

Joint Committee on Ways and Means

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Subcommittee on Education

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TO: Education Subcommittee Members

FROM: Doug Wilson, LFO

DATE: March 4, 2013

RE: Oregon Department of Education's Budget – SB 5518 and SB 5519

The Education Subcommittee will begin the phase 1 of the budget process for the Oregon Department of Education (ODE) and the State School Fund on March 5th. This memo points out major policy and budget issues for the Subcommittee to consider, points out any previous audit issues, and outlines any budget notes and issues from the previous session. Resources available on OLIS for Subcommittee members besides this memo include the 2013-15 Governor's Balanced Budget Binder, the LFO Budget Reviews for both the State School Fund and the Oregon Department of Education, the Power Point presentation prepared by ODE, any additional presentation materials submitted by ODE, and the DAS presentation on the ODE budget.

Major Policy and Budget Issues

- As part of the education reorganization changes in the past two years, the Governor has been elected/appointed as the Superintendent of Public Instruction. A deputy Superintendent has been appointed who also is the agency head for the Oregon Department of Education (ODE). The new agency head is completing an agency wide strategic plan which focuses on assisting and collaborating with partners, moving toward eliminating the achievement gap, and focus less on compliance and more on customer service. One potential hurdle in this is the current funding for staff positions and the increased reliance on dedicated federal program funding.
- The Governor has proposed further reorganization relating to ODE creating new divisions of early childhood learning and youth development.
- Even without including the State School Fund in the totals, employee compensation represents less than 5% of the ODE budget with the majority of funding being distributed to districts and other providers.
- Federal sequestration will hit major federal programs in ODE like Special Education and Title I. It appears that the federal Department of Education will not reduce funding for the 2012-13 school year but it will impact the 2013-14 school year.

- Beyond the proposed increase in the agency due to early learning and youth development programs, the Governor's budget includes \$25.8 million GF of new initiatives.

Audits

There were no ODE specific audits since 2010 and the only findings identified were part of larger state-wide audits. All these findings were not major and have been addressed. There have been major audits related to Education Service Districts in this period.

Budget Notes

There were a number of budget notes included as part of the 2011-13 ODE budget. Below are the budget notes and a statement of what action has been taken.

1. Internal Auditor Budget Note:

The State Board of Education shall report to the 2012 Legislative Assembly on its efforts to recruit and retain an internal auditor and to complete annual risk assessments for the Departments of Education and Community Colleges and Workforce Development. (House Bill 5020 *Budget Report and Measure Summary*, dated 6/10/11, page 4)

Report was provided to 2012 Legislature and a shared auditor has been hired.

2. Budget Implementation Budget Note:

The legislature acknowledges that the approved reductions in General Fund support will necessitate reorganization and alignment of work across the Department of Education. The Department shall focus its efforts and expenditures to provide services to children, school districts, education service districts, and to meet minimum federal requirements. When implementing the 2011-13 legislatively adopted budget, the Department of Education shall not: a) reduce Spanish reading and social studies assessments, b) charge districts for assessment services, c) further reduce regional data warehouse services, nor d) suspend training or help desk services. The State Board of Education and the Department shall report by no later than January 6, 2012 on their strategic plan to implement this budget. In addition to the strategic plan, the report shall include detail on the use of professional service contracts, limited duration positions, double-filled positions, temporaries, and the potential to achieve efficiencies in writing assessments. (House Bill 5020 *Budget Report and Measure Summary*, dated 6/10/11, page 4)

The report was acknowledged by the Joint Committee on Ways and Means during the 2012 Legislative Session.

3. Long-term Care and Treatment Program Budget Note:

The Department of Education shall convene a stakeholder work group to address the findings and concerns outlined in the 2008 American Institutes for Research report *Funding Recommendations for Oregon's Long-term Care and Treatment Education Program*. The work group shall develop recommendations to address equity in funding and appropriate educational levels in residential and day treatment programs prior to the convening of the 2012 legislative session. (House Bill 5020 *Budget Report and Measure Summary*, dated 6/10/11, page 8)

The report was acknowledged by the Joint Committee on Ways and Means during the 2012 Legislative Session.

4. Oregon School for the Deaf Staffing Model & Deferred Maintenance Budget Notes:

The Department of Education shall develop a staffing model for the Oregon School for the Deaf to demonstrate an appropriate, not necessarily optimal, and comprehensive level of staff coverage to ensure student safety. The Department shall report to the 2012 Legislative Assembly on its findings and final staffing model. (House Bill 5020 *Budget Report and Measure Summary*, dated 6/10/11, page 6)

The Department of Education shall work with the Department of Administrative Services' Facilities Division and develop a five-year maintenance plan for the OSD that is inclusive of funding available within the existing operating budget, community donations, proceeds from the sale of the School for the Blind, and any resources available from other state agencies. The report should include an update on facility use with the improvements sponsored by the *Extreme Makeover: Home Edition* program. The report shall be considered in conjunction with the work of a legislative interim workgroup to review deferred maintenance needs and sustainability of OSD and the staffing model prepared by ODE in response to the budget note in the report for House Bill 5020. (Senate Bill 5508 *Budget Report and Measure Summary*, dated 6/29/11, page 12)

The agency drafted reports for both of these budget notes/legislative directions but after discussion with LFO did not submit them to 2012 Legislature. A joint report now is finished and will be presented as part of the agency's budget presentation this week.

5. School Year Subaccount Budget Note:

For the 2011-12 school year, additional resources from the Education Stability Fund have been approved for the sole purpose of supporting smaller class sizes or the enhancement of learning opportunities, as compared to the 2010-11 school year, while allowing school districts, the Youth Corrections Education Program (YCEP), and the Juvenile Detention Education Program (JDEP) the flexibility to determine the specific activities to support these efforts. However, funding should focus on services to students in the classroom rather than on teacher mentoring, retention or professional development. Acceptable activities would include, but are not limited to, class size reduction, increased instruction time, remediation, and vocational education. If a district or program is only able to maintain smaller class sizes or enhancements in some schools or classrooms rather than district-wide, the plan should identify why this was a priority. At a minimum, a school district's or program's written proposal shall include a description of the enhancements and activities along with the funding for each with comparable data for the 2010-11 school year, any measurable outcomes, and how the school district or program determined its priorities for expenditures. Proof of compliance shall consist of a signature by the school district superintendent certifying compliance along with proof of the school board's review and adoption of the written proposal (*e.g.*, board minutes, resolution, or signatures). For YCEP and JDEP, proof of compliance shall consist of the signature of the Superintendent of Public Instruction certifying compliance along with proof of the State Board of Education's review and adoption of the written proposal. (Senate Bill 5552 *Budget Report and Measure Summary*, dated 4/8/11, page 3)

After a long period of waiting, all districts who received funding finally submitted their proposal/reports.