



## K-12 Education — Systemic Risk Report

# State Leaders and Policymakers Must Address Persistent System Risks to Improve K-12 Equity and Student Success

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# Highlights

## K-12 Education – Systemic Risk Report State Leaders and Policymakers Must Address Persistent System Risks to Improve K-12 Equity and Student Success



Courtesy of Portland Public Schools

The Student Success Act provides an extra \$1 billion of tax money a year for early childhood education and K-12 school improvement. It requires the Oregon Department of Education (ODE) to track district performance and work with districts to improve, building on other recent state and federal initiatives and bringing the state the closest it has been to meeting the funding recommendations of the Quality Education Model. Oregon's previous three major K-12 improvement efforts were all abandoned, underscoring the importance of addressing risks early on.

This advisory report identifies five key risks we found that could undermine K-12 system improvement as the state implements the 2019 Student Success Act, Oregon's fourth major K-12 improvement effort since the 1990s. The report draws on six Audits Division performance audits of ODE since 2016, focused on student success and inequitable outcomes in Oregon's K-12 education system.

The report is addressed to the Governor, State Board of Education, and Legislature, who must work with ODE to address these risks even as the pandemic has increased K-12 challenges. Not addressing them could allow lagging student results and equity gaps for low-income and historically underserved students to persist despite a historic investment in the education system.

**Risk #1: Performance Monitoring and Support:** Performance monitoring is crucial to school improvement. State leaders and policymakers must work with ODE to ensure monitoring of district performance and state support when needed to promote success.

**Risk #2: Transparency on Results and Challenges:** To foster accountability and timely adjustments, leaders and policymakers must require thorough reporting of school improvement results and challenges.

**Risk #3: Spending Scrutiny and Guidance:** Leaders and policymakers should support ODE in providing more analysis of school district spending, helping districts focus spending on student support and offset rising costs.

**Risk #4: Clear, Enforceable District Standards:** Oregon's Division 22 standards for K-12 schools lack clarity and enforceability, allowing low performance to persist. To increase accountability for state funds and student success, leaders and policymakers must balance local control of school districts with reasonable, enforceable standards.

**Risk #5: Governance and Funding Stability:** Reforming education is a complex, long-term effort, requiring leaders and policymakers to set clear goals and foster a long-term focus. A large number of separate programs, unrealistic timelines, and frequent changes in funding priorities and leadership can undermine reform efforts.

# Introduction

The Audits Division has focused heavily on K-12 education in the last six years, issuing six audits and four recommendation follow-up reports since 2016. We conducted audits covering ODE's role with struggling schools and districts, high school graduation rates, students experiencing disabilities, alternative and online schools, student testing, and implementation of Measure 98, a ballot measure designed to improve college and career readiness. All these audits included a focus on equity — how students that education systems have historically marginalized are faring.<sup>1</sup>

The reason for this focus is the importance of education to Oregon's economy and well-being. Oregon's K-12 public education system includes 197 school districts serving more than 560,000 students, with the State School Fund totaling more than \$4.6 billion per year, by far the state's largest single use of general and lottery funds. The success and well-being of children in this system is critically important to Oregonians. It is also an arena where social inequities can be either exacerbated or mitigated.

This Systemic Risk Report, our office's first, is an advisory report<sup>2</sup> that identifies key risks found while conducting our audits and follow-up reports. The audits, accompanying recommendations, and follow-up reports were addressed to the Oregon Department of Education, or ODE, the responsible agency. However, this report is addressed not to ODE, but to the Governor's Office, the State Board of Education, and the Legislature — the leaders responsible for overseeing, directing, and supporting ODE.

Under Oregon law, governors have a strong role in K-12 education, serving as Superintendent of Public Instruction, appointing a deputy superintendent to direct ODE, serving as the administrative officer of the State Board of Education, overseeing ODE programs, and proposing a K-12 budget to the Legislature. The State Board of Education, with seven voting members appointed by the Governor,<sup>3</sup> is responsible for setting administrative rules for K-12 education — the groundwork that helps establish how effectively ODE operates and how it implements key legislation, including new programs such as the Student Success Act. The Legislature sets the K-12 budget, monitors the system's operations and effectiveness, and adopts new programs and goals intended to hold ODE and school districts accountable for spending of state money and increase student performance.

Our intent with this systemic risk report is to highlight systemic risks these state leaders can address to improve the K-12 system. We believe the systemic risks outlined in this report are also useful for school district boards and Education Service District (ESD) boards to consider. ESDs play a crucial role in supporting districts across the state.

## The Student Success Act sets a promising path forward

The pandemic has made the last two years extraordinarily difficult for many students, educators, and administrators, but there are reasons for optimism moving forward. Educators and districts may be

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<sup>1</sup> Appendix A includes a list of these audits and associated follow-up reports.

<sup>2</sup> As non-audit projects, advisory reports do not adhere to government auditing standards, including standards for detailed planning of fieldwork steps and internal control reviews of auditees. However, as with other non-audit reports, this report went through the division's quality assurance process to ensure statements in the report were supported by appropriate evidence.

<sup>3</sup> The State Treasurer and Secretary of State, or their designees, also serve as non-voting, ex-officio members of the State Board of Education.

able to address student needs more effectively as students return to class. At the state level, two relatively recent and large initiatives may improve the K-12 system's performance:

**Measure 98 High School Success.** This 2016 ballot measure, modified by subsequent legislation, established a fund of \$800 per high school student per year to improve graduation rates and students' college and career readiness. The funds can be used for Career and Technical Education, college-level courses while in high school, and dropout prevention programs. A 2020 audit found ODE followed a robust and effective planning process to implement the measure.

**The Student Success Act.** Adopted by the Legislature in 2019, the act is projected to provide an extra \$1 billion of tax money per year for early childhood education and K-12 school improvement, drawing on a new Corporate Activities Tax. The funding from the act brought Oregon's funding for K-12 education in the 2021-23 biennium as close as it has been to meeting the recommendation in the Quality Education Model since the first QEM report in 1999,<sup>4</sup> though still \$557 million short of projected needs for the biennium. The act requires ODE to track district performance and work with districts to improve outcomes. It also focuses on improving school and district efforts with low-income and historically underserved students.

In 2019, ODE created the Office of Education Innovation and Improvement to support student investment grants under the Student Success Act. The office includes new staff approved by the Legislature and combines several teams working on related student improvement initiatives, such as federal Title I school improvement, Measure 98 High School Success, new requirements under the federal Every Student Succeeds Act, and several of the additional new initiatives created under the Student Success Act.

ODE's Office of Education Innovation and Improvement now has 48 positions focused on state and federal priorities for improving student outcomes. In addition to staff, the agency is equipped with stronger frameworks for monitoring district performance and providing assistance, including many tied to a new Student Investment Account under the Student Success Act. ODE is also helping to facilitate greater community involvement in state and district decision-making. Agency officials say a more inclusive K-12 culture will help increase performance and equity by influencing resource allocation and increasing opportunities for underserved students.

Unlike prior improvement efforts, the act is backed by a substantial increase in state funds. These funds are not guaranteed — see risk no. 5 for details — and considerable debate exists on whether the Quality Education Model funding model adequately completely captures school and student needs. Those needs include increasing need for mental and behavioral health support for students and the financial impact of staffing shortages and rising wages. However, if maintained and adequately funded, Student Success Act changes have the potential to drive a unified, strategic approach to improving the K-12 system.

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<sup>4</sup> The Quality Education Model is updated every two years. Current and past reports can be found at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Pages/QEMReports.aspx>

## Oregon's new Student Investment Account — an important initiative within the Student Success Act

At roughly \$500 million a year, the Student Investment Account is the largest initiative in the Student Success Act. ODE distributes the money through four-year grants with school districts. Key details:

- Authorizes investments to meet students' mental or behavioral health needs and increase their academic achievement.
- Focuses on vulnerable students, among them students who are economically disadvantaged, from racial or ethnic groups with historic disparities, experiencing disabilities, English language learners, or foster children.
- Districts must create a four-year plan for use of the money, collect data to make equity-based decisions, and establish quantitative growth targets focused on measures such as graduation rates, third-grade reading proficiency, and attendance rates.
- Each biennium, ODE determines whether districts met growth targets. If they do not, ODE can require them to enter coaching programs or direct spending to specific areas.
- In addition, ODE develops an intensive program for high needs districts, including involvement by ODE student success teams. These districts can receive extra money from the Statewide Education Initiatives Account, a separate part of the Student Success Act.

## Oregon has not sustained past improvement efforts

Taken together, the Student Success Act and Measure 98 comprise Oregon's fourth major K-12 improvement effort since the early 1990s.

The previous three were all abandoned.

In 1991, the Legislature passed the Oregon Educational Act for the 21<sup>st</sup> Century, a major overhaul whose most direct school improvement provisions were CIM and CAM — certificates of initial and advanced mastery — intended to drive classroom rigor. They were never required for graduation, despite significant investments of time and resources, and the Legislature abolished them in 2007.

In 2011, the Legislature created an Oregon Education Investment Board to oversee a unified education system from early childhood through post-secondary education. The board developed strategic initiatives to spur improvement and required districts to sign "achievement compacts" as part of the budgeting process. By 2015, the investment board and the achievement compacts were gone, and by 2017 many of the initial programs established by the strategic initiatives and network grants were changed, eliminated, or replaced, with limited analysis of lessons learned.

The Legislature replaced the investment board with a Chief Education Office under the Governor and charged it with building a unified education system, a major undertaking. In 2015, the Legislature set a June 2019 sunset date for the office, and most of its functions related to strategic investment and educator training were transferred to ODE.

This history indicates state leaders will need to closely monitor the progress and challenges ahead for the Student Success Act to succeed long-term. Based on our audits of the K-12 system, our judgment is focusing on the risks outlined in this report will help them do so.

## Oregon's K-12 system has improved in key areas, but still faces substantial challenges

In recent years, Oregon's K-12 system has increased some important performance metrics. From 2016 to 2019, the state saw increases in ninth-grade students on track to graduate, four-year graduation rates, and five-year completion rates. For graduation and completion rates, those improvements extended to the 2020-21 school year, despite pandemic challenges, and to students living in poverty, Black/African American students, Hispanic/Latino students, and students with disabilities.<sup>5</sup> Oregon's overall graduation rate also increased faster than the national rate in the last five years of national comparisons. These encouraging results illustrate the benefit of publicly reporting and focusing on key performance metrics.

However, Oregon's underserved student populations still face significant achievement gaps relative to overall results in graduation rates and achievement test results for math and English Language Arts. Overall, less than a quarter of all students meet proficiency standards in math in 11<sup>th</sup> grade. Despite improvements, Oregon also continues to rank low relative to other states in its graduation rate. In 2018-19, the latest year of national data available, Oregon's 80% graduation rate ranked 48<sup>th</sup> lowest. This ranking does not account for differences in graduation requirements between states, such as Oregon's relatively high number of minimum credits required for graduation.<sup>6</sup>

Audits have found other specific equity challenges. A 2017 audit found students in online schools and alternative schools and programs account for nearly half the state's dropouts. Alternative school students are disproportionately students of color and more than two-thirds are low-income. A 2020 audit found only a third of Oregon children eligible for early intervention special education programs received an adequate level of services, as defined by ODE. A separate 2017 audit of graduation rates found more than 70% of students who do not graduate on time are low-income.

High school graduation is a critical milestone for students. Research indicates graduates are more likely to have jobs, less likely to be incarcerated, and less likely to rely on public assistance than students who drop out. They are also less likely to have problems with drugs and more likely to live long, healthy lives. A 2018 review of research on the link between education and health concluded the education process is central to health and noted "large and widening" disparities in health and longevity between adults with higher educational attainment and their less educated peers.<sup>7</sup>

### Some important student success metrics dropped during the COVID-19 pandemic

Data for the 2020-21 school year, after COVID-19 took hold, shows reductions in some important indicators of student success, including attendance and ninth-grade students on track to graduate. In November 2021, ODE released data showing more than a quarter of Oregon's public high school ninth-graders had not passed enough classes to be on track to graduate in the 2020-21 school year, a drop of 12 percentage points from 2018-19.<sup>8</sup> Results for all categories of students fell, with decreases for

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<sup>5</sup> When describing racial and ethnic groups in the context of an education data report, we use the terms used in the report.

<sup>6</sup> A bill passed during the 2021 legislative session directed ODE to review the appropriateness of graduation requirements, including comparison to other states. That analysis is in process.

<sup>7</sup> [Annu. Rev. Public Health 2018. 39:273-89](#)

<sup>8</sup> The data is included in ODE's [Oregon Statewide Report Card for 2020-21](#).

American Indian/Alaska Native, Hispanic/Latino, and Native Hawaiian/Pacific Islander students all significantly higher than the statewide drop.

Nationwide, the Northwest Evaluation Association reports achievement testing results dropped from third- through eighth-grade in both reading and math from fall 2019 to fall 2021. Drops were particularly sharp at high-poverty schools and among Hispanic, American Indian/Alaska Native, and Black students.

At ODE and at school districts, the pandemic has delayed some critical student success work as the agency, districts, teachers, and other educators responded to urgent needs for online education and additional student support amid health concerns and staff shortages. Our 2021 follow-up work for a 2019 audit that involved ODE found pandemic-related delays contributed to ODE fully implementing only two of 11 recommendations.

### **State leaders must appropriately balance local control and state-level monitoring of K-12 results**

Improving K-12 education requires balancing two priorities: supporting local control of school districts by district management and school boards — entities closer to the ground and more in touch with their communities — and ensuring ODE appropriately monitors and intervenes to help struggling districts improve, safeguard taxpayers' investment, and protect historically underserved students.

We analyzed risks identified in our past audits and conclude a lack of intervention by ODE, despite significant problems at the school and district level, has been a larger problem than infringement on local control. In some cases, ODE has said it lacked statutory authority to intervene. In addition, the Legislature structured the Student Success Act to focus ODE's efforts on collaboration, support, and coaching of struggling districts. More aggressive intervention — principally, directing spending to improve lagging areas — is likely to be limited and come only after other measures have not improved student success.

The following pages detail the five major systemic risks and, for each risk, suggested actions the Governor, State Board of Education, and Legislature could take to address them.

We sincerely appreciate the courtesies and cooperation extended by ODE leadership and staff during the preparation of this report and in all our prior audits.

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### **About the Secretary of State Audits Division**

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards, and commissions as well as administer municipal audit law.

# Systemic Risks in Oregon's K-12 System

## Risk #1: Performance Monitoring and Support

Performance monitoring is crucial to school improvement. State leaders and policymakers must work with ODE to ensure monitoring of district performance and state support when needed to promote success.

For any organization or system, monitoring performance and intervening appropriately are important controls to ensure objectives are met. At ODE, our audits have consistently found issues with ODE's performance monitoring of grants and programs and issues with effective, timely intervention when districts or schools struggle. The Student Success Act added staff and requirements that could help ODE improve in this area, but state leaders also need to monitor how the agency itself is performing and intervene when necessary to ensure student success does, in fact, increase.

Earlier in 2022, the agency developed integrated guidance for school districts and a single application for six crucial initiatives that should help improve performance monitoring — and help districts and grant recipients consolidate their efforts and report their progress more effectively.<sup>9</sup> The initiatives include Student Investment Account grants under the Student Success Act, the High School Success initiative sparked by Measure 98, Career-Technical Education programs, and district Continuous Improvement Planning. The agency plans to integrate planning and budgeting for these programs, and align reporting on program evaluation and progress.

However, our audits have found deficits in ODE's performance monitoring in practice, including monitoring the performance of grants and programs intended to help vulnerable students. For example:

**Title I school improvement.** This federal grant program under the Every Students Succeeds Act (ESSA) focuses on schools serving high proportions of economically disadvantaged students, as well as Black, Latino, and Native American students, making it crucial to closing Oregon's equity gaps in student performance. Yet our 2019 ODE-Portland Public Schools (PPS) audit found ODE and its contractor, Education Northwest, each evaluated the program just once between spring 2010 and 2017; both evaluations lacked rigor. Our own analysis found about 70% of the schools performed worse than comparable schools on English Language Arts and math assessments in 2016-17. In our 2021 follow-up report, ODE officials said they plan to develop new Title I support and school improvement procedures for 2021-22, including data sources for evaluating results. The agency also wants districts participating in improvement programs under ESSA to connect those efforts to the integrated application and reporting effort described above.

From an internal control standpoint, monitoring means consistently reviewing how effectively a system or program is working and addressing problems that arise.

<sup>9</sup> ODE's [integrated guidance document](#), "Aligning for Student Success," is available online.



**Alternative and Online Education.** A 2017 audit of alternative and online education found ODE has not adequately collected and tracked alternative school and program performance information to identify both successful and underperforming schools and programs. Similarly, ODE’s performance tracking and legislatively authorized oversight of rapidly growing statewide and regional online charter schools — which enroll substantial numbers of academically at-risk students and many students who eventually drop out — is limited, and much lower than oversight in some states.

For example, ODE receives copies of key documents related to online charter schools, such as charter agreements and annual reports, but did not review them for quality or monitor the quality of district oversight of these schools. Our 2019 follow-up found little to no progress on our recommendations, which ODE officials attributed to low alternative education unit staffing and prioritizing accountability requirements under ESSA.

Our 2017 audit found other states have held districts, alternative schools, and programs to high standards and provided more support to help at-risk students succeed. Other states, including Washington, have also increased standards and oversight of fast-growing online schools, while Oregon’s laws allow these publicly funded schools to increase enrollment rapidly regardless of their performance.

**Measure 98/High School Success.** Our 2020 audit found the High School Success team at ODE is developing a robust plan to evaluate internal performance for this state program, aimed at increasing the state’s high school graduation rate. However, the audit also found this plan focuses on process, such as the number of ODE visits made, and not on interim or long-term outcomes like improvement in dropout prevention activities. The audit also found ODE staff reviewed districts’ requested changes in high school success plans for statutory compliance but did not evaluate the potential impact of the changes on student outcomes. This focus on process and compliance, rather than student outcomes, has been a common issue in ODE grant monitoring. ODE officials said they are making monitoring improvements; our office is conducting the next audit required under Measure 98, which is scheduled to be issued by the end of 2022.

### **The state lacks crucial data needed for more effective monitoring**

Having adequate student data is crucial to monitoring and intervention, allowing ODE and districts to identify problems and respond to them. ODE’s October 2021 reporting showing the increase in ninth-graders not on track to graduate is a prime example.<sup>10</sup> At the time of the data’s release, ODE’s director predicted the alarming results would “drive action” to get students back on track, an illustration of the power of meaningful data to highlight problems and improve results.

However, three of our K-12 audits found ODE lacks crucial student data to upgrade its overall performance monitoring.

Perhaps most important, ODE does not obtain course grades or specific credits attained by middle school and high school students, data the agency could use to help identify and address barriers to graduation. Class performance data would help ODE analyze when students are most likely to fall off

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<sup>10</sup> [This data is available on ODE’s website.](#)

track, which courses have high failure rates, and how student success or failure in specific courses ties to graduation.

For example, ODE has no ability to assess how many students take and pass Algebra 1, a key course required for graduation; how ability to pass ultimately affects students' graduation prospects; and whether a lack of the Algebra 1 credit plays a larger role than other potential barriers to graduation. ODE also doesn't have information about which 10<sup>th</sup>-, 11<sup>th</sup>- and 12<sup>th</sup>-grade students are on-track to graduate. That metric stops at ninth grade. That kind of diagnosis could help ODE identify statewide issues and tailor its improvement efforts to address them. In following up on our high school graduation rate audit, ODE management told us collecting this data would require more funding; a bill to collect high school credit attainment data did not pass out of the 2017 legislative session.

Data collection comes at a cost for districts and state agencies. State leaders can help by working with ODE to specify expected uses of the data and ODE's role in supporting districts when the data identifies problems.

### **Student Success Act requirements could improve monitoring and intervention**

Student Success Act provisions for Student Investment Account grants have substantial promise for improving monitoring and intervention. The work is in the early stages, however, and our previous audit work with similar programs indicates ODE's monitoring and intervention efforts under the act could still be limited.

The act requires ODE to monitor performance growth targets of each Student Investment Account grant recipient each biennium; gives ODE the authority to require grant recipients to enter coaching programs; and authorizes ODE to establish a procedure for conducting performance audits of grantees. ODE's new Office of Education Innovation and Improvement has developed best practices for the monitoring and evaluation of progress with Student Investment Account programs under the act, including extensive guidance for schools on collection and evaluation of longitudinal performance data — data following students over long time periods. The office is also working on a long-term vision to develop consistent monitoring and evaluation tools across the agency.

However, ODE officials say the work is in the early stages and the agency still has significant room for improvement around performance management and monitoring.

Our previous audits have also identified monitoring and intervention issues in smaller programs with requirements similar to the Student Success Act. For example, our ODE-PPS audit found ODE personnel monitored PPS' work under the federal Title III grant program for English language learners, but the desk audits the agency conducted mainly consisted of a rules compliance review, not an evaluation of student performance. ODE also did not increase consequences for PPS when the district did not meet four student performance objectives from 2010 to 2015, despite options in the program to do so. ODE also administers other small but important state grants outside the Students Success Act, including African American Black Student Success grants and grants for American Indian/Alaska Native and English learner students. Performance management of these grants is important as well.

## Suggested leadership actions

1. Closely track ODE's performance monitoring of grants and the agency's interventions when needed to support district or contractor success, including monitoring and intervention under the Student Success Act, and development of new Title I support and school improvement procedures. Clarify in statute where ODE's responsibility is weak or unclear.
2. Similarly, closely track work by ODE's new Office of Education Improvement and Innovation, including how the office is monitoring and measuring performance of districts and its own efforts to help districts.
3. Monitor and support ODE's efforts to improve inadequate performance measurement of alternative and online schools, and adopt statutes that hold public district and charter online schools, particularly statewide and regional online schools, to stronger standards.
4. Ensure ODE has adequate staff to monitor grant and district performance and to support districts and schools in improving performance.
5. Provide funding and, where needed, statutory authority for ODE to collect data from districts on course grades and specific credits attained by middle and high school students, a key to pinpointing graduation roadblocks.

## Risk #2: Transparency on Results and Challenges

To foster accountability and timely adjustments, leaders and policymakers must require thorough reporting of school improvement results and challenges.

Key controls to ensure objectives are met also include identifying and addressing risks to achieving those objectives and reporting quality information on how the organization is doing. In that light, state leaders must support reporting of results for crucial K-12 programs. Leaders must also ensure ODE identifies and addresses challenges to successful implementation of the Student Success Act, revamped programs under ESSA, and other crucial K-12 improvement efforts, in addition to progress made. Effective agency reporting includes details of both successes and challenges, so challenges can be quickly addressed. Timely identification and remediation of roadblocks is crucial to ensure the state's latest improvement efforts maintain momentum and are not stalled.

### Oregon's reporting of student outcomes has important gaps

ODE has made significant strides reporting results over the years, including issuing individual school report cards, an annual statewide report card on the performance of the K-12 system, and single-issue reports highlighting key problems. ODE's authority over school districts is limited, given Oregon's focus on local control, and insightful results reporting is one of the clearest ways the state can improve the K-12 system.

However, previous audits have identified gaps in the state's reporting. Most striking: Title I schools and alternative schools and programs — serving high numbers of low-income and historically underserved students — are effectively invisible in state results reporting.

Key programs for some vulnerable students are effectively invisible in state results reporting.

ODE's 2017 evaluation of the results of ESSA-driven efforts with Title I schools was not released publicly or put on the agency's website. Title I efforts are not called out as part of the state's education agenda. They also have not been assessed in ODE budget reports to the Legislature or in the agency's statewide report card.

For alternative education, ODE does not clearly identify schools as alternative on its website or in public performance reporting, including school report cards. It also does not report on alternative programs within districts at all, even when those programs are educating a large proportion of a district's academically at-risk students. The students in those programs may be mixed in with a larger school's population, or else in the district's overall numbers, but not broken out as a separate program.

The Student Success Act is another area where meaningful reporting is crucial. The act's requirements for student growth targets and evaluation by ODE could generate meaningful public reporting. It is not clear yet how ODE will report these results and evaluations.

### ODE must transparently report challenges to implementation of the Student Success Act, ESSA, and other crucial K-12 programs

Our September 2021 follow-up to the ODE-PPS audit found ODE has not discussed implementation challenges for school improvement efforts in depth in public reports and presentations to the state board or the Legislature, particularly concerning given Oregon's history of abandoned K-12

improvement efforts. These challenges are likely substantial. Previous audits identified district concerns about redundant state-mandated plans, the difficulty of “braiding” funds from federal and state funding sources to achieve specific outcomes, and the ability of ODE and its contractors to authentically engage with school districts — a key issue given the Student Success Act’s emphasis on state-funded coaching for struggling districts.

As of July 2021, Student Success Act reports to the Legislature identified some challenges but did not report on them in detail or include stakeholder views of ODE’s efforts. ODE regularly reports on SSA-related programs to the State Board of Education, but none of the presentations reviewed by our office addressed challenges to implementation or efforts to meet those challenges. However, ODE’s January 2022 report to the Legislature on the Student Investment Account did detail some significant challenges, including procurement challenges in ODE’s intensive coaching program and the administrative burden and fragmentation caused for school districts and ODE by 88 separate state programs addressing K-12 education. This is an encouraging step toward transparency that state leaders can assure is continued and expanded for the Student Investment Account and extended to other crucial K-12 programs.

### Suggested leadership actions

1. Require and support thorough ODE reporting and highlighting of both school improvement progress and challenges to effective implementation to the State Board of Education and the Legislature, including concerns raised by districts and stakeholders. Provide additional staff if necessary.
2. Ensure results — or the fact that results have not yet been measured — are clearly reported and discussed in the Legislature for key ODE programs. Include the Student Success Act, Measure 98, Title I and other efforts under ESSA, and additional grants aimed at student success and equity, such as African American Black Student Success grants and grants for American Indian/Alaska Native and English learner students.

## Risk #3: Spending Scrutiny and Guidance

Leaders and policymakers should support ODE in providing more analysis of school district spending, helping districts focus spending on student support and offset rising costs.

Local school boards, business managers, and superintendents control district spending, but a recent study by ODE confirms the agency has the analytical capability to provide boards, school and state leaders, and the public with valuable district spending insights. Student Success Act requirements also provide a pathway for ODE to encourage efficient and effective spending that increases student outcomes and equity. Spending scrutiny is particularly important to help ensure programs serving marginalized students and their families, who may lack political power, are well funded.

However, our audits have found ODE can be wary of infringing on local control. After its recent spending study, the agency did not include two of the most compelling conclusions in its most high-profile annual report. In addition, ODE has not gone beyond checkbox oversight of a requirement that districts review and consider Quality Education Commission spending recommendations when applying for funds under the Student Investment Act. Further support from state leaders would help the agency highlight and follow through on research-backed spending practices.

### Rapid increases in school district costs could reduce the impact of the Student Success Act

New money from the Student Success Act has the potential to substantially improve Oregon's sub-par national rankings in spending per K-12 student and in K-12 student-teacher ratios. As detailed in our ODE-PPS audit, a low ratio and smaller classes can allow teachers to focus more on individual students to raise their performance. Research indicates individual attention makes a particular difference in early grades and with disadvantaged students.

However, rapidly increasing Public Employees Retirement System (PERS) costs, rising inflation, and other rapid non-classroom cost increases such as rising costs for health insurance could reduce these gains by shifting the money away from student support. The ODE-PPS audit found benefits were the major K-12 cost category where Oregon exceeded the national average by the largest margin, likely driven by PERS costs.

### ODE has made progress evaluating spending, but needs leadership support to publicize and meaningfully follow up on results

ODE has made important strides in spending analysis. Supported by ODE, the Quality Education Commission publishes an annual report on its Quality Education Model, which forecasts the amount of funding required to provide best educational practices statewide. ODE is providing more detailed spending data to districts for peer comparisons. In addition, in response to a recommendation from the ODE-PPS audit, ODE analyzed school district spending and its connection to graduation rates and published a summary in the 2020 annual report.

That study reached important conclusions, including emphasizing the importance of improved student services, and further demonstrated ODE's capacity for useful research. However, the study summary in

the annual Quality Education Commission report — a high-profile document required by law — omitted two of the study’s most critical conclusions:

- Reallocation of 1% of the spending from business services, central activities, and instructional support to instruction is associated with graduation rate increases of 3% to 4%.
- Higher costs of living and salaries in large cities and suburban schools leads to increased class sizes in districts with a substantial majority of historically underserved students, an inequity the ODE study recommended the Legislature take action to address.

The Student Success Act requires districts to consider commission recommendations when applying for Student Investment Account funds, an avenue for ODE to provide oversight and support. Districts are required to check a box attesting they have considered the recommendations, but ODE’s oversight thus far has not extended further. The statutory language also does not indicate how deeply ODE should address district spending issues.

In our judgment, volunteer school boards, parents, and other stakeholders would benefit from more broadly publicized information, well-researched recommendations, and meaningful ODE follow-up to adequately address spending issues. The ODE-PPS audit, for example, found public information on spending analysis at Portland Public Schools, Oregon’s largest district, was limited.

### Suggested leadership actions

1. Support ODE in providing more analysis of effective and efficient school district spending and in providing additional information and useful tools for districts to benchmark and evaluate their spending. Ensure the agency details the most substantial findings in the Quality Education Commission’s annual report.
2. Monitor the depth and effectiveness of ODE’s interaction with school districts on spending.
3. Ensure ODE works with districts and other stakeholders to enhance transparency and analysis of district spending, develop academic return on investment models, and increase financial training for district administrators.

## Risk #4: Clear, Enforceable District Standards

Oregon's Division 22 standards for K-12 schools lack clarity and enforceability, allowing low performance to persist. To increase accountability for state funds and student success, leaders and policymakers must balance local control of school districts with reasonable, enforceable standards.

Setting standards for operations and performance is an important control activity in a system or organization. Oregon's standards for K-12 school districts primarily come through Division 22 regulations that tie specific requirements to laws passed by the Legislature.

Our audits have found ODE's enforcement of standards designed to improve student achievement is limited, and education leaders and the Legislature have not resolved how best to balance enforcing standards and supporting struggling districts against the priority placed on local school district control.

### Division 22 standards lack clarity and enforceability

The Division 22 rules, approved and enforced by the State Board of Education, cover some important district operations, among them: diploma requirements, common district curriculum, academic content standards, equity expectations, and evaluations. Particularly with ODE engaged in more support of districts under the Student Success Act, agency monitoring of district compliance with these standards can help ODE and districts identify areas of improvement to address.

Yet the ODE-PPS audit found the regulations lack clarity and enforceability in key areas. For example, the regulations call for rigorous instruction aligned with state academic standards, but the definition of rigorous is vague. The regulations require reporting of performance but set no performance standards. They require districts to maintain class sizes and teacher assignments that promote effective practices but provide no specifics.

The audit also found ODE's assurance of compliance with the standards, scaled back by budget reductions, is limited and largely complaint-driven. Districts are required to prepare and publicly report a Division 22 compliance form, but it consists of one page of checkboxes.

### ODE has begun efforts to improve Division 22 standards and assurance

In May 2019, ODE created a Division 22 committee that meets monthly. The committee has identified areas of improvement in the Division 22 assurance process and increased support for districts out of compliance and needing corrective action. The agency also hired a full-time Division 22 specialist who has revised the Division 22 website,<sup>11</sup> developed systems for tracking and follow-up, and created proactive communication tools to support districts.

As our September 2021 audit follow-up noted, the formation of a dedicated ODE workgroup is significant progress toward improving Division 22 standards. However, the group has not yet fully evaluated the standards for enforceability and clarity.

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<sup>11</sup> <https://www.oregon.gov/ode/rules-and-policies/StateRules/Pages/Division-22.aspx>



## Suggested leadership actions

1. Monitor and support improvements in Division 22 standards for clarity and enforceability and in ODE's assurance and support efforts under its Division 22 improvement process.
2. Provide more staff if necessary to build a robust assurance effort that supports and meaningfully monitors districts in complying with the standards and assures compliance.

## Risk #5: Governance and Funding Stability

Reforming education is a complex, long-term effort, requiring leaders and policymakers to set clear goals and foster a long-term focus. A large number of separate programs, unrealistic timelines, and frequent changes in funding priorities and leadership can undermine reform efforts.

The Student Success Act provides a foundation for state leaders to support and build on. However, our audits have identified three governance stability challenges that could reduce performance improvements under the act:

**Multiple programs.** The large number of programs that ODE administers, some funded by grants that come and go, adds substantial volatility to agency operations, makes it harder for ODE to focus on top priorities, and contributes to a piecemeal approach to improving K-12 education. ODE administers more than 108 state and federal grants, with new grants and initiatives added each legislative session — including 22 in the 2021 legislative session.<sup>12</sup> With 197 school districts, and the possibility of working directly with some individual schools, programs, or consortia for different grant programs, this translates to thousands of grant agreements each year. The agency has separate teams working on many grants and plans, and our graduation rate audit found a lack of communication and coordination between teams within the agency. ODE has also had limited input on how legislative initiatives can best fit into the agency's existing structure. For several recent initiatives, including efforts to address chronic absenteeism, high school success, and English language learning, ODE set up new teams to manage them, increasing the potential for duplication and isolation. Our September 2021 follow-up of the ODE-PPS audit found ODE has made progress consolidating and streamlining some critical programs under a new Office of Education Innovation and Improvement, a promising step.

**Unrealistic timelines.** Grant programs can drive significant improvements in the system, providing evidence of effective programs that can be scaled up statewide. However, Oregon's two-year legislative cycle can prompt state leaders and policymakers to require reports on the performance of state grant programs and initiatives before they have time to show results. As a result, state grants come and go, giving them a "flavor of the month" cast that increases skepticism and instability. Education programs can take a year to implement and generally need at least five years to determine how well they work.

**Changes in priorities, leadership, and funding.** Oregon's governance system is structured to generate frequent change, particularly in high-profile programs such as education. The Governor, the Superintendent of Public Instruction under the Oregon Constitution, is limited to two consecutive terms. The Legislature meets each year, with a full session every two years.

In 2017 alone, our high school graduation audit found, the Legislature passed 16 education-related policy measures, and considered another 23. ODE's director, appointed by the Governor, turns over periodically, and turnover in some key ODE departments has been high. These frequent changes can reduce focus on long-term goals and investment results.

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<sup>12</sup> Each legislative session also creates new processes for ODE and school districts to implement. In the 2021 session, according to ODE, 29 bills passed with new processes, such as notification requirements for harassment and bullying, oral health curriculum, and a State School Fund study and advisory committee.

Reversals and defunding have affected K-12 education programs over the years. The 2013 establishment of the Oregon Education Investment Board led to a suite of strategic programs, including programs in early reading and connecting to work. But by 2017, just four years later, most of those strategic investments were repealed. ODE also has seen cuts in staffing for specific programs, including Division 22 staff, limiting oversight of state standards, and in staffing for oversight and support of academic content standards in the arts and world languages.

In our judgment, the systemic lack of governance and funding stability contributed to the abandonment of the state's three prior major K-12 improvement efforts. Similar rapid shifts in programs and reductions in funding for the Student Success Act — for programs under the act or for ODE's capacity to monitor and support districts — could also undermine this latest reform effort. The Student Success Act is statutory, not constitutional, meaning future Legislatures can reduce or divert funding and change staffing and requirements.

At this point, Oregon does not have a detailed road map of programs to improve K-12 education, which could help foster a longer-term focus on improving programs and managing investments already in place.

### Suggested leadership actions

1. Support ODE in developing a comprehensive road map of programs to improve K-12 education that includes student populations served, funding, scale, district reporting requirements, performance measurement requirements, and performance expectations over time. Focus particularly on programs supporting struggling schools and vulnerable students.
2. Use the road map to ensure new K-12 initiatives and requirements are aligned with existing ODE school improvement work, and track the number of new programs introduced each legislative session. This important step by the Governor and Legislature would help foster coordinated action at ODE, reduce duplication, and reduce administrative burdens on the agency and school districts.
3. Require programs to have strong performance measurement plans and robust interim updates, then focus on incremental improvements, maintain adequate long-term funding, and allow time for meaningful analysis of results.

## Report Conclusion

The Student Success Act increased Oregon's investment in K-12 education to a level close to what is called for in the Quality Education Model. It also increased capacity at ODE for system oversight and district support, increasing the potential to substantially increase student success and close long-standing equity gaps. State leaders can help ensure Oregon meets these critical goals by steadily monitoring the risks outlined in this report and providing the support Oregon's students need.

# Appendix A: Audits and Follow-up Reports

We reviewed the following audit and follow-up reports to identify key risks for this systemic risk report.

Clearer Communication, Consistent Use of Results and an Ongoing Commitment to Improvement Could Help Address Testing Concerns

[Report 2016-21](#) (Sep 2016)

The Oregon Department of Education Should Take Further Steps to Help Districts and High Schools Increase Oregon's Graduation Rate

[Report 2017-29](#) (Dec 2017)

Stronger Accountability, Oversight, and Support Would Improve Results for Academically At-Risk Students in Alternative and Online Education

[Report 2017-30](#) (Dec 2017)

Department of Education and Portland Public Schools: ODE and PPS Must Do More to Monitor Spending and Address Systemic Obstacles to Student Performance, Particularly at Struggling Schools

[Report 2019-01](#) (Jan 2019)

Recommendation Follow-up Report: Stronger Accountability, Oversight, and Support Would Improve Results for Academically At-Risk Students in Alternative and Online Education

[Report 2019-12](#) (Mar 2019)

Recommendation Follow-up Report: The Oregon Department of Education Should Take Further Steps to Help Districts and High Schools Increase Oregon's Graduation Rate

[Report 2019-15](#) (Apr 2019)

ODE Can Better Support Students Experiencing Disabilities Through Improved Coordination and Monitoring of Services

[Report 2020-24](#) (Jun 2020)

High School Success Planning Is Robust, but ODE Can Enhance Benefits of Measure 98 by Improving Monitoring and Analysis

[Report 2020-44](#) (Dec 2020)

Recommendation Follow-up Report: ODE Must Accelerate Efforts to Monitor Spending and Improve Initiatives to Help Vulnerable Students

[Report 2021-28](#) (Sep 2021)

Recommendation Follow-up Report: Portland Public Schools has Made Progress, but Must Take Further Steps to Reduce Inequities at High-Poverty Schools

[Report 2022-10](#) (March 2022)



This report is intended to promote the best possible management of public resources.

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