

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 537 **STATUS:** A-Engrossed
SUBJECT: Contracting to audit and evaluate the business practices of districts
GOVERNMENT UNIT AFFECTED: Secretary of State, Department of Education
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DATE: May 1, 2009

EXPENDITURES: See analysis	<u>2009-2011</u>	<u>2011-2013</u>
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EFFECTIVE DATE: January 1, 2010

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: Senate Bill 537 adds “evaluation” to the type of work that the Department of Education (ODE) can contract for regarding the business practices of districts. The measure removes the requirement that ODE must contract with the Secretary of State (SOS) to audit districts based on the list of best business practices. The bill allows ODE to enter into contracts with the SOS for audits and with any other entity for evaluations.

Currently, ODE can spend up to \$800,000 in State School Funds per biennium to contract with the SOS for voluntary audits of district best business practices. The 2009-11 Governor’s Budget provides up to \$400,000 in expenditure limitation for the fiscal year 2009-10 and makes available \$400,000 for the 2010-11 fiscal year. Current ODE staff, one limited-duration position (0.20 FTE), provides support to the District Best Practices Advisory Committee; ODE also pays the cost of the committee meetings and reimburses one committee member for travel expenses. Currently, the remainder of the expenditure limitation is spent on the audit contracts with SOS. This measure would allow ODE to spend some of the money on the “evaluation” of the business practices of districts. ODE’s expenses would increase if it uses a Request for Proposal process to conduct an evaluation in that if a contract proposal is \$150,000 it would require approval by the Department of Justice (DOJ). This would add an estimated \$7,000-\$10,000 to each contract.

Currently SOS funds its Audits Division through a combination of assessments and direct-bills to state agencies. The money that ODE is authorized to pay to SOS for the district audits is considered by the secretary to be direct-bill revenue. The Secretary reports that it has conducted one audit of business best practices. This was an audit of the Multnomah Education Services District and ODE paid the Secretary approximately \$280,000 for the audit work. Due to the fact that the legislation establishing the audit process for the business practices of districts passed recently in 2007 and no district had yet to volunteer for the audit at the time SOS built its budget, the Secretary did not include the revenue from ODE in its 2009-11 Governor’s Budget. Therefore, agency assessments were not built on the assumption that this funding from ODE would come in. Any revenue that the Secretary brings in to conduct the district audits may be used to offset the assessments charged to other state agencies. This amount is indeterminate as it is not known how many districts will volunteer for an audit for the 2009-11 and 2011-13 biennia.