an internal auditor will improve the effectiveness of the operation.

Purchasing - The automated purchasing system used by the district limits the district's ability to process on-line purchase requisitions. The existing system can not produce detailed purchasing activity reports that the district could use for bid solicitations. Just-in-time delivery of custodial supplies to campuses can significantly reduce the need for warehousing in the district.

Food Services - Breakfast participation offers the greatest potential for growth in student participation and revenue growth. The district could enhance revenue by expanding the food mart concept in middle schools..

Transportation - The district is not maximizing the use of its buses to minimize transportation cost. The district does not monitor the number and cost of extracurricular trips. Transportation salaries and wages are higher than comparable districts.

Safety and Security - The district is considering the operation of an internal police department yet we believe that the district's has underestimated its projected cost figures. A more balanced deployment of security officers and peace officers could achieve the level of quality service and cost efficiencies being sought by the district.

Management Information Systems - The district has developed technology action plans for the future but has not developed specific implementation plans to ensure success. Plans for expansion of the business computing systems will achieve significant efficiencies in the coming years. Numerous state-of-the-art systems have been purchased for use in Food Services and Transportation that are not being used to their full potential.

Savings and Investment Requirements

Many of these recommendations would result in savings and revenue increases that could be used by BISD to more effectively meet its students' needs. As already stated, the savings opportunities identified in this report are conservative and should be considered as minimums. Investment requirements usually are related to creating an efficiency or savings to the district, thereby enhancing productivity and effectiveness.

As shown below, and in detail in Exhibit 2, full implementation of the recommendations in this report could produce gross savings of almost \$6.4 million in the next two years. BISD could achieve total net savings of almost \$18.2 million by 1999-2000 if all recommendations are implemented.

Exhibit 1 Summary of Net Savings

| Year | Savings Begin | Total |
|--|-------------------------------|---------------------|
| 1995-96 | Initial Annual Net Savings | \$1,587,206 |
| 1996-97 | Additional Annual Net Savings | \$3,656,850 |
| 1997-98 | Additional Annual Net Savings | \$4,375,794 |
| 1998-99 | Additional Annual Net Savings | \$4,474,988 |
| 1999-2000 | Additional Annual Net Savings | \$4,148,382 |
| | One Time (Costs) Savings | (\$58,000) |
| TOTAL SAVINGS PROJECTED FOR 1995-2000 | | \$18,185,220 |

Implementation strategies and timelines and fiscal impacts follow each recommendation in this report. The implementation section associated with each recommendation highlights a series of actions. Some of these should be implemented immediately, some over the next year or two and some over several years.

TSPR recommends that the BISD board ask district administrators to review these recommendations, develop a plan to proceed with their implementation and monitor subsequent progress.