

Full Performance Review

School Building Authority

**Project Selection for Funding by the School
Building Authority Lacks Accountability**

**Neither the School Building Authority
Nor the Department of Education Maintain
Sufficient Information to Study the Effects
of Consolidation on Student Achievement**



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May 16, 2004

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House of Delegates
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Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Full Performance Review of the *School Building Authority*, which will be presented to the Joint Committee on Government Operations on Sunday, May 16, 2004. The issues covered herein are "Project Selection for Funding by the School Building Authority Lacks Accountability;" and "Neither the School Building Authority Nor the Department of Education Maintain Sufficient Information to Study the Effects of Consolidation on Student Achievement."

We transmitted a draft copy of the report to the School Building Authority on May 6, 2004. The Board opted not to have an exit conference.

Let me know if you have any questions.

Sincerely,

Handwritten signature of John Sylvia in cursive script.
John Sylvia

JS/wsc

Joint Committee on Government and Finance

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Executive Summary

Issue 1: Project Selection for Funding by the School Building Authority Lacks Accountability.

Millions of dollars for school construction are allocated each year by the School Building Authority (SBA). In the most recent funding cycle, over \$50 million was disbursed. The process used by the SBA is a needs-based system. This process involves prioritizing and ranking construction projects by two separate groups, an independent Plan Review Team and the SBA staff. After these two project rankings are developed, they are presented to the voting members of the SBA. The Legislative Auditor has some concerns over the selection process for the following reasons:

1. **Some of the selections made each year have no relationship to either ranking.**
2. **Every level of the selection process lacks documentation and accountability.**
3. While the rankings have a high correlation, **there are usually a few projects with wide and unexplainable variances between the two rankings.**

Documentation should be developed that fully explains the thought processes that went into the Plan Review Team and SBA staff's rankings, and the consensus ranking of the two groups. Also, documentation should be developed that fully explains the decisions made by SBA members. Finally, retention of documentation should be consistent with the Public Records Management and Preservation Act.

The Plan Review Team and the SBA staff should arrive at a consensus ranking. The discussion between the two groups will allow them to draw on each person's expertise and different perspective. Documentation should be developed that fully explains the thought processes that went into the Plan Review Team and SBA staff's rankings, and the consensus ranking of the two groups. Also, documentation should be developed that fully explains the decisions made by SBA members. Finally, retention of documentation should be consistent with the Public Records Management and Preservation Act.

Issue 2: Neither the School Building Authority nor the Department of Education Maintain Sufficient Information to Study the Effects of Consolidation on Student Achievement.

West Virginia Code §18-9D-19(a) recognizes the need for consolidation due to declines in student enrollment in the State. Furthermore, certain policies and procedures adopted by the School Building Authority encourage and promote consolidation. Specifically, those policies dealing with economies of scale, since many smaller counties can only satisfy economies of scale criteria through consolidation.

However, despite the fact that many counties must consolidate schools to satisfy SBA guidelines and receive funding, neither the School Building Authority nor the Department of Education (DOE) have conducted studies to determine the effects of school consolidation on student achievement. It was the intent of the Legislative Auditor's Office to study the effects of school consolidation on student performance, however, the Legislative Auditor's Office was unable to compile sufficient information from either the SBA or the DOE to conduct the study.

Recommendations

1. *Project rankings prepared separately by the SBA staff and the Plan Review Team should be documented and retained, as required for compliance with the Public Records Management and Preservation Act.*
2. *The SBA should consider having the SBA staff and Plan Review Team develop a consensus ranking, which will be forwarded to the SBA Board members for the decision making process. The consensus ranking should be documented and retained, as required for compliance with the Public Records Management and Preservation Act.*
3. *The SBA should consider documenting the reasons why projects are or are not selected for funding, especially in choices where funding discretion is applied.*
4. *The Legislative Auditor recommends that either the School Building Authority or the state Department of Education should enter a contractual agreement with either Marshall University or West Virginia University to conduct a detailed analysis on the effects of consolidation in West Virginia on student achievement.*

Review Objective, Scope and Methodology

This full performance review of the West Virginia School Building Authority (SBA) is required and authorized by the West Virginia Sunset Law, Chapter 4, Article 10 of the West Virginia *Code*, as amended. The mission of the SBA is to distribute state funds for school construction to counties in an efficient and economical manner.

Objective

The objective of this review was to determine if the SBA was operating in an efficient and effective manner as well as to determine the extent to which policies of the SBA regarding Economies of Scale are impacting student performance.

Scope

The scope of this evaluation covers the last five funding cycles of the SBA. Furthermore, the majority of discussion contained in the report centers around construction or “needs” grants. However, findings as well as recommendations contained in the report should also be liberally applied to the process surrounding the distribution of Major Improvement Grants (MIPs) by the SBA.

Methodology

The methodology included but was not limited to interviews, conversations and correspondence with the School Building Authority and local County Superintendents. The review also included a review of Legislative Rule, Title 126, Series 89, as well as a review of SBA meeting minutes for the period of the review. Every aspect of this review complied with Generally Accepted Government Auditing Standards (GAGAS).

Issue 1

Project Selection for Funding by the School Building Authority Lacks Accountability

Issue Summary

Millions of dollars for school construction are allocated each year by the School Building Authority (SBA). In the most recent funding cycle, over \$50 million was disbursed. The process used by the SBA is a needs-based system. This process involves prioritizing and ranking construction projects by two separate groups, an independent Plan Review Team and the SBA staff. After these two project rankings are developed, they are presented to the voting members of the SBA.

The SBA's selection process is well thought out, and selections are generally consistent with the rankings.

The SBA's selection process is well thought out. The separate rankings developed by the Plan Review Team and the SBA staff have a high correlation (around +0.7 correlation coefficient), suggesting some consistency between the two respective analyses. Also, the final selections made by voting SBA members in most cases are consistent with the rankings. The problems encountered by the Legislative Auditor with the selection process are as follows:

One problem found with the selection process is that the public is not privy to the analyses conducted or the reasons why certain projects were chosen over others during the meeting.

1. **Some of the selections made each year have no relationship to either ranking.** SBA members apparently select some projects with no regard to the analyses provided them in the rankings.
2. **Every level of the selection process lacks documentation and accountability.** The SBA staff and Plan Review Team provide inadequate documentation on their rankings. SBA members select projects that are low priority on both ranking lists with no explanation. The public is essentially not privy to the analyses conducted or the reasons why certain projects were chosen over others during the meeting.
3. While the rankings have a high correlation, **there are usually a few projects with wide and unexplainable variances between the two rankings.** However, the two separate rankings will invariably lead to variances for some projects because the two groups have different levels of information and there are differences in the expertise and perspective. Yet, the few large variances are not explained to SBA members and could result in confusion.

Documentation should be developed that fully explains the decisions made by SBA members.

The Plan Review Team and the SBA staff should arrive at a consensus ranking. The discussion between the two groups will allow them to draw on each person's expertise and different perspective. Documentation should be developed that fully explains the thought processes that went into the Plan Review Team and SBA staff's rankings, and the consensus ranking of the two groups. Also, documentation should be developed that fully explains the decisions made by SBA members. Finally, retention of documentation should be consistent with the Public Records Management and Preservation Act.

SBA Funding Process

"It is not possible to provide a thorough and efficient educational system without high quality facilities."

This statement by Judge Arthur Recht in the landmark decision *Pauley et al v. Bailey, et al*, led to the creation of the West Virginia School Building Authority in 1988. The SBA is a ten member board comprised of six citizen members, three members of the State Board of Education, and the State Superintendent of Schools. According to West Virginia Code §18-9D-15:

*It is the intent of the Legislature to empower the school building authority to facilitate and provide state funds and to administer all federal funds provided for the construction and major improvement of school facilities so as to meet the **educational needs of the people of this state in an efficient and economical manner.** (emphasis added)*

The SBA must ultimately determine the projects that have the largest needs in the state. Based on those needs, the projects are prioritized for funding. The SBA has the following five step process in place to prioritize projects for funding:

The SBA must ultimately determine the projects that have the largest needs in the state.

1. **Comprehensive Educational Facilities Plan Submitted by Counties:** To determine the needs of each county, a comprehensive educational facilities plan and a project proposal is submitted. Each county's plan must address how the proposed improvements will affect the following statutory criteria:

-
- a. Student Health and Safety
 - b. Economies of Scale
 - c. Travel Time and Demographics
 - d. Multi-county/Regional Aspects
 - e. Curriculum and Instruction
 - f. Innovations in Education
 - g. Adequate Space for Projected Enrollment
 - h. History of Local Bond Issues or Special Levies (as applicable)

2. **Plan Review Team Analysis:** The county project proposals submitted are analyzed by a plan review team, who then prioritizes the projects for funding. This team is independent of the SBA and is made up of nine individuals from each of the state's Regional Education Service Agencies and the State Department of Education's Director of Facilities. The Plan Review Team ranks each county's submitted project based on criteria *a* through *g* listed above (the final criteria, *h*, is used for informational purposes by the SBA).
3. **SBA Interviews of County Officials:** SBA members conduct interviews of county officials submitting projects.
4. **SBA Staff Analysis:** The SBA staff performs an analysis including a) an onsite evaluation of the projects, b) review of county proposals, and c) attendance at interviews of county officials. Using this information, the SBA ranks each project according to the same statutory criteria utilized by the Plan Review Team.
5. **Selection of Projects:** The SBA members select the projects that will receive funding based on a) Plan Review Team rankings, b) SBA staff rankings, and c) knowledge of projects gained in part through interviews of county officials.

The prioritization process used for projects to be funded is well thought out; however, there is some ineffectiveness that can be eliminated.

The prioritization process used for projects to be funded is well thought out. First, the SBA staff provides the SBA members with an in-depth knowledge of each school gained from onsite visits. In addition, the SBA staff has a good understanding of the general requirements of school construction. The *Plan Review Team* specializes in the day-to-day operation of schools, and thus is able to contribute an additional perspective to the evaluation process. Finally,

the SBA members gain personal understandings of each project through interviews of county administrators.

Lack of Documentation of Project Rankings

The Legislative Auditor found that documentation is inadequate and is not currently retained from the ranking process other than the final rankings.

Although the SBA evaluation process is well constructed, there is some ineffectiveness that could be eliminated. The Legislative Auditor found that documentation is inadequate and is not currently retained from the ranking process other than the final rankings. Documentation on how those rankings are derived, such as the raw project scores in the seven grading categories, is not typically retained. According to the SBA Executive Director, retaining work papers documenting the rationale for specific rankings would simply consume too much space and has not been needed in the past. However, **failing to retain these vital work papers inherently reduces the level of accountability and is in apparent violation of the Public Records Management and Preservation Act.** According to the attorneys in the Legislature's Legislative Services Division, the West Virginia Supreme Court of Appeals has supported the idea that these types of documents must be retained in the case, *State ex rel. Charleston Mail Association v. Kelly*.

Whenever a written record of the transactions of a public officer[,] in his office, is a convenient and appropriate mode of discharging the duties of his office, it is not only his right but his duty to keep that memorial, whether expressly required to do so or not; and when kept it becomes a public document. 149 W.Va. At 769, 143 S.E. 2d at 139 (emphasis added)

Funding Decisions Do Not Always Correlate to Rankings

Multiple projects are selected in every funding cycle that do not appear to be based on any documented analysis.

Since little or no documentation is retained, anyone attempting to understand the project selections has essentially no means to determine what data the SBA used as the basis for funding. Members of the SBA are provided a compilation of the staff's comments for each project. These comments describe potential problems or benefits with funding certain projects. However, staff comments do not explain project selections as there will invariably be selections made which go against staff recommendations. Furthermore, although there is discussion of the merits or shortfalls of each project prior to SBA members making their selections, there is almost no discussion during the project nomination or approval phase to indicate the basis for such decisions. SBA members simply take turns calling out projects to be funded. While some selections

appear clearly tied to the rankings of the review team or the staff, multiple projects are selected in every funding cycle that do not appear to be based on any documented analysis. This discrepancy may clearly be seen in the 2003 project selections. Tables 1 and 2 show the 2003 funded projects relative to *Plan Review Team* and *SBA staff* rankings, respectively.

County	Review Team Rank
Greenbrier	N/A*
Lincoln	N/A*
McDowell	1
Grant	5
Marion	6
Berkeley	7
Monroe	9
Doddridge	10
Barbour	13
Mason	15
Braxton	16
Nicholas	17
Brooke	24
Morgan	22
Mercer	28
Jackson	29
Pocahontas	30
Upshur	31
Putnam	39

*Project represented an ongoing commitment by the SBA, therefore the project was not competitively evaluated.

County	SBA Staff Rank
Greenbrier	1*
Lincoln	1*
Marion	3*
McDowell	5
Grant	6
Morgan	8
Berkeley	8
Pocahontas	10
Upshur	10
Nicholas	12
Doddridge	15
Putnam	19
Mason	19
Braxton	27
Monroe	32
Mercer	32
Jackson	32
Barbour	41

*Project represented an ongoing commitment by the SBA, therefore the project was assigned a high ranking.

From the above tables, projects ranking first, third, fifth, sixth, and eighth by the *SBA staff* were selected for funding, and projects ranking first, fifth, sixth, and seventh by the *Plan Review Team* were selected. However, selection of certain other projects cannot be explained by the rankings. Jackson County, for example, was ranked 29th by the *Plan Review Team* and 32nd by the *SBA staff*, yet their project was selected as one of 19 to be funded. Likewise, why certain projects are not selected for funding is equally difficult to understand. Projects two, three, and four of the *Plan Review Team*, and projects two, four, and seven of the *SBA staff* were not selected. Tables 3 and 4 illustrate the top 10 ranked projects from the *Plan Review Team* and *SBA staff* that did not receive funding.

County	Review Team Rank
Logan	2
Jefferson	3
Boone	4
Hampshire	8
Preston	11
Fayette	12
Mineral	14
Mingo	18
Pendleton	19
Lincoln	20

County	SBA Staff Rank
Logan	4
Jefferson	7
Mingo	12
Wayne	14
Hampshire	16
Kanawha	16
Preston	19
Fayette	19
Lewis	19
Webster	19
Hancock	19
Wetzel	19

**12 Projects are listed due to a six-way tie in the rankings.*

Circumstances sometimes exist where judgement and discretion are appropriately used for selection of projects that are not highly ranked.

The Legislative Auditor acknowledges that circumstances sometimes exist where judgement and discretion are appropriately used for selection of projects that are not highly ranked. Kanawha County, for example, requested SBA funds in the amount of \$5,298,563 for construction of a Southeastern Elementary School at the Chesapeake Elementary School site. The project satisfied all necessary criteria, and resulted in an annual savings of \$244,726 and a cost avoidance of \$2,954,079. However, project analysis based on the seven criteria contained in the SBA manual does not take project feasibility into consideration. According to the SBA staff,

Regarding Kanawha County...the SBA has a formula within our handbook that limits renovation funds based on building ages, based on the fact that it is not prudent, in most situations, to spend more to renovate a school than it would be to replace it. The maximum amount of SBA funds would be 65% of the replacement cost on such buildings. The Kanawha county project fell into this category and because Kanawha County did not have sufficient local money to make up the difference in what they felt they needed to complete the project we could not fund the project.

In this instance, discretion by the SBA not to fund this project appears reasonable. The SBA staff also points out other instances where funding of a project may not appear economically feasible, such as when a county's finance plan does not materialize or when priorities change along with a change in county leadership. This scenario could have been the reason why the SBA did not fund certain projects during the most recent funding cycle, specifically Jefferson, Hampshire, and Logan Counties. The local bond in Logan County failed, Hampshire County was unsure of the amount of local funds which could be provided, and both state and local money in the Jefferson County project were in question. The SBA Executive Director offered a further case for discretion:

*Ultimately, it is the responsibility of the Authority to determine the priority list in each funding cycle. More often than not, **the availability of funds** eventually become insufficient to continue with recommended projects and successive awards reflect the Authority's effort to dedicate any remaining balance to worthy projects during that year rather than letting them lie dormant till the next funding cycle.*

This scenario does not seem unreasonable when one considers the projects and the amount of funds awarded. Brooke County, for example, was ranked 24th by the Plan Review Team and 18th by the SBA staff. Although several projects were ranked higher, Brooke County was awarded \$1,218,410. This project may not have been the most needy; however, the limited funds available and a desire to maximize the use of all funds may have been a reason for this choice.

There is still a lack of understanding why some selections are chosen by the SBA.

However, there is still a lack of understanding why some selections are chosen by the SBA. The problem with the above scenario is that school projects are often selected at a time when money still exists to fund other, more highly ranked projects. For example, over \$20 million in construction funds were still available when the Brooke County nomination was made. This amount was more than enough to fund the Logan or Hampshire County projects (even without the local contributions of \$5,472,000 and \$300,000 respectively), both which ranked higher than Brooke County. Table 5 illustrates the rank and dollar amount requested for the Logan and Hampshire County projects.

Table 5 Rank and Dollar Amount of Logan and Hampshire County Projects					
County	Plan Review Team Rank	SBA Staff Rank	Dollar Amount Requested	Local Funds Pledged but Not Available	Total Funds Necessary to Fund Project
Logan	2	4	\$14,000,000	\$5,472,000	\$19,472,000
Hampshire	8	16	\$8,475,000	\$300,000	\$8,775,000

The decision to fund Brooke over other projects is brought into question further when members of the SBA have little or no discussion during the selection process on why a given project should be funded. **Disagreements on nominations made in the meetings have been rare over the three year scope of this audit.** Again, members simply take turns calling out projects to be funded.

SBA members may indeed be trying to expend funds efficiently. Nonetheless, because minimal discussions are held, discretionary decisions have the appearance of being made outside of open meeting proceedings. There should be explanations documented for all selections to improve accountability and remove the mystery in some of the SBA's choices.

Lack of Accountability

Accountability must be inherent in any public system where discretionary choices are made. The SBA Executive Director recognizes this need for justification of discretionary choices in the following response:

Accountability must be inherent in any public system where discretionary choices are made.

Without question, the Authority has the ultimate responsibility to either validate recommendations or develop their own priorities... As for the accountability of the Authority, no one can be held more accountable than to have their final decisions observed in an advertised public forum before the very constituents [to which] they provide services.

Unfortunately, the public is not privy to the analyses conducted or the reason why certain projects were chosen over others during the meeting.

Not providing the public with the rationale for decisions can create an environment of speculation and criticism.

In addition, there is no documentation after the proceedings detailing whether members of the SBA are funding projects by discretion or making decisions on project analysis. If no justification is offered for discretionary funding choices, it is impossible to discern if the most needy projects are indeed being selected. Not providing the public with the rationale for decisions can create an environment of speculation and criticism.

To understand the perception county superintendents have concerning SBA's selection process, the Legislative Auditor's Office contacted 17 county education superintendents via the telephone. The objective was to speak to individuals who had submitted projects to the SBA. We were able to speak to eleven superintendents. Of these eleven, three superintendents declined to comment because of their recent tenure and, therefore, limited experience with the SBA process. Of the remaining eight superintendents, five received funding over the last two years. We asked these eight superintendents the question: "Do you understand how the SBA selects projects?" One superintendent did not return confirmation on his comments, and another superintendent's response was somewhat irrelevant to the question except that he indicated that he had a "...great working relationship with the SBA." The remaining six superintendents gave the following responses:

- #1: *"The projects are selected based on need and funding available."*
- #2: *"The Guidelines and Procedures Manual disseminated by the SBA clearly details the criteria."*
- #3: *"I am not aware of where my project ranks compared to other projects, only that I did or did not receive funding."*
- #4: *"The criteria for the selection of projects for SBA funding are very clear and contained in the manual. However, how the projects are ranked and why certain projects receive funding and not others is sometimes not clear."*
- #5: *"Projects are selected based on a priority list. Projects are selected from the list unless a member has a "pet project" that they would like to see in which case that project is selected regardless of its order on the list."*
- #6: *"Full control has been given to the agency [SBA] with no direct oversight.... I would recommend that the*

agency [SBA] be placed under the direct supervision...of a superior state agency. The effect of politics on the SBA is profound....”

Some of these attitudes could be avoided if members of the SBA provided justification for their selections. If justification for funding decisions is provided, negative comments can be easily dismissed; however, not providing justification lends credibility to negative comments. Furthermore, this type of information could provide useful feedback to individuals on the county level to improve the likelihood of receiving funding on future projects by being able to modify future funding proposals to correct any deficiencies. Currently, little or no feedback is offered to counties by members of the Authority. The SBA staff have stated that some assistance is provided to counties who *request* assistance on improving a project for the next funding cycle. However, it would provide *greater* justification to the public and the counties if the SBA members themselves were to document the reasons why projects are or are not selected.

Variations Found in SBA Staff and Plan Review Team’s Rankings

In addition to the lack of information provided to the public concerning funding discretion, the Legislative Auditor found wide and unexplainable variances between the rankings of the Plan Review Team and the SBA staff. A Legislative Auditor analysis shows that the rankings between the two groups have a high correlation (+0.7 correlation coefficient); however, there are large variances on certain projects. For example, of the 45 projects reviewed by the SBA in the 2003 funding cycle, 20% had greater than a 20 point difference in rankings between the Plan Review Team and SBA staff. Appendix B shows each group’s rankings of the 2003 projects and highlights those rankings with at least a 20 point difference between the Plan Review Team and SBA staff’s rankings.

The Legislative Auditor found wide and unexplainable variances between the rankings of the Plan Review Team and the SBA staff.

The two separate rankings will invariably lead to variances for some projects because the two groups have different levels of information and there are differences in the expertise and perspective. According to the Executive Director of the SBA:

The Plan Review Team reviews only the project proposals - the staff has that additional information provided from on-site visits as well as the superintendents’ interviews.

Therefore, the ranking is done from two entirely different perspectives. (emphasis added)

Having two reviews is good because of the different perspectives gained by each group. However, consideration should be given to developing a consensus of the two reviews.

Having two reviews is good because of the different perspectives gained by each group. However, when one group has less information than the other, wide variances will occur. This does not help the process, but adds confusion, especially since they do not explain the wide variances. Consequently a less needy project could be funded over a project in greater need. Instead, the Plan Review Team and the SBA staff should arrive at a consensus ranking that would be forwarded as one priority list to the SBA members.

Conclusion

Millions of dollars for school construction are allocated each year by the School Building Authority. West Virginia *Code* specifies that resources be allocated according to a needs-based system. Such needs are prioritized and ranked by two separate groups: a plan review team and the SBA staff.

Although the SBA evaluation process is well constructed, there is some ineffectiveness that may be eliminated or improved. Some of the SBA's selections have no relationship to the ranking of the SBA staff or the Plan Review Team. It is difficult to understand the reason for selections because every level of the selection process lacks documentation and accountability. Essentially, the public is not privy to the analyses conducted or the reasons why certain projects were chosen over others during the meeting.

Finally, there are usually wide and unexplainable variances between the two rankings on certain projects. The two separate rankings will invariably lead to variances for some projects because the two groups have different levels of information and there are differences in the expertise and perspective. These large variances are not explained to SBA members and could result in confusion. The Plan Review Team and the SBA staff should arrive at a consensus ranking and provide this single ranking to the SBA members.

Recommendations

1. *Project rankings prepared separately by the SBA staff and the Plan Review Team should be documented and retained, as required for compliance with the Public Records Management and Preservation Act.*

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2. *The SBA should consider having the SBA staff and Plan Review Team develop a consensus ranking, which will be forwarded to the SBA Board members for the decision making process. The consensus ranking should be documented and retained, as required for compliance with the Public Records Management and Preservation Act.*
 3. *The SBA should consider documenting the reasons why projects are or are not selected for funding, especially in choices where funding discretion is applied.*

Neither the School Building Authority nor the Department of Education Maintain Sufficient Information to Study the Effects of Consolidation on Student Achievement.

West Virginia *Code* §18-9D-19(a) recognizes the need for consolidation due to declines in student enrollment in the State,

The Legislature finds the following: (1) The decline in student enrollment over the last twenty years has necessitated consolidation of schools in many counties; (2) It is projected that the decline in student enrollment during the period two thousand two through two thousand twelve may be as great as eighteen percent and will continue the necessity to consolidate schools.

Certain policies and procedures adopted by the School Building Authority encourage and promote consolidation.

Certain policies and procedures adopted by the School Building Authority encourage and promote consolidation. Specifically, those policies dealing with economies of scale (EOS), since many smaller counties can only satisfy EOS criteria through consolidation.

However, despite the fact that many counties must consolidate schools to satisfy SBA guidelines and receive funding, neither the School Building Authority nor the Department of Education (DOE) have conducted studies to determine the effects of school consolidation on student achievement. It was the intent of the Legislative Auditor's Office to study the effects of school consolidation on student performance, however, the Legislative Auditor's Office was unable to compile sufficient information from either the SBA or the DOE to conduct the study.

Economies of Scale

West Virginia *Code* §18-9D-16(e) requires each county to develop a major improvement plan that explains how each project submitted for funding satisfies eight criteria contained in *Code*, which include economies of scale (EOS). The SBA incorporates the EOS guidelines of the *Code* into its handbook. Specifically, the SBA Guidelines Handbook requires a school to meet 85% of the economies of scale guidelines to request funding, unless a waiver is

filed. The economies of scale guidelines establish minimum enrollment standards for each school grade. This can be seen in Table 6 below:

Table 6 Minimum Enrollment Requirements for Economies of Scale	
Grade Level	Minimum Enrollment
Kindergarten	Two classes - 20 students per class
Elementary Schools	Grade levels 1-8 - two classes per grade level - 25 students per class
Middle/Junior	Grade levels 5-9 - 150 students per grade level
High School	Grade levels 10-12 - 200 students per grade level

Based on the enrollment figures above, if a middle school houses grades 5 through 9 and wants to submit a project for funding, the school must meet at least 85% of the EOS guidelines; that is, the school would need an enrollment of 638 students. Some counties have a large enough population of students that they can build a new school which meets EOS guidelines without consolidation. For example, Berkeley County has a growing population of students. Musselman High School was completed in 1998, serves grades 9 through 12, and had an enrollment of 1,202 students during the 2002-03 school year, easily satisfying the EOS criteria.

Many counties in West Virginia lack the number of students necessary to satisfy EOS criteria without consolidating schools.

However, many counties in West Virginia lack the number of students necessary to satisfy EOS criteria without consolidating schools. For example, Braxton County now has a single middle school which serves grades 5 through 8. Braxton Middle was completed in 1992 and consolidated Gassaway, Sutton, and Burnsville Middle Schools. Even after consolidation, many counties do not have a large enough population of students to satisfy EOS criteria. For example, Monroe County completed construction of James Monroe High School in 1994, which consolidated Peterstown and Union High Schools and incorporated 9th graders from Greenville and Gap Mills Schools. James Monroe High School serves grades 9 through 12 and had an enrollment of 592 students during 2002-03 school year, which is 200 students fewer than the EOS criteria.

If a school is unable to obtain the necessary enrollment numbers, it may apply for a waiver to the EOS criteria. According to the SBA, a waiver may be granted in the following instances:

- To address specific **fire, safety or health violations** or conditions when the health and/or safety of students who must continue to be

housed in the facility is jeopardized.

- When a facility will **be receiving additional enrollments** from other attendance areas in the near future.
- When the specific school is determined to be **geographically isolated** from other school populations and the potential for attaining enrollment economies is eliminated.
- When a school is the **only facility in the county** that provides service to students in the particular grade levels included in the school. For example - Is this the only middle school/high school or elementary school in the county?

Once a project has been accepted (by either meeting enrollment criteria or satisfying waiver criteria), it is competitively graded against other projects submitted. Note that a waiver for EOS only allows a project to *qualify* for submission, it does not *eliminate* the EOS score for that particular project. Therefore, all other factors being equal, a school which satisfies economies of scale criteria will score higher in the evaluation process than one which does not meet EOS guidelines. To elaborate, consider two projects being evaluated by the SBA. Each project is graded on the 7 factors discussed previously (see Issue 1). If both projects were comparable, except one met economies of scale and the other did not, the project meeting economies of scale would score and rank higher. This concept is elaborated in Table 7.

All other factors being equal, a school that satisfies economies of scale criteria will score higher in the evaluation process than one which does not meet EOS guidelines.

	Health and Safety	Economies of Scale	Curricular Improvements	Educational Innovations	Adequate Space	Travel Time	Multi-County Planning	Total
Project A	6	3	5	4	5	6	0	29
Project B	6	7	4	5	6	5	0	33

Studies on the Effects of Consolidation

Given that many projects funded by the SBA involve school consolidation, which may or may not result in cost savings, the Legislative Auditor’s Office attempted to determine if any analysis had been done on school consolidation and its effects on the educational performance of students in West Virginia. Given that the State Board of Education, through the Department of Education, is charged with “*general supervision of the schools of the state,*” it seemed appropriate to gather this information from the Department of

Education. The Legislative Auditor's Office was informed by both the School Building Authority and by the Department of Education that this type of analysis has not been done.

Legislative Auditor Could Not Perform a Longitudinal Analysis of Consolidation's Effects on Student Achievement

In order for a study to produce relevant results, information for five years prior to consolidation and information five years post consolidation were going to be studied. The types of information which can be provided by both the School Building Authority and the Department of Education is significantly lacking.

As an external analysis on the effects of consolidation to West Virginia's students could not be obtained, the Legislative Auditor's Office attempted to perform an internal analysis. The Legislative Auditor planned to review test scores of consolidated and unconsolidated schools. Although there are other *input* factors, such as student/teacher ratio, class size, school size, etc., which can also influence student achievement, test scores were believed to best illustrate the *effect* of the input factors, and consolidation, on student achievement.

In order for a study to produce relevant results, information for five years prior to consolidation and information five years post consolidation were going to be studied. However, the types of information which can be provided by both the School Building Authority and the Department of Education is significantly lacking. For example, the Legislative Auditor was unable to obtain reliable school closure information or test score data for the time period needed. Therefore, the Legislative Auditor did not pursue a study on the effects of school consolidation and student performance.

School Closure Information

There is no definitive source for school closures and to what schools those students were transferred.

There is no definitive source for school closures and to what schools those students were transferred. The School Building Authority does maintain a list of schools which have been built using SBA funds and resulted in the transfer of students. However, this list has some misleading information. For example, if a junior high school is restructured to a middle school due to the construction of a new high school, the junior high is listed as closed even though only one grade was transferred. The Department of Education maintains a master list of all schools which have been closed, but does not track where students went when those schools were closed. Without knowing which schools were consolidated, determining sample size and sample population is impossible.

SAT/ACT Student Test Data

The Department of Education did not begin collecting SAT/ACT test data until 1996. SAT information for years prior to 1996 is available from the

College Board (the governing body for the SAT exam); however, it comes at a cost of \$500 per school year of information requested. Additionally, since the Department of Education did not collect this data for years prior to 1996, they have no ownership of this data. The College Board requires that an individual with signatory authority authorize the release of SAT data prior to the time of application. Since the DOE does not have ownership of this data prior to 1996, they cannot authorize its release. Written authorization would need to be obtained from the school superintendent in each county before the College Board would release the information.

According to the Department of Education, the scores from the CTBS and the SAT9 “are not comparable.”

CTBS and SAT9 Scores

Prior to 1997, students in West Virginia were tested using the Comprehensive Test of Basic Skills (CTBS). The CTBS tests all academic areas including reading, language arts, spelling, math, science, social studies, and reference skills. This test was administered to students in the 3rd, 6th, 9th, and 11th grades. The Stanford Achievement Test 9th edition (SAT9), which tests total basic skills (math, reading, language and arts), is now given to all students in grades 3 through 11. However, according to the Department of Education, the scores from the CTBS and the SAT9 *“are not comparable.”*

Conclusion

Given the propensity for school consolidation in recent construction, it would seem reasonable that either the School Building Authority or the Department of Education study the effects of school consolidation on student performance in West Virginia.

Given the propensity for school consolidation in recent construction, it would seem reasonable that either the School Building Authority or the Department of Education would study the effects of school consolidation on student performance in West Virginia. However, no studies have been done. The Legislative Auditor’s Office was unable to complete such a study due to the lack of information available from both the School Building Authority and the Department of Education.

This issue is not intended to be pro or anti consolidation of schools. In fact, it may be that the SBA has success stories to tell concerning the effects of school consolidation. However, the SBA does not have any West Virginia analysis to tell the story. Given the importance of the issue and the large amount of funding, it should be a priority to attempt to determine the effects of school consolidation on student performance in the state.

Recommendation

4. *The Legislative Auditor recommends that either the School Building Authority or the state Department of Education should enter a contractual agreement with either Marshall University or West Virginia University to conduct a detailed analysis on the effects of consolidation in West Virginia on student achievement.*



Appendix A Transmittal Letter

WEST VIRGINIA LEGISLATURE *Joint Committee on Government and Finance*

Building 1, Room E-132
1900 Kanawha Boulevard, East
Charleston, WV 25305-0610
(304) 347-4800
(304) 347-4819 FAX



Aaron Allred
Legislative Manager

May 6, 2004

Dr. Clacy Williams, Executive Director
School Building Authority
2300 Kanawha Boulevard, East
Charleston, West Virginia 25311-2306

Dear Dr. Williams:

The Full Performance Evaluation of the School Building Authority, previously forwarded to you, is scheduled to be presented during the May interim meeting of the Joint Committee on Government Operations. Interim meetings are scheduled for May 16 - 18, 2004, and we will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have.

If you would like to schedule an exit conference to discuss any concerns you may have with the report between Thursday, May 6, 2004, and Wednesday, May 12, 2004, please notify us. We need your written response by noon on Wednesday, May 12, 2004. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, May 13, 2004, to make arrangements.

We request that your personnel treat the draft report as confidential and that it not be disclosed to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Aaron Allred".

Aaron Allred
Legislative Auditor

Enclosure: Performance Evaluation
c: Dr. David Stewart, State Superintendent of Schools

Appendix C Agency Response



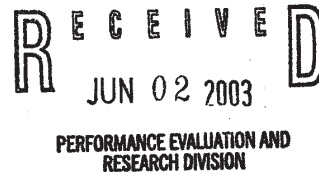
School Building Authority of West Virginia

Clacy E. Williams, Executive Director

2300 Kanawha Boulevard, East • Charleston, West Virginia 25311-2306 • Office Number (304) 558-2541 • FAX Number (304) 558-2539

June 2, 2003

Members, Joint Committee on Government Organization
West Virginia Legislature
Performance Evaluation and Research Division
Building 1, Room W 314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610



Dear Members:

In the shadow of the Reicht decision in the early 80's, the West Virginia Legislature created the School Building Authority of West Virginia (SBA) as an entity to fund and construct school buildings across the state in order to meet the educational needs of students in an efficient and economical manner. The Authority has since completed nearly \$1.1 billion of school construction using both state and cooperative local funds.

The enabling statute depicts the Authority as the entity to "make funding determinations" regarding specific projects to be selected for funding and the Legislative Audit report has indicated that the "SBA evaluation process is well constructed". The major criticisms leveled at the SBA's evaluation process are two-fold.

1. That the SBA staff has not historically maintained all of the documents that the Plan Review Team and the SBA staff have generated in the evaluation process, and
2. That the SBA itself has not held sacred the final recommendations and ratings of the SBA staff and/or the Plan Review Team

First let me report to you that your audit team has made certain recommendations to me and my staff regarding the evaluation "paper trail" and resolution to that issue is easily attained.

The second issue is not as easily resolved. The Authority is composed of ten members, six of which are appointed by the Governor of the State of West Virginia and three who are sitting members of the State Board of Education. The State Superintendent of Schools is the statutory President of the SBA. The SBA's staff is comprised of professionals in fields of education, finance and construction. The objectivity of our staff's review and rating of projects is paramount and must meet the highest ethical standard. Our professionalism is on the line every time we rate projects that are competing against one another for potential funding. It is imperative to us that the process be completed as honestly and fairly as possible without any political or other outside influence.

The SBA is not unlike the Legislature of the State of West Virginia. They are a group of well-informed public servants who come together to make some very difficult decisions based on the best information they have. The period between October and December of each year is dedicated to gathering that data and educating themselves about each of the projects being evaluated. At the time of decision, they have done an extensive three-month review of each project including interviews with each county superintendent and board president and studied the staff developed evaluations. Additionally, as you know from your own experience as legislators, information also comes to them individually from sources

other than the SBA staff. They must make their own decisions as to the value and utilization of such information in the decision process.

By the end of this ordeal, members of the SBA have a strong working knowledge of each project, its impact on the education of students, its impact on the effectiveness and efficiency of the school system, the true need for the project in relation to other projects submitted and the viability of the project in consideration of the circumstances under which it must be funded and constructed. To criticize them for having minimal discussion regarding the projects is totally unwarranted. They have literally lived with and studied these projects for three months and upon entering the final funding meeting, have made significant decisions in each of their own minds as to the priority of the projects.

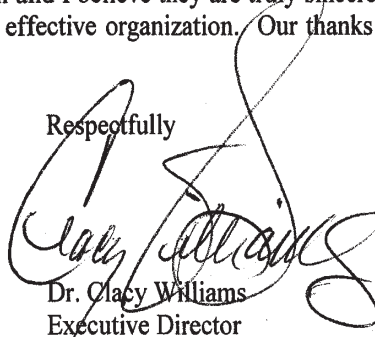
Historically, the final priorities of the members at the close of their deliberations are generally congruent with that of the SBA staff as your audit report has indicated. The occasional divergent project(s) is/are usually easily understood based on the circumstances and issues surrounding the specific project and its ability to score, or not score, on the statutory criteria. Occasionally there are projects about which board members have attained information to which the staff is not privy, yet may have an influence in the final judgment of the SBA. This very issue came under scrutiny of the courts in 1991 when citizens of Summers County brought a Writ of Mandamus petition to the Kanawha County Circuit Court to prohibit the SBA from distributing any funds from that funding cycle until their concerns regarding the failure of the SBA to fund the Summers County project was litigated. The discretionary power of the Authority and their methodology for reaching their decisions was strongly upheld by the court:

"The petition for Writ of Mandamus be, and it hereby is, denied based upon the discretion of the West Virginia State School Building Authority to allocate and distribute funds under its control"

An attempt to appeal the Circuit Court decision to the WV Supreme Court of Appeals was denied by the superior court.

We are extremely appreciative of the efforts of the Legislative Audit Office and personnel. We look forward to continuing our work with them to identify an amendable resolution to the questions that have arisen. It has been a pleasure to work with them and I believe they are truly sincere in their effort to be constructive in helping the SBA become a more effective organization. Our thanks go to Mr. Alred and his staff.

Respectfully



Dr. Glacy Williams
Executive Director

CW:ks