

ANALYSIS

Item 9: Department of Education Procurement Services

Analyst: Julie Neburka

Request: Appropriate \$1,416,158 General Fund and establish eleven positions (6.36 FTE) to provide additional staffing in the Procurement Services unit and the Fiscal Grants team.

Analysis: The Oregon Department of Education (ODE) issues over 10,000 grant agreements per biennium with a current procurement staff of ten budgeted positions. Even after prioritizing workload to take into account deadlines for the use of federal funds, cash flow needs of smaller educational services providers, and large-dollar programs that fund multiple programs within school districts, the Department still delays some grant agreements and suspends work on data requests. To manage its workload and accommodate large new grant programs added recently by the Legislature and Congress, ODE has relied on recent retirees from its own and other state agency procurement teams to fill in on a temporary, limited duration basis.

To address its workload in a more sustainable way, the Department proposes to add ten procurement professionals and one accounting professional throughout the remainder of the 2021-23 biennium, at a cost of \$1.4 million General Fund. New positions would be added at every level of the Procurement and Contract Specialist job series, with one manager and three lower-level positions added on April 1, four lower-level positions added on July 1, and two higher-level positions added on October 1, 2022. One Accounting Technician position would be added to the Fiscal Grants Team on April 1. Because state government contract and procurement activities are very specialized, and because state agencies have experienced difficulties in recruiting senior procurement professionals in the current labor market, there is a distinct advantage to training junior-level staff for more advanced roles and promoting from within, which is the agency's plan. Further, ODE examined its workflow and determined that lower-level staff can take on some workload currently being done by senior-level procurement professionals, thereby both freeing them to take on more complex tasks and increasing support provided to external partners such as the Department of Justice and the Department of Administrative Services. Fully implemented, this proposal will increase the Department's procurement team by \$2,620,604 General Fund and eleven positions (11.50 FTE) in the 2023-25 biennium.

The Legislative Fiscal Office notes that creation of the new Department of Early Learning and Care will change ODE's contract and procurement workload but will not necessarily decrease it, as several ODE positions may "follow" the Early Learning Division's contract and procurement workload when it is transferred to the new agency.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$1,416,158 General Fund and authorizing the establishment of eleven permanent full-time positions (6.36 FTE) for the Department of Education in a budget reconciliation bill during the 2022 legislative session to address increased workload in the Procurement Services unit and Fiscal Grants team.

9
Oregon Department of Education
Streepey

Request: Appropriate \$1,416,158 from the General Fund and authorize the establishment of 11 positions (6.36 FTE) for additional staffing in the Procurement Services unit and Fiscal Grants team to support an increased contracts and grants workload.

Recommendation: Approve the request during the February 2022 Legislative Session.

Discussion: The Oregon Department of Education (ODE) is responsible for a growing portfolio of contracts and grant agreements. This includes procurement and grant agreements for k-12 education, early learning, educator advancement, and youth development. In addition to a growing portfolio, the Department has made improvements to its procedures, specifically since 2016 when enhanced compliance procedures were put into place to bring work products in line with state requirements that necessitate a legal agreement on all grants issued. By phasing in this and other quality control measures, the Department's procurement and grant operations inherently became more complex, increasing the workload for contract specialists and resulting in more staff time. Essentially, this change brought procurement oversight to the agency's large grant portfolio. Additionally, the Procurement unit has seen substantial growth in contracts due to the Student Success Act, federal COVID-stimulus funds, wildfire recovery, and Summer Learning programs. While much of this work is one-time in nature, the additional workload has added layers of complexity to core and supporting business processes for the Procurement unit as the new funds have been accompanied by more requirements.

Due to expanded and more complex procurement and grant operations, the Department is requesting an additional \$1.4 million General Fund and the establishment of 11 permanent positions (6.36 FTE) in the 2021-23 biennium. Ten of the positions are for the Procurement Services unit and one position for the Fiscal Grants team, as well as an increase from part-time to full-time for an existing position on the Fiscal Grants team. The roll-up estimate for 24 months in 2023-25 is \$2.6 million with 11 positions and 11.50 FTE.

ODE's Procurement Services unit is currently comprised of 10 budgeted positions, in addition to the Procurement Services Director, who is new in the role. Currently, three of the positions are vacant, including one Procurement and Contract Specialist (PCS) 2 position, one PCS 3 position, and a limited duration PCS 3 position, which has not been able to be filled due to the position being limited duration. The Department indicated over the prior two biennia, it has filled significant gaps through temporary positions and limited duration work from recent ODE procurement retirees or recent retirees from other procurement organizations. This is not a sustainable solution and puts the Department's ability to distribute resources at risk by inhibiting a stable workforce that accumulates knowledge over time. The Department has also indicated that even when fully staffed, the current number of budgeted positions is not sufficient.

In order to adapt to staffing constraints, the Department is identifying and prioritizing contracts and grant agreements by completing those with: 1) the highest risk for loss of Federal Funds due to timelines, 2) those affecting community-based organizations and entities with less available cash reserves to fund operations, 3) Large programs, such as the Student Investment Account and High School Success programs, funding multiple essential programs in schools, 4) the retroactive nature of the grant agreement allowing grantees to back-date claims, 5) and finally, those agreements not

required by federal or state law to be funded by a specified due date. Through this prioritization process, the Department has delayed work and execution of lower-level projects and suspended action on data requests not required by state or federal law.

To implement the desired changes to core and supporting business functions, the Procurement unit needs additional staff. Currently, higher classification staff spend too much time on supporting functions, limiting the efficiency of overall business processes. This can result in bottlenecks when working with partner state agencies in the procurement process, including the Department of Justice or the Department of Administrative Services. Additional staff that can focus on document review for example, can provide the Department of Justice with the necessary documentation to meet legal sufficiency initially, limiting the required time for legal review and additional administrative workload. Specifically, this request would provide funding for the following positions:

- Establish - Principal Executive Manager D – 1 position, 0.67 FTE
- Establish - Operations and Policy Analyst 2 – 1 position, 0.50 FTE
- Establish - Procurement and Contract Specialist 1 – 3 positions, 1.84 FTE
- Establish - Procurement and Contract Specialist 2 – 3 positions, 1.67 FTE
- Establish - Procurement and Contract Specialist 3 – 2 positions, 0.76 FTE
- Establish - Accounting Technician 3 - 1 position, 0.42 FTE
- Increase from part time to full time - Accounting Technician 3 – 0.50 FTE

This rebuilding effort being led by the new Procurement Director accounts for the difficulties in the current labor market, particularly for procurement specialists in Oregon. This plan aims to bring in more staff at lower classifications to grow the expertise and knowledge over time to allow the unit to share knowledge from existing procurement experts, while limiting their workload in supporting business functions.

It should be noted, this request does not include additional staff for Early Learning procurement needs. It is anticipated that two procurement positions within ODE will transfer to the new Department of Early Learning and Care to support the new agency's procurement office. The Early Learning Division has indicated the request for additional procurement staff will also be needed with the creation of the new agency.

Legal References: Appropriate \$1,416,158 from the General Fund to supplement the appropriation made by chapter 603, section 1(1), Oregon Law 2021, for the Oregon Department of Education, Procurement Services unit and Fiscal Grants team for the 2021-23 biennium.



Oregon

Kate Brown, Governor



OREGON
DEPARTMENT OF
EDUCATION

Oregon achieves . . . together!

Colt Gill

Director of the Oregon Department of Education

December 6, 2021

Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of Request

The Oregon Department of Education (ODE) respectfully requests an increase in General Fund appropriation and position authority to provide additional staffing in the Procurement Services unit and Fiscal Grants team to support an increased level of contracts and grants.

Agency Action

ODE's Procurement Team has been working tirelessly to process the more than 10,000 individual contracts and grant agreements that are necessary to implement the legislatively approved budget this biennium. Multiple agreements and payment processes have been delayed in implementation due to lack of staff. A memo was sent to the field on November 16, 2021 providing transparency to the delays in completing contracts and grant agreements that affect our partners.

In past years, especially at the beginning of a biennium, ODE has experienced procurement delays that we have been working to streamline and resolve. This year, there are several additional factors causing an increase in both the number of contract and grant agreements and delays in approving and paying grants:

1. Every two years at this time of year, there is an influx of contract and grant agreements that come as the Legislature approves a budget for each agency.
2. New funding has recently become available from both state and federal streams related to COVID-19 recovery, early learning, and equity. Compared to just four years ago, ODE is processing an increase of more than \$4 billion in payments to school districts, ESDs, tribes, community based organizations, early learning providers, childcare providers, and other partners. These result in a broader array and number of contractors and grantees than is typical, even at our busiest times.
3. Many new funding sources have come with higher levels of accountability and explicit purposes from the state or federal law makers. This is necessary to ensure tax payers that the dollars are well

spent, but the complexity of the contracts and grants and associated reporting slows the process down for the agency and for the grantees and contractors. Many of these new federal programs also come with tight timeframes that must be met. Oregon risks the loss of federal funds if these timelines are not met. When these new federal programs must be implemented, the result is to push the timeline for other state and federal projects out. This in turn places a strain on the timely implementation of these projects.

4. ODE's procurement office has had periodic vacancies that we have worked hard to fill. Also, as we have filled these positions, we have seen staff leave due to a variety of factors including promotional opportunities in other agencies. Unfortunately even if all positions remained filled there are still too few staff processing grant and contract agreements at this time. We have an incredibly talented team, but there is a limit to the number of agreements they can simultaneously execute. In making this request we have included several lower level procurement specialists as we believe these may be easier to recruit and will provide us an opportunity to "grow our own" higher level procurement staff.
5. Another option we explored was utilizing DAS procurement services for some contracts. However, DAS is not able to provide relief as DAS procurement has several vacancies and staff out on extended leave.

Procurement at a state level can take time because we are tasked with taking good care of state and federal funds, which are public dollars. For amounts of more than \$150,000, the process is more arduous and DOJ and DAS must also review and approve contracts before payments are made. This check and balance is in place to ensure taxpayer dollars are spent appropriately and as the Legislature intended. Smaller amounts also require close review through a process guided by the [Oregon Procurement Manual](#) that includes multiple stages before contracting, during the contract period, and after funds have been spent. These stages all require ODE staff support.

With the influx of federal COVID relief funds, these procurement challenges and delays are not unique to ODE. These procurement challenges impact many sectors of state government, not just education, early learning, educator advancement, and youth development. The overall positive flow of resources to schools and districts is important and appreciated. The flow of several streams of resources at one time across many agencies does create some additional strain and limitations, which we continue to work on resolving.

With the above identified circumstances and requirements in mind, our Procurement Team and Executive Leadership Team put a system in place to prioritize contract and grant agreements for processing prior to making this request. Here are some examples of what staff take into consideration as they prioritize agreements:

1. Funding from federal programs is prioritized when that funding would be lost if due dates aren't met.
2. Target programs (like equity programs and early learning & childcare programs) that go to community based organizations, small childcare operations, and other small entity partners are prioritized highly because they have less operating dollars at their disposal, so cash flow must increase in order for activities to happen.
3. Large dollar programs like the SSA Student Investment Account and High School Success programs that fund multiple essential programs in school districts.

4. Some school district grants can be retroactive, so staff factor in when a delay doesn't seem to have significant cash flow impacts given that expenditures can be claimed back to the start of an agreement.
5. If a grant agreement is not required by federal or state law to be funded or does not have a specified due date, then it may be a lower priority for approval in order to ensure that the state prioritizes following the law during a time crunch like this one.

Under this prioritization process, we identified 81 Tier 1 projects this fall. We focused procurement and programs staff on completing these projects first. We also delayed work and execution of lower level projects and suspended action on data requests that are not required by state or federal law.

As a staffing comparison, ODE looked at the level of staffing in the DHS/OHA shared services model. While we were unable to obtain detailed information from the, DHS and OHA have a combined budget of about \$19 billion, with about 60 procurement staff. That translates to about \$317 million in distribution per procurement professional. ODE's budget is \$16.3 billion for the biennium, with 10 staff. Just calculating grant distributions, the amount per procurement professional would be roughly 81 percent higher than DHS/OHA. Typically, DHS and OHA provide fewer legal agreements, as they are dealing with large numbers of pass-through payments to individuals. In ODE, it is primarily through grants and contracts that funds are distributed. We process about 10,000 agreements per biennium, which is about 1,000 per procurement officer. By adding 8 additional procurement officers, we can reduce the number of agreements to about 555 per staff person, and decrease the backlog on distributing funds to contractors and grantees.

The recruitment of procurement and contract professionals in Oregon is a challenge. In order to fully staff the amount of work, both now and ongoing, the agency is requesting permanent position authority and funding for 11 staff as follows:

Principal Executive Manager D – 1 position, 0.67 FTE

This position will function as the primary backup to the Director of Procurement Services, and ensure that needs of staff and programs are met. This position will have similar procurement authority to the Director of Procurement Services and will oversee the daily operations of the contract and procurement teams that service the various offices within the agency. This operations manager will allow the Director to focus on the agency level priorities of OregonBuys, the procurement process improvement efforts, as well as the internal policy and procedure overhaul that will aid to the transformational change the agency's procurement team is undergoing.

Operations & Policy Analyst 2 – 1 position, 0.50 FTE

This position will be the equity lens for the agency's procurement team, providing Technical Assistance on procurement issues for internal program staff, as well as the agency's external partners like schools, districts, community based organizations, and other stakeholders who may need to understand the agency's procurement processes efforts, as well as grant-making processes. Ideally this position will work to continuously orient internal staff on the proper procedures for procuring goods and services, while creating a support function for our external partners to gain technical assistance navigating the application process for various funding opportunities.

Procurement & Contract Specialist 1 – 3 positions, 1.84 FTE

These positions will function as procurement officers for smaller, less intricate agreements, and act as agents to do lower level functions that feed into more intricate contracts, including administrative oversight. This allows PCS2 and PCS3 positions to focus on the more complex issues for larger contracts.

Procurement & Contract Specialist 2 – 3 positions, 1.67 FTE

These positions will act as multi-function deployable assets, doing mid- to lower- complex contracts and legal agreements, and engage in limited higher level work to assist PCS3 positions. These staff would be working on interagency and intergovernmental agreements, working with DOJ for document reviews and responding to questions from DOJ. These positions would also focus on technical adjustments needed for emergency contracts/ratifications, etc.

Procurement & Contract Specialist 3 – 2 positions, 0.76 FTE

These positions will act at the highest level of the Procurement & Contract Specialist level. They will work contracts that include a multitude of complexities, funding sources, stipulations, etc.

Accounting Technician 3 - 1 position, 0.92 FTE

This would provide one position within our fiscal grants team to focus on implementing the grant agreements, and increase the an existing Accounting Tech 3 position from part-time to full-time on the accounting team to assist with grant payments.

By hiring all levels of the Procurement & Contract Specialist series, the agency will recruit and bring on staff whose talent can be grown for future promotion in the state. With the number of state-trained procurement professionals decreasing as staff retire, we recognize the importance of a “grown your own” attitude for succession planning and future need. Furthermore, adding positional depth to the team in the form of Procurement & Contract Specialists II & I series will allow for faster processing of the intermediate level agreements such as intergovernmental agreements, interagency agreements, and data sharing agreements and allow the higher level staff to focus on larger, more complex projects. We also phased in these positions to support a robust and thoughtful recruitment effort.

Implementation Approach

If the agency is granted the requested full-time positions necessary to aid in the timely distribution of funds to our external partners, we would like to put forth the following phased deployment of workers:

Phase I (April 1, 2022)

Principal Executive Manager D
Procurement & Contract Specialist II
Procurement & Contract Specialist I
Procurement & Contract Specialist I
Accounting Technician 3

Phase II (July 1, 2022)

Procurement & Contract Specialist II
Procurement & Contract Specialist II
Operation & Policy Analyst II
Procurement & Contract Specialist I

Phase III (October 1, 2022)

Procurement & Contract Specialist III
Procurement & Contract Specialist III

The rationale for this approach mirrors our understanding that the current labor market in more advanced roles is fairly shallow. The initial phase would allow for an additional manager to aid the Procurement Director with further hiring in later phases, this role will be integral to further expediting the onboarding, training, and orientation of each subsequent phase. With the addition of the Procurement & Contract Specialist II and I roles in the initial phase, the agency can focus on “growing our own,” while creating additional bandwidth related to less complex interagency agreements as well as intergovernmental agreements.

In the second hiring phase, the agency will add additional Procurement Specialist I and II roles, as well as the Operations and Policy Analyst II role. In this phase the agency will be looking to further its capacity building while concurrently developing a technical assistance role with community based organizations, smaller rural school districts, and smaller education service districts through the Operation & Policy Analyst position, which is being utilized as a Technical Training and Outreach Coordinator.

The final phase beginning in October would see the agency add two final Procurement & Contract Specialist III roles. Given the nature of the employment market and questions related to the depth of talent in Oregon it is the agency’s hope that these roles could be filled by internal candidates that have shown aptitude in the Procurement & Contract Specialist II and I roles, there by progressing up in the organization and opening up lower level roles that can be filled at an entry level.

Action Requested

Increase the General Fund appropriation by \$1,416,158 and authorize 11 permanent, full-time positions (6.36 FTE).

Legislation Affected

Section 1 (1), Chapter 603, Oregon Laws (2021) \$1,416,158

Thank you for your consideration of this request.

Sincerely,



Colt Gill
Agency Director