



State of Washington
Legislative Budget Committee

**Office of the
Superintendent
of Public Instruction
Performance Audit**

Report 96-1

January 10, 1996

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OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION PERFORMANCE AUDIT

Summary

This performance audit of the Office of the Superintendent of Public Instruction (OSPI) was mandated by the legislature in the 1995-97 Appropriations Act. The legislature required this audit to examine a broad range of questions, including an evaluation of the efficiency of OSPI in performing its mandated duties. The scope of the audit was refined through a series of preaudit focus groups that were held with members of the legislature and other interested parties who assisted the LBC in clarifying the audit questions.

OSPI is responsible for statewide administration of K-12 education. Primarily, this role involves determining how over \$4 billion per year will be allocated among the 296 public school districts in the state. This role is complex because there are a myriad of state and federal education programs that must be administered by OSPI, each of which has its own rules for how the funds will be distributed.

This audit found that OSPI performs its primary role effectively. OSPI distributes education funds to school districts in an accurate and timely manner. In the past few biennia, OSPI has experienced increasing responsibilities without increased resources.

However, this audit also found that OSPI should: 1) organize itself more efficiently, 2) provide greater central control over expenditures for travel, equipment, and personal service contracts, and 3) prioritize its responsibilities. Moreover, while OSPI manages its technology resources well, further improvements could be made. OSPI should also improve its process for investigating professional practice complaints against teachers.

Overview

**OSPI
allocates \$4
billion per
year among
296 school
districts**

ADMINISTRATION OF K-12 EDUCATION

The State Constitution provides that the Superintendent of Public Instruction is responsible for the supervision of “all matters pertaining to the public schools.” Several other entities, including the legislature, the federal government, the State Board of Education (SBE), the Commission on Student Learning (CSL), and the Workforce Education and Training Coordinating Board (WETCB), are involved in providing policy direction in K-12 education.

OSPI’s role is primarily to implement policies that are developed by another entity, such as the state legislature. This mainly involves determining how more than \$4 billion per year will be distributed among the 296 public school districts in the state of Washington.

OSPI's role is largely administrative

Most K-12 education funds (e.g., the basic education allocations) are distributed to school districts on the basis of statutory formulas. OSPI has little discretion in how these funds will be distributed. OSPI’s role is to collect the information necessary to apply the formulas, use this information to calculate the allocations to the local school districts, and pay the money. It takes relatively few OSPI resources to administer the basic education allocations.

A large majority of K-12 education funds are distributed through the basic education allocations. There are also many other smaller education programs that OSPI must administer. Most of these programs also involve distribution of funds to school districts, often through grants to the districts. Each of these programs has its own rules for how money is allocated. While a relatively small amount of the total funding for K-12 education is allocated through these smaller programs, a large proportion of OSPI’s resources are involved in administering these programs.

OSPI MANDATES, RESOURCES, AND CUSTOMER SERVICE

Over time, many new duties and responsibilities have been mandated to OSPI by state and federal legislation. Since 1985, 130

different laws enacted by the legislature have added new responsibilities to OSPI, although some have since been repealed. There have also been additional federal mandates. Many of these new mandates have created new programs that must be administered by OSPI. Additionally, there have been increasing external responsibilities of the agency. The superintendent, or a designee, now sits on 40 different boards and commissions, each of which has some impact on the workload of OSPI.

Until the 1991-93 Biennium, OSPI received additional resources along with its newly mandated responsibilities. Since the 1991-93 Biennium, OSPI resources have remained relatively flat while its mandates have continued to increase. Often, the legislature will require OSPI resources to be allocated to new mandates through legislative proviso. For example, since 1987, the number of OSPI staff whose duties are specifically designated through legislative proviso increased from 6 FTEs to 40 FTEs. As a result, OSPI resources available to conduct its continuing responsibilities have declined. This may have reduced OSPI's ability to provide technical assistance to its customers.

Given this situation of increasing mandates without increasing resources, it would seem prudent for OSPI to attempt to focus its resources on its highest priority services. We recommend that OSPI work with its customers to simplify, combine, or eliminate lower priority services, and that OSPI should reduce its membership on boards and commissions that are not central to the mission of the agency.

OSPI ORGANIZATION AND MANAGEMENT

Similar to the breadth of its mandates, OSPI organizes itself into a wide array of organizational units. OSPI's 265 FTEs are divided into 60 organizational units that each have a separate budget for personnel, travel, equipment, and personal service contracts. The budget for each of these organizational units is based on the funding source and historical expenditure levels.

Because of the large number of OSPI organizational units, many units are staffed by one manager and one clerical staff. In

Many new
duties
mandated
to OSPI . . .

. . . with few
additional
resources
since 1991-93

**OSPI
organized
into many
small
units . . .**

**. . . without
adequate
expenditure
controls**

**OSPI makes
effective
use of
technology**

comparison with the rest of state government, OSPI has a disproportionate number of managers and clerical staff, and few technical line staff.

OSPI's customers have complained that OSPI is less able to provide technical assistance to them because of budget cuts. We recommend that OSPI consolidate similar functions and reduce the proportion of managers and clerical staff. This would free up resources to provide additional technical staff in order to provide better service to OSPI's customers. We also recommend that OSPI increase its utilization of the Washington Management Service (WMS). This would increase the flexibility of the agency to respond to shifting responsibilities.

We further recommend that OSPI exert greater central management control over expenditures for travel, equipment, and personal service contracts. Each of the numerous organizational units receives budgets for these items based on funding source and historical expenditure levels, rather than as a result of a prioritization of resources. This may result in higher than necessary expenditures for travel, equipment, and personal service contracts.

OSPI'S USE OF TECHNOLOGY

The LBC retained Sterling Associates, a private consulting firm, to assess OSPI's use of technology. The Executive Summary of the Sterling Associates report is included as Chapter 4 of this report. The following is a summary of the results of Sterling's review.

Overall, OSPI makes effective and efficient use of technology in accomplishing its mission. In order to allocate over \$4 billion per year for 125 programs to 296 school districts, OSPI must collect and disseminate a large volume of information. OSPI's information services unit, while quite small in size, has made many improvements in how information is collected from and disseminated to school districts.

While OSPI does a good job in using technology to accomplish its mission, Sterling Associates found several areas where improvements could be made, including increasing management's involvement in information technology issues. Recommendations made

by Sterling Associates should help OSPI to improve its use of technology, including better automation of the teacher certification process.

TEACHER CERTIFICATION AND PROFESSIONAL PRACTICES

The LBC retained Martha Harden, a private consultant, to conduct a review of OSPI's management of the teacher certification process. The Executive Summary of the consultant's report is included as Chapter 5 of this report. The following is a summary of the results of this review.

The teacher certification process could be made more efficient by automating certain functions. Also, there are no formal protocols or standards for investigations of professional practices complaints against certificated staff. The consultant recommends better use of technology in processing teacher certifications and the development of professional practice investigation protocols and standards.

OTHER AUDIT QUESTIONS

Chapter 6 of this report highlights answers to several other questions that were mandated or raised in the preaudit survey. These questions were broad in scope, and often were unrelated. They included such questions as whether there are gaps and overlaps in OSPI programs or in the administration of K-12 education, whether OSPI overregulates, whether there are OSPI functions that could be privatized, and whether the costs of securing federal funds outweigh the benefits of receiving these funds.

In Chapter 6 the audit found there are grounds for an in-depth study of student transportation. The audit recommends the legislature authorize such a study.

AGENCY COMMENTS

The Office of the Superintendent of Public Instruction has provided a response to the recommendations in this performance audit. Also, the State Board of Education has commented on those

Automation
could
improve
teacher
certification
process

recommendations directed to it. In general, both agencies concurred with recommendations in the report. The detailed responses are included in Appendix Two.

ACKNOWLEDGMENTS

We wish to express our appreciation for the cooperation provided to us by the Superintendent of Public Instruction and the staff of OSPI. We also appreciate the assistance provided to us by the Education Service Districts and the school districts in the state.

This audit was conducted by Mike Wills, Larry Brubaker, and Martin Chaw. Sterling Associates conducted the review of OSPI's use of Technology, and Martha Harden, Government Relations/ Consulting, conducted the review of teacher certification and professional practices. Ron Perry was the project supervisor.

Cheryle A. Broom
Legislative Auditor

On January 10, 1996, this report was approved by the Legislative Budget Committee and its distribution authorized.

Senator Al Bauer, Chair

RECOMMENDATIONS

Summary

Recommendation 1

OSPI should review the mission of the agency with its key customers, and should seek authority to simplify, combine, or eliminate lower priority services including reducing its membership on boards, commissions, and organizations that are not central to the mission of the agency.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	December 31, 1996

Recommendation 2

OSPI should increase its utilization of the Washington Management Service.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	June 30, 1996

Recommendation 3

OSPI should consider reducing the number of administrative units by combining units that provide related services. In addition, OSPI should consider if improvements could be made in customer service by using more technical staff and fewer managers and support staff.

Legislation Required:	No
Fiscal Impact:	Potential savings or enhanced service
Completion Date:	December 31, 1996

Recommendation 4

OSPI should provide more central control over the prioritization and allocation of funding for discretionary travel, personal service contracts, and equipment purchasing.

Legislation Required:	No
Fiscal Impact:	Moderate potential cost savings
Completion Date:	June 30, 1996

Recommendation 5

- a. OSPI should prepare written policies regarding its hardware and software standards and acquisition criteria based upon individual business requirements.
- b. OSPI should prepare a communication strategy and plan for electronic dissemination of information including instructions about how it can be accessed.
- c. OSPI should document its information technology project plans.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	December 31, 1996

Recommendation 6

- a. A permanent information management steering committee should be created at OSPI.
- b. The agency should analyze the internal and external information flow, identify barriers to timely information dissemination, and develop solutions where possible.
- c. OSPI should add more detail to their Information Technology Plan and make it more visible to agency managers and staff.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	December 31, 1996

Recommendation 7

- a. OSPI should continue to automate data collection and reporting and make templates and forms available on diskette.
- b. OSPI should establish one mailbox for each district and ESD to receive electronic mail notification.
- c. Information services staffing requirements should be reexamined to ensure sufficient capacity and capability to meet future technology project and initiative needs.
- d. Information services will need technical consulting assistance for their relational database project.
- e. OSPI should examine the feasibility of implementing a document imaging system for certification.

Legislation Required:	No
Fiscal Impact:	Unknown--to be determined as part of feasibility study
Completion Date:	December 31, 1996

Recommendation 8

OSPI, in consultation with the State Board of Education and the ESDs, should develop a procedure for informing ESDs of changes in procedures, forms or requirements for professional certification. As recommended by Sterling and Associates, electronic mail would be an appropriate vehicle for communicating these changes.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	June 30, 1996

Recommendation 9

The State Board of Education should evaluate the costs and benefits of providing certificate holders notification of changes in requirements and procedures affecting their certification and a reminder that their certificate is about to expire. Should the board determine notification is appropriate, it should also consider requesting authority to raise certification fees to cover any additional costs that may occur as a result.

Legislation Required:	No
Fiscal Impact:	None to the state; potential increase in fees
Completion Date:	June 30, 1996

Recommendation 10

OSPI, in conjunction with the state Attorney General's Office, should document investigation protocols, case screening and processing standards, and disciplinary/prosecution standards for professional practice investigations.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	June 30, 1996

Recommendation 11

The State Board of Education should:

- a. Review and approve investigative protocols, and case processing and screening standards.
- b. Adopt disciplinary/prosecution standards in administrative rule.
- c. In conjunction with OSPI, develop a procedure for periodic review of disciplinary actions taken against certificate holders to ensure that actions taken are consistent with board-approved procedures, priorities and rules.
- d. Review and adopt a policy on the division of responsibilities for complaint investigations among the state, school districts, and ESDs.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	June 30, 1996

Recommendation 12

The legislature should request an independent study of the allocation system for K-12 pupil transportation, with a report to the fiscal committees by January 1997.

Legislation Required:	Yes
Fiscal Impact:	None or minimal
Completion Date:	1996 legislative session

THE ROLES, RESPONSIBILITIES, AND COSTS OF THE OFFICE OF THE SUPERINTENDENT OF PUBLIC INSTRUCTION

Chapter One

The State Constitution makes the Office of the Superintendent of Public Instruction (OSPI) responsible for the supervision of all matters pertaining to the public schools. In addition, duties assigned to OSPI in statute make its predominate role one of implementing policies determined by the legislature and other education entities. OSPI's policy role seems limited to proposing policy changes for consideration by the governor and legislature.

In the 1995-97 Biennium the legislature appropriated \$8.96 billion for public education. The state General Fund share of this amount is \$8.3 billion or 47 percent of the state General Fund budget. The cost of statewide administration of public education is budgeted at \$49.2 million, of which \$27.3 million comes from the state General Fund. This is less than 0.3 percent of the state General Fund appropriation for public education and includes the costs of the State Board of Education (SBE) and the Commission on Student Learning (CSL).

Slightly more than half of the 265 full time equivalent staff (FTEs) employed through the OSPI administrative budget operate public education programs directed by the superintendent. About a quarter of the FTEs under the fiscal oversight of OSPI either work under the policy direction of the SBE or the CSL or administer services targeted for people outside the K-12 system. The remainder provide indirect support services and overall management.

Overview

**OSPI spends
0.3 percent
of K-12
education
budget**

KEY ENTITIES IN WASHINGTON STATE'S PUBLIC EDUCATION SYSTEM

Office of the Superintendent of Public Instruction (OSPI)

The Superintendent of Public Instruction is one of eight state officials whose offices are established by the State Constitution. The Constitution charges the superintendent to supervise all matters pertaining to public schools and to perform particular duties prescribed by law.

OSPI has a limited role in making education policy

The legislature has chosen to retain control of a large part of state education policy for itself and to create other state level entities to develop policy. The result is that state policy is developed largely outside of OSPI. The actual provision of public education is controlled at the local level. The legislature granted local school districts wide latitude to control the delivery of public education.

The roles and responsibilities mandated in state law make OSPI, almost exclusively, an administrative agency that carries out a wide range of duties assigned to it by the legislature and other education entities. OSPI's policy role is limited to proposing policy changes for consideration by the Governor and legislature.

The services necessary to implement state and federal programs are:

Information Services: Inform local districts and other service providers through rules, management bulletins, workshops, and newsletters about state and federal policies.

Reporting and Payment Systems: Collect needed information from local districts and pay for educational programs.

Monitoring: Assure that local districts meet state and federal requirements.

State and Federal Grants: Solicit proposals and award grants in accord with federal requirements.

Technical Assistance: Help local districts comprehend and comply with state and federal requirements.

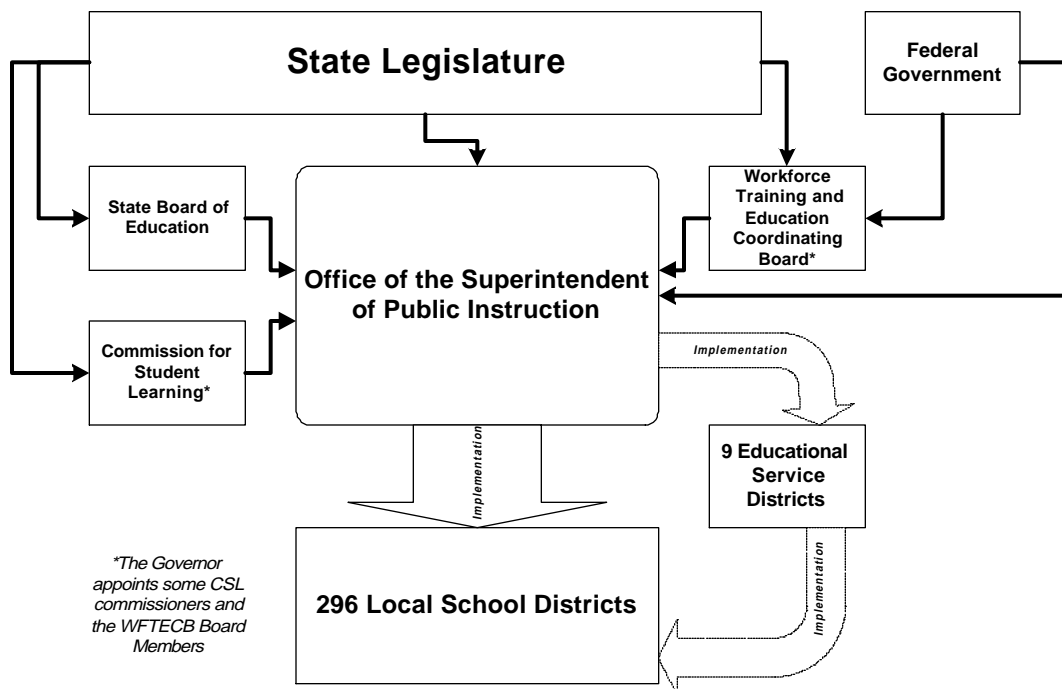
To understand the part OSPI performs in the state public education system, it is beneficial to consider the roles of OSPI's partners.

Public education in Washington State is governed by seven entities: the legislature, OSPI, State Board of Education (SBE), Commission on Student Learning (CSL), Workforce Training and Education Coordinating Board (WTECB), Educational Service Districts (ESDs), and the local school districts. In addition, the federal government provides funding for some public education activities and, consequently, provides financial support for particular programs implemented by one or more of the previously mentioned educational entities. The Governor's roles are: 1) to appoint some commissioners of the CSL and the members of the WTECB, and 2) to propose policy changes for consideration by the legislature. These relationships are shown in Exhibit 1.

Many entities involved with K-12 education policy and administration

Exhibit 1

The Organization of Public Education in Washington State



Source: LEC

The Legislature

The legislature plays a central role in public education by establishing state education policy and funding. Seventy-eight percent of public education operating funds in Washington come from the state general fund. Washington’s reliance on state funds for K-12 education is third highest among the states, exceeded by only Hawaii (where the entire state is a single school district) and New Mexico.

The State Constitution directs the legislature to:

... provide for a general and uniform system of public schools ... and such ... normal and technical schools as may hereafter be established.

Article IX of the Constitution states that it is:

... the paramount duty of the state to make ample provision for the education of all children residing within its borders.

In three court decisions, commonly called Doran Decision I, II, and III that were issued between January, 1977 and 1988, the courts found that the legislature had established a general and uniform system for public schools, but had failed to expressly define basic education and provide a funding method that did not unduly rely on special local levies.¹ The court’s decisions forced a major expansion in the control the state exercised over public education. As a result, the legislature assumed more responsibility for public education.

The State Board of Education (SBE)

The primary duties of the SBE are to: promulgate rules and standards for teachers and other education professionals; establish high school graduation requirements; approve preparatory programs in state colleges and universities; oversee the disbursement of school construction funds; and accredit schools which seek accreditation.

¹ Seattle School District Number 1 et al. versus the State of Washington et al.

The legislature plays a key role in setting K-12 policy

Board develops program standards

The SBE's statutory authority extends beyond public education. Board members also determine standards for approving private schools and home schooling.

Funding for the SBE is included in the OSPI administrative budget.

The Commission on Student Learning (CSL)

Created in 1992 to implement part of the Education Reform Act, the CSL has been charged with:

- Identifying essential knowledge and skills for all students,
- Developing student assessments to measure the attainment of essential knowledge and skills, and
- Developing an accountability system to monitor and evaluate the level of learning occurring in individual schools.

CSL staff report to the independent commission. OSPI is mandated to provide support to the commission and disseminate its findings.

Funding for the CSL is included in the OSPI administrative budget.

The Federal Government

The federal government will provide through OSPI approximately \$617 million for K-12 education in Washington during the 1995-97 Biennium. This amount is approximately 6 percent of the total operating funds for K-12 education. These funds support federal education programs for children from low income homes, children with disabilities, school children qualified to receive free and reduced priced breakfast and lunch, drug and alcohol prevention programs, and children in targeted populations. Of the \$617 million appropriated to OSPI, based on federal guidelines, approximately \$16 million is retained for administrative purposes. The

CSL
involved
with
education
reform

Federal
government
funds
categorical
programs

balance is apportioned to local school districts for service delivery, district administration, and implementation of federal programs. Once a district accepts federal funds, it is obligated to comply with federally mandated reporting requirements, such as tracking and maintaining a record of effort and time devoted to students served by federal programs.

In addition to the federal funding provided through OSPI, the federal government provided funds directly to local school districts to compensate for the impact of military bases and federal forests on: 1) the tax base in some districts, and 2) the services used by the children of military personnel.

The Workforce Training and Education Coordinating Board (WFTECB)

WFTECB integrates occupational with academic education

The WFTECB is responsible for the development and coordination of statewide policy which integrates occupational education with academic education.

The WFTECB has a separate budget of \$39 million, derived primarily from federal funds (90 percent). Through interagency reimbursements, WFTECB finances the delivery of vocational education programs, services, and activities. Other funding efforts include support of private school vocational licensing, Jobs Skills program, veterans course approval, Job Training Partnership Act (JTPA), and the State Council on Vocational Education.

Additionally, WFTECB contracts for the services of 15 FTEs at OSPI.

Educational Service Districts (ESDs)

ESDs provide regional services to local districts

ESDs are regional administrative units created by Chapter 28.310 RCW.

The primary duties of ESDs are to:

- Assist OSPI and SBE in carrying out their duties
- Provide cooperative and information services to local school districts

- Provide financial management direction and support to local districts

Although ESDs are charged with assisting OSPI and the SBE, most of their activities involve providing cooperative programs and technical assistance to local districts.

Local School Districts

School districts have broad responsibility for providing mandatory public education for all children between the ages of 8 and 15. There are about 950,000 school-aged children served by local school districts. As long as local rules are consistent with state law, the legislature empowers local school boards to determine the specific curriculum, who shall teach it, and when it will be taught. In addition, districts are charged to:

- Enforce the rules of OSPI and the SBE, and
- Ensure an optimal learning atmosphere.

School districts' role is to educate children

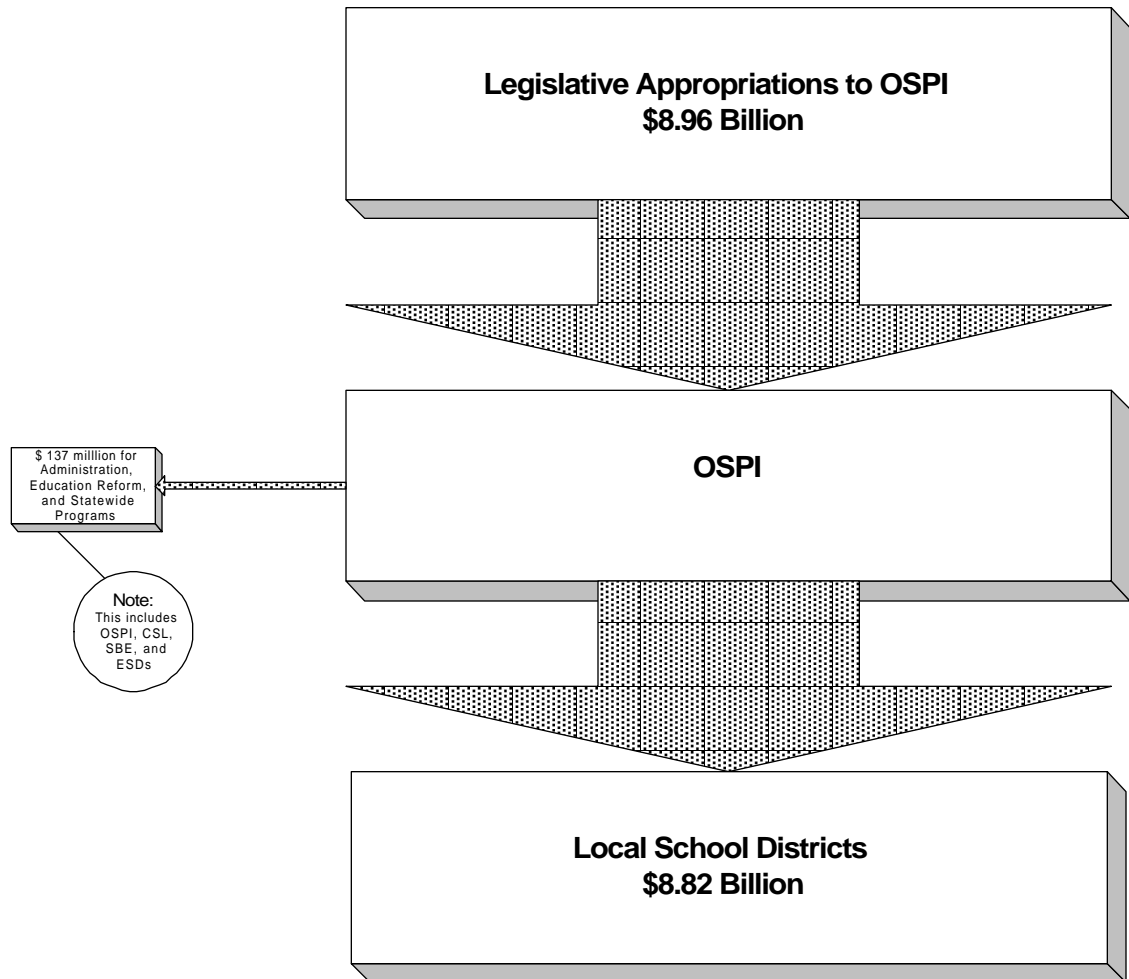
HOW OSPI'S FUNDS ARE USED

The 1995-97 state Biennial Budget includes 18 separate sections with appropriations totaling \$8.96 billion for public education and \$8.3 billion from the state General Fund. Fifteen of these appropriations flow through OSPI directly to the school districts. Only three of the appropriations include funds for state and regional level administration. Exhibit 2 (on page 8) illustrates the flow of funds.

Of the \$8.96 billion biennial budget for public schools, all but \$137 million goes directly to the local districts. Approximately 40 percent of the \$137 million (or \$49 million for 1995-97) is retained for administration; the remainder is spent on grants and contracts in support of statewide services and education reform activities. Exhibit 3 (on page 9) shows the distribution of state administrative funds for K-12.

Exhibit 2

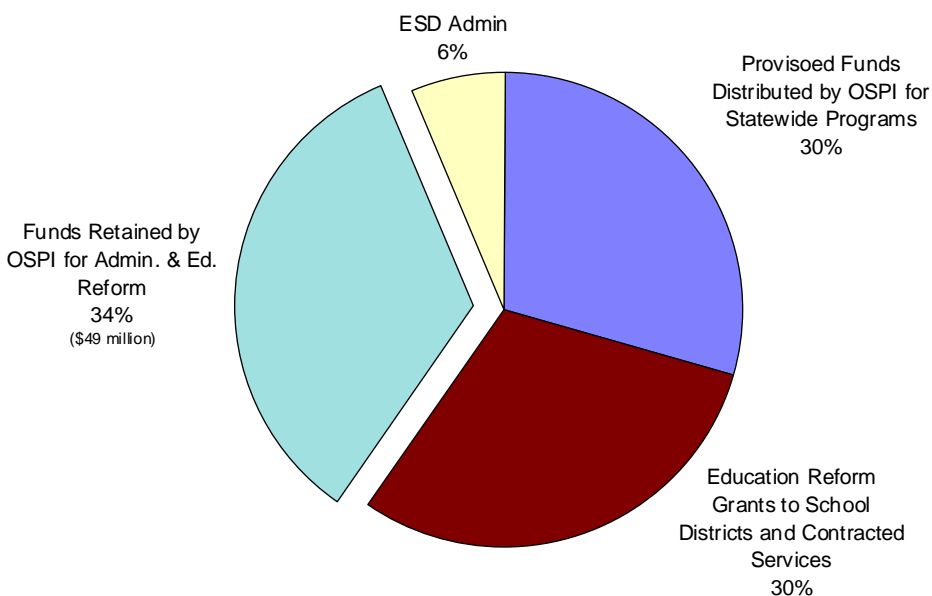
Flow of K-12 Education Funds in Washington State



Source: 1995-97 Biennial Budget

Exhibit 3

Distribution of State Administrative Funds (OFM-approved allotments for 1995-97)



Source: OSPI

OSPI's 1995-97 approved spending plan for administration is \$49.2 million, of which \$27.3 million is from the state General Fund.² The cost of statewide administration is 0.5 percent of all the funds and 0.3 percent of the state general fund spent on public education. These funds include the cost of staff, goods and services, equipment, travel, and personal service contracts for OSPI, the SBE, and the CSL.

Comprised of 60 organizational units administering 125 different programs, OSPI administers a broad range of programs for students in the K-12 public education system as well as children and adults outside of public schools. To understand the breadth of activities supported within the OSPI budget, we have grouped the discussion into funding and staff for:

**OSPI's
administrative
budget is
\$49.2 million
for 1995-97**

² This spending plan anticipates spending \$1.3 million of state capital funds for the administration of the school construction program, and \$600,000 dollars for the federal nutrition program. In addition, OSPI anticipates spending \$1.7 million for programs through agreements with other state agencies.

1. Direct services for public education under the authority of the OSPI,
2. Services under the policy direction of other state education entities and services to people outside the K-12, and
3. Management and support services.

Table 1 below summarizes the number of FTEs and the cost of each of these activities.

Table 1

**Distribution of FTEs and Costs for the 1995-97 Biennium
Office of the Superintendent of Public Instruction**

	Annual FTEs	Total Funds (\$)	General Fund State (\$)
Direct services for public education under the authority of the OSPI	139	25,653,896	9,108,140
<i>Basic Education</i>	25	4,807,226	2,155,060
<i>Other Education</i>	86	15,891,188	6,475,068
<i>Instructional and Student Support</i>	8	1,589,510	192,050
<i>Student Health and Nutrition</i>	20	3,365,972	285,962
Services under the policy direction of other state education entities and services to people outside K-12 Public Education	63	10,212,800	7,026,464
<i>Support for the St. Board of Education</i>	39	4,999,020	3,007,940
<i>Commission on Student Learning</i>	10	3,819,000	3,819,000
<i>Services to Children and Adults not in Public Schools</i>	14	1,394,780	199,524
Management and support services	63	13,311,886	11,183,738
<i>Management and Legislative Relations</i>	26	4,448,556	3,948,556
<i>Support Services</i>	37	8,863,330	7,235,182
1995-97 Biennium	265	49,178,582	27,318,342

Source: LBC staff; based on OSPI 1995-97 approved allotments.

Direct services for public education under the authority of the OSPI

Fifty-two percent of OSPI (or 139) FTEs are directed toward the administration of programs in the K-12 public education system which provide the following:

Basic Education

Includes the administrative costs of school apportionment, pupil transportation, state special education, the learning assistance program, vocational education, bilingual education, and financial services to local school districts.

Other Education

Includes OSPI's cost for programs mandated in state education reform, federal programs for educationally-deprived children, migrant education, curriculum and assessment, private schools, Indian education, and gifted education.

Instructional and Student Support

Includes the administrative costs for homeless youth and certain programs for dropouts.

Student Health and Nutrition

Includes the administrative costs of school nutrition programs and health programs such as HIV/AIDS and drug abuse prevention education.

Services under the policy direction of other state education entities and services to people outside the K-12 system

Twenty-four percent of OSPI (or 63) FTEs are under the policy direction of the SBE, CSL, or are services directed at people outside of the K-12 system.

The State Board of Education (SBE)

The SBE has five staff (4.5 FTEs), including an executive director and four support staff, who provide administrative support to the SBE, plus the services of another 34 OSPI FTEs who carry out programs under the SBE's policy direction. These programs include:

- Certification of teachers and other education professions
- Administration of the school construction funds.

OSPI's employees administer many different programs

Commission on Student Learning (CSL)

The CSL has ten FTEs who work under the direction of the CSL. OSPI provides fiscal oversight but provides neither policy direction nor supervision of CSL staff.

Services to Children and Adults Not in Public Schools

OSPI is the state's designated agency to receive money under the Child and Adult Care Food Programs for the U.S. Department of Agriculture (USDA). This program provides food subsidies for child care centers and nutrition centers serving eligible adults. The direct cost of running the program is covered by administrative funds provided by the USDA. OSPI provides space and administrative oversight.

OSPI has two FTEs devoted to early childhood education, child care programs, and the federal program called Even Start. These programs are often provided by, or in partnership with, local school districts. OSPI FTEs administer the grants under the Federal Even Start program and provide support to local districts who choose to provide child care or early intervention services.

Management and support services

Twenty-four percent of OSPI (or 63) FTEs are devoted to providing management, public relations, and basic administrative support for OSPI, SBE, and CSL.

Management and Public Relations

The superintendent, assistant and deputy superintendents, and special assistants provide overall management to the agency as well as serve as liaison with the community, the media, and the legislature. About half these 26 FTEs are support staff.

Office Support Services

Thirty-seven staff support OSPI, SBE, and CSL with accounting, budgeting, office management, and other office administrative services.

CONCLUSIONS

The main role of OSPI is to administer approximately 125 programs mandated by state and federal law. Most of the dollars appropriated to the agency are passed on to local school districts.

In subsequent chapters, this report identifies the mandates given to OSPI since 1985 and explains how the agency organized to meet its responsibilities.

Chapter 2 discusses OSPI's new mandates and how they affected the agency's ability to service its customers.

**OSPI's role is
mainly
administrative**

OSPI MANDATES, RESOURCES, AND CUSTOMER SERVICE

Chapter Two

Over time, new responsibilities and duties have been regularly mandated to OSPI by state and federal legislation. Many of these new responsibilities, particularly in support of education reform, have had a substantial impact on the workload to OSPI. Until the 1991-93 Biennium, OSPI received funding and FTE increases to offset the increases in its responsibilities. In 1993 and 1995, the legislature repealed a variety of lesser mandates.

Since 1991-93, OSPI staffing has remained flat, while its mandated activities increased. As a result, OSPI has had to divert staff from existing activities in order to provide support for newly mandated activities. This may have impacted the quality of service provided by OSPI. Some of OSPI's customers have related that OSPI's capacity to provide technical assistance to school districts has declined over time.

INTRODUCTION

New state legislation impacting OSPI over the last ten years has reflected two major themes:

- Students must perform better if the nation is going to compete successfully in a global economy.
- Schools should play an increasing role as a provider of social and health services. Schools have been required

Overview

to provide programs to address social problems such as inadequate nutrition, discrimination, violence, homelessness, and health problems such as HIV/AIDS and teen pregnancy.

State and federal legislation consistently require new programs and responsibilities to address these issues that are usually administered at the state level. This results in new duties and responsibilities for OSPI.

OVERVIEW OF NEW STATE MANDATES TO OSPI

Many new mandates given to OSPI . . .

. . . some were repealed

Since 1985, the legislature has enacted 130 laws that impact OSPI. Some lesser ones have subsequently been repealed, principally in 1993 and 1995. Other changes, such as the Education Reform Act of 1993, have had a substantial impact on the workload of OSPI. Many of the 130 laws mandate new programs that are funded through state grants to school districts. OSPI’s role is to administer the allocation of funding to the school districts. In this section, we will discuss some of the major new state mandates. This analysis does not include a discussion of new federal mandates.

EXAMPLES OF LAWS INTENDED TO IMPROVE STUDENT PERFORMANCE

Performance-based Education: In 1993 the Education Reform Act required OSPI to assist in implementing education reform and to provide staffing to the CSL. In 1990 the legislature encouraged school districts to develop performance-based education programs through grant funds administered by OSPI. *(Subsequently repealed.)*

Vocational Education: The legislature enacted several laws over the last five years to integrate and coordinate education and workforce training. OSPI was required to develop a model vocational education curriculum and to create a School to Work Transition Program.

Development of Model Curricula: Several laws since 1985 have required OSPI to develop model curricula in various subject areas.

Small School Performance: In 1985 the legislature required OSPI to develop a pilot program to encourage cost savings and improve performance in small school districts. (*Expired in 1987.*)

School-based Management: In 1993, as part of the Education Reform Act, the legislature created Student Learning Improvement Grants which were directed to individual schools to allow for more planning and staff development. In 1985 the legislature required OSPI to develop and administer a pilot school-based management program. (*Subsequently repealed.*)

Teacher Improvement Programs: In 1993 the Education Reform Act created a teacher mentoring program. In 1991 the legislature created the Future Teachers Program to be administered by OSPI. In 1986 the legislature required OSPI to establish a teachers' award program for excellence. In 1985 the legislature required OSPI to establish and operate a beginning teachers' assistance pilot program. (*Subsequently repealed.*)

Model Education Programs: In 1986 the legislature required OSPI to collect, maintain, and disseminate information on national or other state model education programs. (*Superseded by Center for the Improvement of Student Learning.*)

International Education: In 1987 the legislature required OSPI to establish a grant program for school district international education programs. (*Subsequently repealed.*)

Highly Capable Education: In 1989 the legislature required OSPI to contract with the University of Washington to implement an education program for highly capable students.

Remedial Education: In 1987 the legislature broadened the Remediation Assistance Program and renamed it the Learning Assistance Program.

New
programs
intended to
improve
student
performance

EXAMPLES OF LAWS AIMED AT SOCIAL OR HEALTH ISSUES

Programs for Special Needs Students: In 1993 the Education Reform Act authorized OSPI to award grants to improve children’s readiness to learn. In 1992 the legislature created the Family Policy Council involving OSPI, the Department of Social and Health Services (DSHS), the Department of Health (DOH), and other state agencies in creating coordinated services for at-risk families and children. In 1991 the legislature created the Dare to Reach for Educational Aspirations and Marks (DREAM) program for at-risk children to be administered by OSPI. *(Subsequently repealed.)* In 1987 the legislature required OSPI to work with other agencies in providing training for qualifying parents of Head Start eligible children. *(Subsequently repealed.)* In 1987 OSPI was required to develop and administer the Parents as the First Teacher Program.

Child Abuse Prevention: In 1987 the legislature required OSPI to collect and disseminate information on child abuse and neglect prevention curricula, and required OSPI to be the lead agency in establishing a coordinated primary prevention program. In 1985 the legislature required OSPI to study and provide training to teachers on child abuse. *(Subsequently repealed.)*

Sex Discrimination: In 1994 a mandate to broaden regulations and guidelines to eliminate sex discrimination in school districts was passed.

Student Safety: In 1993 the legislature required school districts to report school firearm incidents to OSPI. In 1989 the legislature required OSPI to transmit information on persons convicted of a crime to the SBE and the school district.

Student Discipline: In 1995 the legislature required OSPI to provide an annual report on student truancy. In 1992 the legislature required OSPI to provide information to school districts about the use of community service as an alternative to student suspension, and to develop guidelines for

New programs to address social and health issues

school district programs.

AIDS Prevention: In 1988 the legislature required OSPI to collect, maintain, and disseminate model AIDS curricula.

Drug Abuse Prevention: In 1989 the legislature required OSPI to collect and disseminate information on drug abuse prevention and early intervention programs. This law also created a drug abuse prevention grant program.

Student Nutrition: In 1993 the legislature required OSPI to create and administer grants for summer food programs. In 1991 the legislature required OSPI to aggressively solicit schools, child and adult daycare providers, and other organizations to participate in the USDA nutrition programs. In 1989 the legislature required OSPI to conduct a study on the school lunch program and to recommend ways to improve participation. This law also required OSPI to conduct a study on the costs of expanding the school breakfast program.

CHANGES IN EXTERNAL RESPONSIBILITIES

In addition to the new mandates resulting from new federal and state legislation, an increasing amount of OSPI resources are consumed by other responsibilities. The superintendent or a designee serves on 40 boards and commissions. Some of these responsibilities result from recent legislative mandates. For example, the Education Reform Act requires OSPI to sit on the CSL. Other recent legislation has required OSPI to participate in the Family Policy Council, Birth to Three Interagency Coordinating Council (ICC), and Washington Performance Council. Approximately half of the boards and commissions that OSPI serves on are discretionary, i.e., there is no legislative requirement that OSPI serve on these boards and commissions.

Each of these boards and commissions has some impact on OSPI staff and resources, but we have not attempted to quantify this impact.

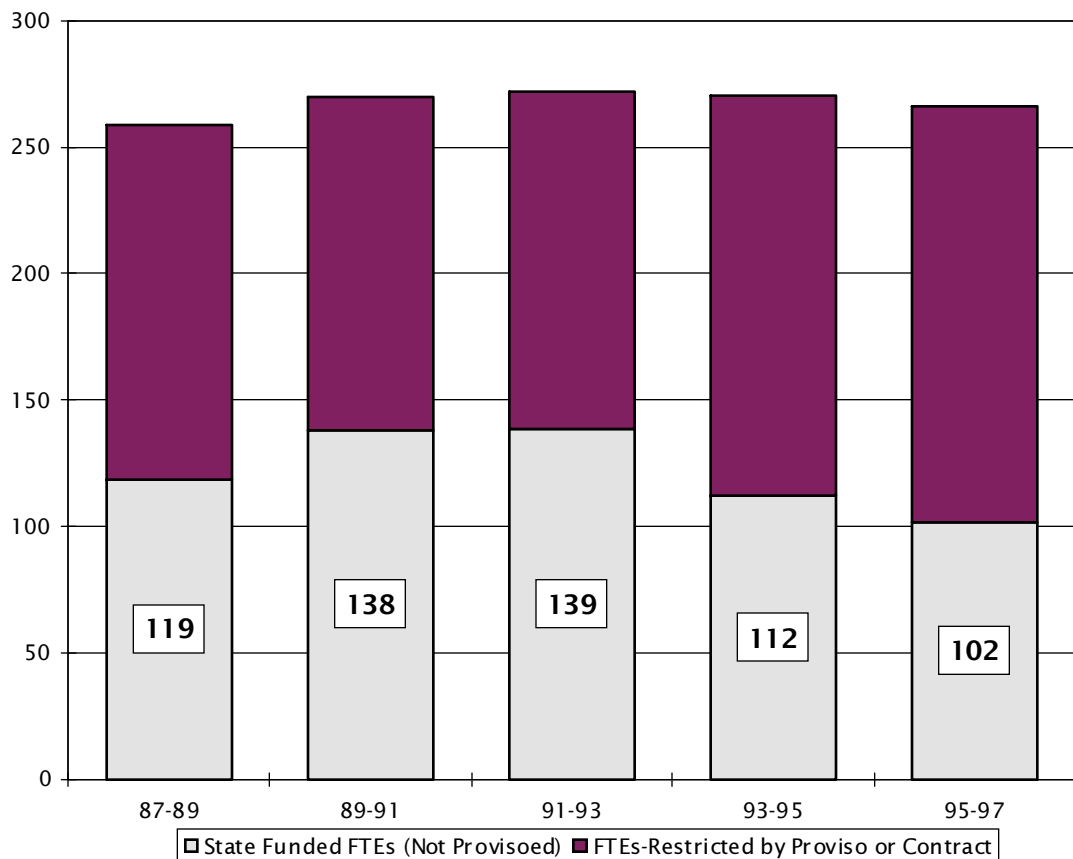
**OSPI serves
on many
boards and
commissions**

CHANGES IN OSPI RESOURCES

Between 1985 and 1991, OSPI received additional resources along with its increased responsibilities. Historical detail is not available to identify which resources were associated with new mandates. However, during this period, OSPI FTEs increased from approximately 231 to 265. Since 1991 OSPI's FTEs have not increased, and OSPI currently has approximately 265 FTEs.¹ Exhibit 4 on page 20 illustrates the changes in OSPI FTEs over time.

Exhibit 4

**Changes in OSPI FTEs
From the 1987-89 Biennium to the 1995-97 Biennium**



Source: OSPI Accounting Records.

¹ According to LEAP budget information, OSPI currently has 229 FTEs for state office administration and 27 FTEs for education reform, for a total of 256. An additional 9 FTEs who work at OSPI are funded in the capital budget and do not appear on the LEAP records.

Of the total 265 FTEs at OSPI, approximately 40 are designated for specific duties by legislative proviso. For example, the legislature has specified through a separate budget appropriation and a budget proviso that 27 OSPI FTEs are designated to support activities required by the Education Reform Act of 1993.

Between 1987 and 1995, the number of FTEs that were specifically allocated to OSPI by legislative proviso increased from 6 to 40. Many of the provisoed FTEs, such as those working on education reform activities, are performing newly mandated duties to OSPI. While OSPI total FTEs have not declined, the availability of personnel available to carry out OSPI's continuing state mandated duties has decreased.

Some of the reduction in the availability of OSPI personnel to perform continuing duties of the agency may be offset by the increased use of personal service contracts. OSPI expenditures for personal service contracts increased from \$0 in the 1985-87 Biennium to approximately \$3 million in the 1993-95 Biennium.² We reviewed OSPI's personal service contracts and noted that many of the contracts are used to conduct some of the new responsibilities mandated to OSPI by the legislature.

PRIORITIZATION OF SERVICES

The recent history of increasing legislative mandates has resulted in a wide breadth of OSPI responsibilities and programs that must be administered. As previously discussed, approximately 125 different sources of funds are allocated by OSPI to school districts, with each program having its own rules for how the funds are distributed. This results in a complex variety of rules that school districts must contend with in order to receive education funds. School districts complain about the complexity of the regulations. Small school districts, in particular, complain that they do not have the resources to apply for funds from many of the grant programs that OSPI administers.

² The increase from \$0 to \$3 million in personal service contract expenditures between the 1985-87 Biennium and the 1993-95 Biennium may be overstated. In 1988 OFM clarified the regulations determining what constitutes "purchased services" and what constitutes "personal services." We did not attempt to adjust for the change in definitions.

OSPI
staffing
resources
have not
increased
since
1991-93

OSPI
services
need to be
prioritized

Given the wide breadth of responsibilities and programs that OSPI administers, it seems prudent that OSPI should attempt to focus its resources on its higher priority services. This would appear to be particularly timely given the recent trend of increased mandates without increased resources, and the likelihood that pending federal legislation will decrease the amount of resources available to administer federal programs. We have seen little evidence that OSPI has consolidated its services, or requested that the legislature provide authority to streamline its services.

Recommendation 1

OSPI should review the mission of the agency with its key customers, and should seek authority to simplify, combine, or eliminate lower priority services including reducing its membership on boards, commissions, and organizations that are not central to the mission of the agency.

OSPI'S ORGANIZATION AND MANAGEMENT

Chapter Three

As shown in Chapter 2, over the last ten years OSPI has been directed by the legislature to conduct many new duties with relatively fixed resources. In this chapter, we assess the extent to which OSPI has succeeded in that change and how OSPI could improve its efficiency and effectiveness.

We found that OSPI had to shift staff who met minimum qualifications to new duties in order to minimize job loss and be in compliance with state personnel rules. We recommend that OSPI make greater use of the Washington Management Service (WMS) for more flexibility in coping with any future reductions.

As a result of agency reorganizations, OSPI has many small organizational units. Also, OSPI uses a relatively high proportion of managers and support staff and relatively few mid-level technical staff. This organizational structure may result in a reduction of agency efficiency and effectiveness. We recommend OSPI consider combining some of these units in order to improve customer service.

We reviewed OSPI's travel, equipment, and personal service contracts expenditures. We found that OSPI creates budgets for each organizational unit based on the availability of funds and historical expenditures. We recommend OSPI consider central management oversight of its travel, personal service contracts, and equipment in order to reduce expenditures and to improve services to local districts.

Overview

HOW OSPI RESPONDED TO LEGISLATIVE CHANGES

In each of the last three biennia, the state budget included reductions in OSPI administrative staff. These budgets also included funds for new staff for specifically provided enhancements. In the aggregate, this served to keep the overall staffing level at OSPI fairly constant. As discussed in Chapter 2, the increasing mandates combined with relatively fixed resources has resulted in a decline in the amount of resources available to conduct OSPI's continuing duties. To accommodate these changes OSPI took a number of actions.

OSPI minimized job loss by shifting duties among existing staff

Rather than laying off staff in response to the administrative budget reductions, OSPI shifted existing staff from their previous responsibilities to new duties tied to the recently created mandates. The most significant of these shifts occurred in 1993, when new state education reform (HB 1209) activities were mandated and funded through a separate appropriation. There were 27 new positions provided for education reform: 10 for the CSL and 17 for various new duties in OSPI. Twelve of these positions were filled by existing staff at OSPI.

OSPI staff shifted to new duties

Most of the positions affected by these staffing shifts are classified under the state civil service system. Classified employees impacted by a reduction in force (RIF) must be allowed to fill vacancies for which they meet the minimum qualifications. OSPI, in many cases, had to offer new education reform vacancies to employees whose positions in other areas of the agency were eliminated as a result of budget reductions. Some of OSPI's customers have complained that the consequences of these staffing shifts, in some cases, resulted in a mismatch between the abilities and the responsibilities of some OSPI personnel.

Civil service rules concerning reductions in force are very specific and leave little discretion to the agency. Reduction in force are

primarily controlled by the seniority of the staff in a job class. The WMS was created in 1993, in part, to give state agencies greater flexibility in hiring and recruitment. The WMS also gives agencies more latitude in managing reductions in force, although seniority is still a consideration.

In 1994 OSPI placed 30 FTEs into the WMS. We were advised by OSPI staff that the agency chose to limit the use of WMS to managers in the highest of its three tier job classification series. These staff manage subdivisions of OSPI. Many other staff of OSPI qualify for WMS. WMS includes employees who formulate statewide policy as well as employees who manage or direct a subdivision of an agency. If OSPI uses WMS for all qualified staff, it would enhance the agency's flexibility in dealing with changing duties.

OSPI service levels reduced

In the 1993-95 Biennium approximately 14 positions associated with continuing duties of OSPI were eliminated in order to comply with the budget reduction. Yet the responsibilities associated with these positions are still mandated in state or federal law. Duties associated with these positions were:

- Retained by an employee reassigned to new duties,
- Shifted to the remaining staff, and/or
- Reduced in scope.

As OSPI stretched additional duties across a fixed number of staff, individual staff members accumulated duties that, in some cases, appear to be extremely broad and, in other cases, largely unrelated to each other.

The cumulative impact of shifting staff to newly mandated duties and the blending of existing duties may have contributed to a diminished service level, as has been reported to us by some local districts and ESDs.

**OSPI does
not fully
utilize WMS**

**Responsibili-
ties of OSPI
staff
broadened**

OSPI did not hire new staff it requested

OSPI is not in compliance with a new mandate

In the 1995-97 Biennial budget OSPI submitted a decision package requesting 3 FTEs and \$236,000 to reduce the backlog of 375 case investigations of professional practices. Investigations help to ensure that only persons of high moral character are allowed to work in the classroom or have student contact. The legislature funded OSPI's decision package and provided the requested \$236,000 and 3 FTEs.

OSPI used these funds primarily to offset other administrative budget reductions to the agency. As a result, only an additional .5 FTE was hired by the Office of Professional Practices, rather than the 3 FTEs that were asked for by OSPI and funded by the legislature.

OSPI manages and budgets in many small administrative units

OSPI has reorganized many times in the last ten years. For example, since 1986, OSPI's executive management has shrunk from a deputy superintendent and four assistant superintendents to a deputy and one associate superintendent, and two policy directors. OSPI management stated they wanted to reduce the layers of management to improve communications.

The current organization of OSPI is extremely broad. The 265 FTEs at OSPI are divided into 60 separate organizational units, each with its own budget for staff, personal service contracts, travel, and equipment. The entire staffing for about half of these 60 organizational units consists of one supervisor and one secretary.¹

The large number of organizational units results in a high proportion of supervisors with few subordinate staff. The span of control of OSPI management is among the smallest in Washington State government. Additionally, the large number of organizational units result in a disproportionate number of support staff at OSPI,

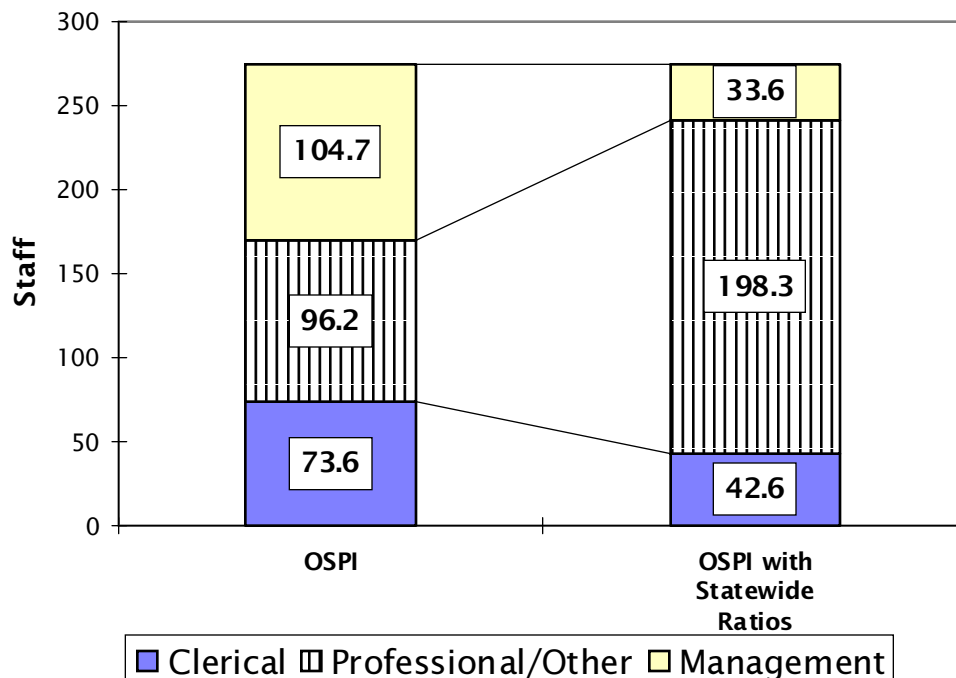
¹ The number of units is based on OSPI accounting records.

relative to other state agencies.² In essence, OSPI is an agency composed largely of managers and clerical staff with fewer mid-level technical staff. Exhibit 5 below illustrates how OSPI staffing would change if OSPI were organized more like state agencies as a whole.³

Agency has many managers and clerical staff

Exhibit 5

Illustration of How OSPI's Ratios of Managers to Support Staff Would Change if OSPI Had the Same Proportions as All of State Government



Source: LBC staff; based on OFM data

A different organizational approach would combine related functions at OSPI into larger organizational units needing fewer managers and support staff. We reviewed the position descriptions of several support staff in units with related responsibilities. Many of these positions involve answering phones, arranging travel, and tracking the status of required forms and grant requests. Econo-

² Support staff as used here is the Equal Employment Opportunity (EEO) Category 4 which includes office clerical, secretarial, and administrative support.

³ Statewide Personnel Database, OFM, August 10, 1995.

mies could be achieved by combining tasks such as phone coverage and travel arrangements for several managers and technical staff.

Fewer units would require fewer managers and allow OSPI to use more technical staff. Staff in local districts and ESDs report that OSPI has reduced the level of technical assistance available to the districts, and their involvement in rule making. In general, districts found it was sometimes hard to get answers to technical questions. A staff mix using more mid-level technical staff could address some of these concerns.

For example, the Curriculum and Assessment Unit, Goals 2000, and the Center for Improvement on Student Learning (CISL) all perform tasks related to curriculum, assessment, and planning. Each of these units has a director and support staff to assist the director. The Goals 2000 unit has only two FTEs. Consolidation of these units could result in fewer managers, shared support staff, and more technical staff who could provide increased services to OSPI's customers. An additional benefit should be easier coordination among these units.

OSPI travel, equipment, and personal service contract expenditures

Each of the 60 organizational units at OSPI has its own separate budget. According to OSPI budget staff, the budgets for the various organizational units are based largely on historical expenditures and the availability of revenue for each of these units. By creating budgets for each unit based on prior year expenditures, OSPI reduces its ability to change and manage new priorities. The high number of organizational units combined with this budgeting approach may also result in a lack of scrutiny over expenditures for such items as travel, equipment, and personal service contracts.

Travel Expenditures

In the 1993-95 Biennium OSPI spent over \$5,000 per employee per year on travel. However, we note that approximately one-third of OSPI travel expenditures involved travel by non-OSPI employees associated with the various boards and commissions OSPI supports. In contrast, the annual statewide average is less than \$1,000 per employee.

Several units perform similar functions

Organizational units have separate budgets

To assess the appropriateness of OSPI's other travel expenditures, we reviewed OSPI expenditures for out-of-state travel during the 1993-95 Biennium.

OSPI spent approximately \$416,000 (\$175,000 General Fund-state) on out-of-state travel during 1993-95, or approximately \$2,200 each for the 191 of OSPI's 265 FTEs who made an out-of-state trip. Out-of-state travel also has an indirect cost. The indirect cost includes the time the staff were away, the cost to arrange the travel, and the time spent by other staff to cover the travelers duties while they are away. The total amount of time spent out of the state was equal to 14 FTEs for the entire biennium.

OSPI travel policies require employees to identify the benefit of the travel on travel authorization forms. However, there are no criteria in OSPI travel policies that specify under what circumstances travel is approved. From discussions with OSPI management, it appears that authorization of travel expenditures is related to the availability of funds in each of the 60 organizational units, rather than an assessment of the benefit of the travel.

We did not attempt to assess the benefit of each of these out-of-state trips. However, if OSPI budgeted all but federally mandated travel funds centrally and evaluated each travel request against standard criteria, reductions in travel may result. A reduction in out-of-state travel expenditures would not only save on direct costs but it could also increase the availability of OSPI staff to provide service to their customers.

Equipment Expenditures

OSPI spends approximately \$3,000 annually per FTE for equipment, primarily on personal computers. Our review of equipment inventories suggests that OPSI is replacing equipment nearing the end of its useful life. However, equipment expenditures within the agency also appear to be related to the availability of funds within each of the 60 organizational units, rather than in conjunction with an overall technology plan. In Chapter 5, we make a recommendation for greater management involvement in technology planning.

Authorization
of staff
travel is
related to
availability
of funds . . .

. . . rather
than the
benefits of
the trip

Personal Service Contract Expenditures

OSPI spent approximately \$3 million for personal service contracts during the 1993-95 Biennium. Much of these funds are used to fulfill mandated duties of the agency. For example, nearly \$1 million of these funds were paid to a contractor to conduct statewide testing of 4th, 8th, and 11th grade students.

We reviewed many of OSPI's personal service contracts. While, as noted above, many of the expenditures were necessary to conduct mandated duties of the agency, we also noticed that there may be a relationship between the availability of funds and the nature of the personal service contracts issued.

For some federally-funded programs, it appears that the justification over the expenditure of personal service contract funds may be less strict than expenditures for state General Fund programs. We noted examples of personal service contracts for services funded by federal programs for which there was no apparent connection to the program nor an explanation of the intended benefits of the service.

Benefits of some contracts not identified

CONCLUSIONS AND RECOMMENDATIONS

OSPI has organized itself into many very small units, each with a separate budget. Budgets for each of these units are determined on the basis of the fund availability and historical expenditures. This approach to organization and budgeting decreases the efficiency and the effectiveness of the agency, it limits the availability of technical staff to provide service to OSPI's customers and reduces central scrutiny over expenditures for travel, equipment, and personal service contracts.

Recommendation 2

OSPI should increase its utilization of the Washington Management Service.

Recommendation 3

OSPI should consider reducing the number of administrative units by combining units that provide related services. In addition, OSPI should consider if improvements could be made in customer service by using more technical staff and fewer managers and support staff.

Recommendation 4

OSPI should provide more central control over the prioritization and allocation of funding for discretionary travel, personal service contracts, and equipment purchasing.

INFORMATION TECHNOLOGY REVIEW

Chapter Four

During the scoping process of this audit, key stakeholders identified technology as an area the audit should examine. The LBC contracted with the firm of Sterling Associates (Sterling) to conduct a review of OSPI’s use of technology. Specifically, the consultant was asked to answer eight questions.

Overview

Sterling found that, in general, OSPI is making effective and efficient use of its resources. However, Sterling identified areas where OSPI modifications would result in greater client services. Sterling developed several recommendations for LBC and OSPI to consider. They are grouped according to subject areas at the end of the chapter.

Sterling’s responses to our questions and their recommendations are presented below in summary form. A complete copy of the Sterling report to the LBC is available upon request.

IS THE DATA COLLECTED FROM SCHOOL DISTRICTS AND ESDs IN RESPONSE TO LEGISLATIVE MANDATES?

Yes. The data collected by OSPI from school districts and ESDs is largely in response to legislative or federal reporting requirements. When school districts choose to participate in federally funded programs or grant programs, they are required by those programs to account for the funds and to report on the elements those

Data collected by OSPI required by state or federal law

programs deem necessary. Many reporting requirements are directly tied to RCW requirements or questions from and reports to the legislature. Other reports are required for OSPI to administer the K-12 education budget. While there is evidence that some data is collected by OSPI outside of the established procedures, we could not document the effect, nor did we receive examples of such from the school districts or ESDs participating in our survey.

What Is the Purpose of the Data Collected From School Districts and ESDs?

Data is primarily collected to support state and federal reporting requirements and to administer the budget. OSPI serves as the central data resource for K-12 education, but in consideration of the burden on the schools and districts, they only collect data which has been required for legislative, state, and federal reporting or administrative needs. Data collection requirements are reviewed annually in an attempt to collect only what is necessary. Research or strictly informational data is not routinely collected.

COULD THE VOLUME OF DATA COLLECTED BE REDUCED?

Not easily. Unless state and federal reporting requirements change, it is unlikely that the volume of data elements which are collected could be reduced. The number of times the same elements are collected could be reduced by collecting the data in unaggregated form, which OSPI is working toward with their relational database project.

COULD THE DATA COLLECTION AND DISSEMINATION PROCESSES BE MORE EFFICIENT AND EFFECTIVE?

Yes. OSPI has improved data collection through the use of electronic transmission. Improvements could continue as more reports are automated for electronic submission. For those forms that are not automated, expanded use of diskettes would provide some additional relief. OSPI also hopes to reduce their computer program modification turnaround times to accept data by taking over

that function currently provided by Washington School Information Processing Cooperative (WSIPC). Information dissemination timeliness could improve with better internal controls on receipt and distribution and with more information distributed electronically. The school districts, ESDs, and OSPI should establish a common postal system so that school districts would be notified (through their electronic mail system) when messages are waiting. Furthermore, recipients of the information need to know what information is posted where and when, and they need to check those electronic resources regularly and consistently for it to be effective.

COULD THE INFORMATION DISSEMINATION PROCESS WITHIN THE AGENCY BE MORE EFFECTIVE?

Yes. Although electronic mail is used extensively and has improved internal communications, the lack of written standards and inconsistency of software versions used within the agency hamper effective and efficient sharing of information. Furthermore, since lack of timeliness was a consistent complaint from the school districts responding to the survey, it appears that there are some barriers to information dissemination in the agency. Several reasons were cited, such as late legislative sessions or quick turnaround times from the federal programs. OSPI should analyze agency information flow, identify barriers to timely information dissemination, and develop solutions where possible.

IS OSPI'S DATA PROCESSING FUNCTION COST-EFFECTIVE?

Yes. OSPI has a lean, highly leveraged information services unit. The agency's membership in WSIPC has enabled it to enjoy the advantages of owning a mid-range computer with lowered costs and risks than it might otherwise have. The agency continues to pursue strategies to limit its application maintenance costs and to improve its flexibility and responsiveness. We have no major recommendations for improving data processing efficiency.

Use of
technology
could improve
OSPI
communications

IS OSPI'S ACQUISITION, USE, AND DISPOSAL OF TECHNOLOGY HARDWARE AND SOFTWARE COST-EFFECTIVE?

Yes, but it could be improved. The acquisition and disposal strategies used by the agency today are consistent with the recommended strategies in government and the private sector. We believe the agency would benefit from documenting these policies and incorporating them more fully in the agency's planning and budgeting processes. We also believe the agency may be able to leverage its technology dollars better if more attention is given to a review of the business case for proposed equipment purchases, particularly if the process allows the information services and users to learn from each other.

Where Can Efficiency and Effectiveness of OSPI's Products and Services Be Improved Through Better Use of Technology?

Several opportunities for improvements were identified:

Several opportunities for improved use of technology

- Written policies and standards for personal computing hardware and software, and consistent application of and investment in personal computing resources would assist internal information exchange and compatibility.
- Technology initiatives should have more executive management visibility and attention.
- A more detailed agency technology plan and documented project plans would provide more credibility to agency technology initiatives.
- More information and data collection forms should be available electronically or on diskette.
- Electronic mail should be used more extensively to communicate with ESDs and school districts.
- Communicate to stakeholders *what* information is available, and *where* and *when* it may be found.
- Increases in technology capacity and capability require adequate support for information services. It appears

that information services staff are leveraged to near maximum capacity. Additional technology improvements will require an investment in technology staff.

- Document imaging technology may now be a cost-effective solution to improve the certification process.

RECOMMENDATIONS

In their review of information technology at OSPI, Sterling Associates made several recommendations in their report to the Legislative Budget Committee. LBC staff have aggregated the recommendations into three subject areas: Planning, Management, and Operations. The recommendations are:

PLANNING

Recommendation 5

- OSPI should prepare written policies regarding its hardware and software standards and acquisition criteria based upon individual business requirements.*
- OSPI should prepare a communication strategy and plan for electronic dissemination of information including instructions about how it can be accessed.*
- OSPI should document its information technology project plans.*

MANAGEMENT

Recommendation 6

- A permanent information management steering committee should be created at OSPI.*
- The agency should analyze the internal and external information flow, identify barriers to timely information dissemination, and develop solutions where possible.*
- OSPI should add more detail to their Information Technology Plan and make it more visible to agency managers and staff.*

OPERATIONS

Recommendation 7

- a. OSPI should continue to automate data collection and reporting and make templates and forms available on diskette.*
- b. OSPI should establish one mailbox for each district and ESD to receive electronic mail notification.*
- c. Information services staffing requirements should be reexamined to ensure sufficient capacity and capability to meet future technology project and initiative needs.*
- d. Information services will need technical consulting assistance for their relational database project.*
- e. OSPI should examine the feasibility of implementing a document imaging system for the certification process.*

PROFESSIONAL CERTIFICATION, COMPLAINT INVESTIGATIONS, AND CRIMINAL BACKGROUND CHECKS

Chapter Five

During the scoping process on this audit, key stakeholders suggested that LBC assess the satisfaction of the customers served by the superintendent's office. The LBC contracted with Martha Harden, a consultant, to review the efficiency and effectiveness of OSPI's processing of professional certificates and the investigation of professional practice complaints against certificated staff. These OSPI services were studied because they directly affect teachers as customers of the agency.

The consultant concluded that the process is generally efficient. However, the consultant also found several areas where improvements could be made, such as improved communications with OSPI's customers, better use of automation, and clearer procedures, standards, and oversight.

BACKGROUND

The SBE is required by law to establish rules and regulations determining eligibility for and certification of certain personnel employed in the common schools. The board also establishes certification fees. OSPI is required to act as the administrator of certification, and by law, has authority to issue and revoke certificates in accordance with SBE policies and rules.

Certificated school personnel include teachers and administrators, such as superintendents, principals, and program directors. Professions including school counselors, social workers and psychologists, nurses, physical and occupational therapists, and speech

Overview

pathologists/audiologists are also certified by OSPI to work in the common schools. Over 13,000 certificates are issued annually by OSPI. Certificates are issued for different lengths of time, depending on the type of certificate.

CERTIFICATION PROCESSING AND FEES

Applicants for a certificate pay several separate fees. These include:

- \$20 for the ESDs to process applications.
- \$53 for the State Patrol to process fingerprints and do a criminal background check. The state Patrol pays \$25 to the FBI and returns \$4 to OSPI.
- \$10 for local law enforcement offices to take the fingerprints.
- Fees for the certificate itself vary from \$5 to \$70, depending on what type of certificate is sought.

Program not self-supporting

Unlike most other professional licensing programs in this state, certification of public education staff is not self-supporting and will require more than \$2 million funding from the State General Fund in the 1995-97 biennium. The only other revenue is the money OSPI receives (about \$100,000) in fees from the State Patrol for fingerprint/background checks.

Several states require teacher certification to be self-supporting. In Washington, however, RCW 28A.410 prescribes that fees be solely used for the purpose of precertification professional preparation, program evaluation, and professional inservice training.

In-state candidates for initial certification apply at the college or university where they completed their teacher education program. All other applicants for certification submit their applications through the ESDs. The applications are processed and the certificates are issued by OSPI.

The colleges, universities and ESDs interviewed indicated that, on the whole, the division of responsibilities between them and OSPI was appropriate and the process was generally efficient. However, some ESDs stated that OSPI does not adequately communicate changes in certification requirements to them.

Teachers seeking initial certification, particularly out-of-state applicants, indicated that Washington's requirements for certification were understandable and the process was uncomplicated. Some teachers seeking continuing certification or renewal of a certificate complain that they have to repeatedly provide the same documentation to OSPI, that they cannot get questions answered by OSPI, and that they are not notified of changes in certification requirements or when a certificate is about to expire. Some found professional endorsement requirements confusing and often could not get answers to what classes qualified for professional endorsements.

No state entity assumes responsibility for informing certificate holders of the requirements and procedures for achieving or maintaining state certification, except at the time of application. Certificate holders are not notified when a certificate is about to expire or when there are changes in requirements or procedures. Some teachers indicated that their school district or ESD provided this service; others indicated that theirs did not. It is clear from this review that the requirements for certification are detailed and numerous, the process is complex, and the rules change frequently. The SBE should evaluate the costs and benefits of notifying certificate holders of changes in certification requirements and determine whether a fee increase should be requested from the legislature to offset any additional costs.

Certificate holders not informed of changes in requirements

FINGERPRINTING AND COMPLAINT INVESTIGATIONS

For many years, OSPI has been required to investigate professional practice complaints against certificate holders and conduct background checks on new applicants for certification. In 1992 the legislature mandated that all new applicants for certification and school employment be fingerprinted and subject to a Washington State Patrol and FBI background search. As a result, the number of professional practice investigations increased from 37 in 1991 to 2,054 in 1994. This has led to a backlog of 375 investigations at the end of the 1993-95 Biennium. A backlog of professional practice investigations is significant, because applicants for their first Washington State certificate who are not cleared are barred from the classroom. Local districts may place certificated staff on administrative leave until an investigation is resolved.

**Protocols
and
standards
not
documented**

The consultant’s analysis of investigations and disciplinary procedures uncovered several areas of concern. Beyond a very general code of conduct, there are no documented investigative protocols or formal case screening and processing standards. The lack of protocols and standards may be a partial reason for the growth in investigations backlog and/or the inability to reduce the backlog effectively.

OSPI exercises wide discretion in determining the seriousness of a violation and the sanctions that can be imposed. Board rules are broadly worded and OSPI does not have documented prosecution or disciplinary standards to guide those decisions. In addition, there is little internal oversight of actions taken against certificate holders. Finally, there is no clear division of responsibility for complaint investigations among OSPI, ESDs, and school districts.

The consultant concluded that this regulatory function should have documented procedures and standards for prioritizing and conducting investigations and taking actions against certificate holders. Moreover, these disciplinary and prosecution standards should be established in administrative rule, as is customary in other state-regulated professions. There should also be more oversight of the disciplinary process and a clearer policy on the responsibilities of school districts, ESDs, and OSPI with regard to investigations.

RECOMMENDATIONS

In addition to the following recommendations, in Chapter 4 our technology consultant recommended that OSPI examine the feasibility of implementing a document imaging system to assist in processing teacher certificates (Recommendation 7e). Such a system could help OSPI staff improve their ability to more quickly answer questions on the status of an application and reduce the need for the submitting the documentation more than once.

Recommendation 8

OSPI, in consultation with the State Board of Education and the ESDs, should develop a procedure for informing ESDs of changes in procedures, forms or requirements for professional certification. As recommended by Sterling and Associates, electronic mail would be an appropriate vehicle for communicating these changes.

Recommendation 9

The State Board of Education should evaluate the costs and benefits of providing certificate holders notification of changes in requirements and procedures affecting their certification and a reminder that their certificate is about to expire. Should the board determine notification is appropriate, it should also consider requesting authority to raise certification fees to cover any additional costs that may occur as a result.

Recommendation 10

OSPI, in conjunction with the state Attorney General's Office, should document investigation protocols, case screening and processing standards, and disciplinary/prosecution standards for professional practice investigations.

Recommendation 11

The State Board of Education should:

- a. Review and approve investigative protocols, and case processing and screening standards.*
- b. Adopt disciplinary/prosecution standards in administrative rule.*
- c. In conjunction with OSPI, develop a procedure for periodic review of disciplinary actions taken against certificate holders to ensure that actions taken are consistent with board-approved procedures, priorities and rules.*
- d. Review and adopt a policy on the division of responsibilities for complaint investigations among the state, school districts, and ESDs.*

OTHER AUDIT QUESTIONS AND ANSWERS

Chapter Six

The scope of work for this audit (see Appendix 1) includes several questions that were mandated or raised in the preaudit survey. Many of these questions were not discussed in previous chapters. In conducting this audit, we attempted to address these questions. This chapter presents our findings on several items in the audit scope of work not addressed earlier.

1. ARE THERE GAPS AND OVERLAPS AMONG THE VARIOUS EDUCATIONAL AGENCIES? ARE THERE GAPS AND OVERLAPS WITHIN OSPI ?

The Education Reform Act explicitly creates overlaps in responsibilities among the SBE, OSPI, and CSL until the year 2000. The work of the CSL completely restructures many of the current state requirements for curriculum and assessment. Existing state requirements for 4th grade, 8th grade, and 11th grade assessments, high school graduation requirements, and self assessment of educational performance are retained until the commission's work is complete.

OSPI has created separate units to implement requirements for state education reform and for federal education reform. These units were in addition to an existing unit responsible for school district self study and accreditation.

Overview

Education reform creates overlaps

Education reform places additional responsibilities on local districts, such as duplicating requirements for planning for improved student outcomes. Education reform requires the creation of a building improvement plan while existing state law requires a self study plan for each building. In addition, staff in each building may choose to be accredited either by the SBE or the Northwest Association of Schools and Colleges. Waivers are available for the self-study requirements, but the process is not well known. There are separate manuals for each of these activities. Staff are trying to make these overlapping requirements fit together better, yet districts are confused about how these requirements mesh.

Complicating the issue further, federal education reform provides discretionary grant money for local improvement plans. Although federal requirements appear to replicate those for much of state education reform, the process requires a competitive application and is managed and awarded separately.

In Chapter 3, we recommend that OSPI consider combining some administrative units that provide related services.

2. DOES OSPI OVERREGULATE?

Summary

School districts complain about the level of regulations and reporting requirements imposed on them by OSPI. However, it appears that many of these complaints concern regulations and reporting obligations that are required in order to comply with legislative mandates, and are not discretionary regulations on the part of OSPI.

In other areas, such as school construction and teacher certification requirements, the legislature provided broad authority to OSPI and the SBE to develop discretionary regulations. As intended, those regulations are more extensive than what is contained in statute. In these areas in which regulations are discretionary, OSPI's customers do not seem to be dissatisfied with the level of regulation.

OSPI
regulations
are often
required to
implement
laws

Findings

The question of the appropriateness of OSPI regulations was raised in the numerous focus groups and surveys of school district staff that were conducted for this study. While there is a dissatisfaction with the level of regulations imposed upon school districts, it is not clear that the dissatisfaction is with discretionary regulations imposed by OSPI or with regulations required to implement state or federal law.

In contrast to most states, the large majority of funding for K-12 education in Washington is provided at the state level. Washington is one of only two states that provides full state funding for basic education.¹ This may lead to a commensurate level of state regulations imposed on local school districts. Much of the state regulation of local school districts is required to meet legislative mandates, and are not discretionary regulations promulgated by OSPI.

In some instances, it appears that Washington State statutes create a high degree of complexity in the information that must be reported by school districts. For example, the statutory methodology for apportioning basic education funds to school districts allocates funding to school districts in accordance with the number of pupils in the district, plus the education and experience of the district's teachers. This statutory methodology requires school districts to keep detailed records on the education and experience of their teachers, in addition to student counts. Washington is one of only seven states that use something in addition to student counts in determining state basic education assistance.²

The combination of a high level of state funding for K-12 education and a relatively complex funding methodology may lead to an unusually high level of regulation and reporting requirements for school districts.

Another area where OSPI customers complain about excessive regulation is school transportation. Similar to the basic education

High
proportion
of state
funding and
complex
funding
formulas . . .

. . . lead to a
high level of
regulation

¹ American Education Finance Association, *Public School Finance Programs of the United States and Canada, 1993-94*, from a table on page 24.

² *Ibid.*, from a table on page 26.

Where there is broad authority to write rules . . .

. . . the customers are satisfied

apportionment, state statute requires a complex methodology for allocating transportation funds that requires school districts to count bus ridership and the distance from each bus stop to the school. Because this methodology is required by statute, the regulation and reporting requirements necessary for implementation are not discretionary on the part of OSPI.

An area where the State Board is given broad rule-making authority is school construction.³ These regulations specify a detailed process that school districts must follow in order to receive state construction funds. This level of detail is not specified in statute.

In an area where regulations are more extensive than what is contained in state statute, OSPI customers do not appear to be dissatisfied with the level of regulation. Seventy percent of the respondents to the LBC's school district survey either strongly agreed or agreed that the level of regulation associated with OSPI's administration of school construction funds is appropriate. Perhaps the reason why most OSPI customers do not object to the level of regulation governing school construction is that the process mandated by the regulations does not appear to be unreasonable, and it promotes a thorough planning process.

Regulations governing teacher certification is a second area where the State Board of Education is given broad authority to make rules.⁴ Sixty-eight percent of the school districts responding to the LBC customer satisfaction survey felt that requirements for certification are clear and appropriate.

Conclusions

We did not find areas where discretionary OSPI regulations appear to be excessive. The regulatory segments that OSPI customers found to be most excessive are where regulations are required to implement state statutes.

³ Actually, regulations governing school construction are promulgated by the SBE, not OSPI. However, OSPI provides staffing for the SBE and provides input concerning the content of the regulations.

⁴ As with regulations governing the administration of construction funds, regulations governing teacher certification are adopted by the SBE.

3. WHY ARE OSPI RULES FOR PUBLIC SCHOOLS SO MUCH MORE VOLUMINOUS AND COMPLEX THAN THE RULES FOR PRIVATE SCHOOLS?

Private schools are largely free of requirements because they do not accept state and federal money. The complexity of public school regulations relates to the conditions placed on schools in order to receive state and federal funds.

The Common School Manual is published by OSPI and contains three sections: 1) Legal mandates of RCW 28A - Common School Provisions, 2) the rules of the State Board of Education (Title 180 WAC), and 3) the rules of OSPI (Title 392 WAC). These three sections are over 800 pages. Of the 227 pages in RCW 28A, only two pages relate directly to private schools.

The majority of the laws and regulations set forth how public education funding will be divided among the 296 districts. Private schools are not subject to the Basic Education Act nor must they meet mandated requirements for their financial reporting, monitoring, and payment processes. Thirty-three of the 61 Chapters of OSPI Regulations (or 54 percent) relate to the eligibility criteria for the receipt of state funds. Private schools receive no state funding, and consequently, have few state mandates.

Additionally, much of RCW 28A and the implementing regulations create the structure for the public education organization, including a standardization of roles and responsibilities, how board members are appointed and elected and so forth. These rules are analogous to the charter and articles of incorporation of a private school.

Private schools are not subject to any of the other rules of the OSPI unless they voluntarily participate in federal programs.

Private schools, however, are subject by law to some rules of the SBE, including:

Private school regulations are less complex . . .

. . . because private schools do not receive public funding

- SBE's certification standards for staff
- The number of instructional hours and class hours
- Health and safety requirements.

They are not subject to SBE's oversight of funding for school construction.

4. WHAT OSPI FUNCTIONS HAVE BEEN PRIVATIZED IN OTHER STATES, AND TO WHAT EXTENT CAN OTHER SERVICES IN OSPI BE PRIVATIZED?

We define privatization as: 1) services which are procured through a competitive bidding process or 2) the use of the service is discretionary for the client. Our findings are based upon a 1993 survey of governmental privatization efforts conducted by the Council of State Governments. We selected seven of the states surveyed, which according to the council, were the most intensive in privatizing central state education agency services. Our follow-up survey was intended to determine the exact nature of the services privatized.

In our survey of services privatized by seven other central state education agencies, we found only two services which were privatized.⁵ These two services are student testing and information technology.

Student testing

We found that the most common central education agency service privatized was statewide standardized student testing. OSPI contracts with CTB/McGraw-Hill for annual testing of all 4th, 8th, and 11th graders.

⁵ Our review consisted of conducting a telephone survey of seven states identified by the Council of State Governments which were intensive in privatizing state education agency services.

Information technology

Another privatized central service in other states is information technology services. In some states, the central state education agency runs the statewide information and telecommunications system used by school districts to transfer information to the state. In Washington State, these services are provided by the Washington School Information Processing Cooperative (WSIPC), or by the school districts themselves. We consider this to be an example of privatization because the school districts have a choice as to whether they wish to procure these services from WSIPC or provide their own.

Other functions

In addition, services provided by Washington State's network of nine educational service districts are also a form of privatization, since the utilization of these services is discretionary. The ESDs carry out some of the duties of the OSPI and the SBE by offering to school districts a regional entity from which they may purchase services that can be provided more cost effectively than if they were to act alone.⁶ The 1995-97 Biennial budget for the nine ESDs is approximately \$89 million, of which \$8.9 million is from the state general fund.

Conclusions

There seem to be few services provided by central state education agencies that have been routinely privatized. This may relate to the largely administrative role of central state education agencies. Distribution of funds and rule-making are not activities that are typically privatized.

Based upon our survey of privatization efforts of other states, we conclude that OSPI is privatizing its services to either a similar or greater extent than other state education agencies.

⁶ Some of the services provided by ESDs include insurance coverage of employee on-the-job injuries through regional trusts, technical assistance for fiscal and personnel services, and administration of unemployment claims. LBC report No. 95-8 *Educational Service Districts* contains a more extensive discussion of the services ESDs provide.

OSPI
privatizes
those
services
that are
routinely
privatized

5. HOW DOES WASHINGTON STATE RANK RELATIVE TO OTHER STATES IN PROCURING FEDERAL FUNDS? ARE THERE WAYS IN WHICH OSPI CAN MAXIMIZE THE AMOUNT OF FEDERAL FUNDS RECEIVED?

National ranking

Washington receives less federal funds than some states . . .

The amount of federal funding per pupil ranged from a low of \$176/student in New Hampshire to a high of \$1,084/student in Alaska. Washington State ranked 33rd with \$332/pupil.

The federal programs which account for most of the variance among the states include: 1) compensatory education (Title 1) for disadvantaged children, which is allocated to states based upon the number of students meeting low income eligibility requirements; and 2) impact aid, which recognizes the inability of states to tax federal properties and land on Indian reservations and provides financial assistance to states to mitigate the revenue impact from these factors. Other federal programs which account for a significant amount of federal funding include special education, vocational education, and child nutrition.

. . . because of federal funding formulas

These programs combined represent about 80 percent of the federal funds received by OSPI. Appendix 3 summarizes the relative ranking, by state, of federal education funding per student, and shows more detailed information about federal funding per student for western states.

Since funding for these, and most other federal programs, is based upon factors which OSPI can not readily influence, the amount of money OSPI receives should not be used as a measure of its effectiveness.

Maximization of federal funds and current congressional proposals

The LBC was also directed to determine the extent to which OSPI can maximize federal funds. During the preaudit discussions of this topic, staff recommended deferring analysis until after the federal government adopts its budget. This recommendation was based on the uncertainty of the congressional proposals which would change the way in which federal funds will be allocated to the states and would reduce federal education funding to the states. The committee concurred with staff's recommendation.

Federal proposals pending before Congress will reduce education funding for Washington State between 6 percent to 18 percent. Major proposals include elimination of Goals 2000 and significant reductions in bilingual education and bilingual programs promoting safe and drug free schools. In addition, school nutrition and vocational education programs, which are currently allocated to the states on an entitlement basis, would be block granted to the states for administration.

A summary of current congressional proposals is included under Appendix 4.

6. DOES THE AMOUNT OF FEDERAL FUNDS RECEIVED BY OSPI EXCEED THE STATE COST TO ADMINISTER THE FEDERAL PROGRAMS?

Yes. OSPI receives \$617 million in federal funds for the 1995-97 Biennium of which they will retain about \$16 million for administration. OSPI believes that their full costs of administration are reimbursed. Local school districts complain about the excessive reporting requirements. However, it appears that the amount of federal grant awards are sufficient to cover school district administrative costs, because school districts can charge administrative costs to these grants.

Congress
may change
federal
funding

Federal
education
funds
include
money for
administration

Administration

Administrative costs can be grouped into two general categories: 1) direct costs including the costs of staff and expenses which are a direct result of administering a program; and 2) indirect costs representing centralized costs which are not directly related but for which a share of the cost should be borne by the program.

Federal guidelines allow OSPI to retain a portion, ranging up to 10 percent, of the grant award for administrative purposes. Included in this, the federal government allows states to claim the expenditures of certain central administrative services as indirect costs. These costs include publications, legal services, auditing and accounting functions, office services, media services, archive costs, and equipment depreciation. When federal grants are passed through to local school districts, the school district is also allowed to retain a portion of the grant for administrative purposes.

For state Fiscal Year 1996, the state costs of administering federal education programs is estimated by OSPI to be \$16 million out of \$617 million. This figure includes both direct costs of about \$14 million and federally allowable indirect costs of about \$2 million. OSPI states that this amount is sufficient to cover both estimated direct and indirect costs.

Local school district fiscal staff told us that the amount of the grant award retained is sufficient to cover administrative expenses. However, local districts do not maintain a cost accounting system whereby the administrative costs of federal programs are accounted for. Therefore, we are unable to verify whether this is true.

Federal administrative requirements

During the preaudit discussions, some LBC members expressed concern about the level of federal administrative requirements and whether the level of administrative requirements is justified by the amount of the grant award. Although we are unable to determine whether federal administrative requirements are excessive, based upon our review of state and local administrative costs, it appears that these costs are recovered through retaining a portion of the grant award, as provided by federal guidelines.

7. DOES OSPI MEASURE ITS PERFORMANCE?

Summary

In order to implement the Washington Performance Partnership Act of 1994, the Office of Financial Management (OFM) instructed state agencies to include in their 1995-97 budget submittals, agency objectives that define desired results in measurable terms. While OSPI submitted the required forms, they did not include measurable performance objectives.

In a letter to the LBC, OSPI suggested that their submittal did not include measures of the outcomes of K-12 education because OSPI has virtually no control over such outcomes. The OSPI letter stated that their 1995-97 submittal did include measures of performance over areas under their control, such as the timely distribution of funds to school districts. While we acknowledge that OSPI has little control over the outcomes of K-12 education, we note that their submittal did not define desired results in measurable terms over areas in which OSPI does have control. For example, OSPI does have control over the timely distribution of funds to school districts. However, OSPI does not define outcomes in measurable terms such as deadlines or accuracy rates.

Also, while OSPI does not have much control over how general apportionment funds are spent by school districts, it may have more control over other programs, such as school construction or transportation funds, or education funds awarded by competitive grants. OSPI does not attempt to measure the performance of programs over which it can exert some control. Finally, its performance measure submittal to OFM was incomplete. Several programs within OSPI submitted no performance measures.

Requirements of the Washington Performance Partnership Act and 1995-97 OFM budget instructions

The Washington Performance Partnership Act of 1994 envisions redesigning the budget process to incorporate a statewide system of performance measurement. However, this act does not specifi-

OSPI does not adequately measure its performance

cally define requirements for agencies to develop performance measures.

In compliance with the legislative vision of the Performance Partnership Act, OFM required state agencies to include performance measures in their 1995-97 budget submittals. The 1995-97 budget instructions requested state agencies to submit a mission statement, goals and objectives. The objectives were to define desired results in measurable terms. The OFM budget instructions also requested agencies to measure program accomplishments by describing the workload or service demands placed on a program, and describing various desired outcomes, outputs, and efficiencies that produce accomplishment of the program goals.

OSPI's 1995-97 budget submittal

OSPI submitted forms in its 1995-97 submittal in compliance with the request by OFM. However, these forms did not routinely define results of OSPI programs in measurable terms. Many of the forms that were submitted could best be described as a workplan for the various programs within OSPI. The forms often identified the tasks and activities that were to be undertaken within the various programs, but did not define program outcomes or identify measures of program outcomes. In some instances, the forms identified program outcomes (such as the timely distribution of funds to school districts), but did not attempt to identify measures of those outcomes. Also, some programs within OSPI submitted no forms at all.

OSPI's response to LBC inquiry

In a letter to the LBC, OSPI stated that the vast majority of the funds appropriated to OSPI are allocated to school districts on the basis of legislatively prescribed formulas, and that it is the duty of the various school districts to determine the actual resource/program allocations that will provide the best results or outcomes for students. OSPI stated that:

. . . thus, this office's ability to directly control or influence such things as student performance and outcomes, parental involvement or satisfaction, student discipline, teacher performance, etc., is largely illusory.

**OSPI has
little control
over
education
outcomes**

The OSPI letter then states the agency staff have developed performance measures for those activities “over which we have control” such as

... making timely and accurate payments to districts; controlling and minimizing data collection elements and activities; providing written, telephonic, or personal consultations to districts and classroom teachers, etc.

Discussion

We acknowledge OSPI’s position that there is little logic for them to develop performance measures for activities, such as educational outcomes, over which OSPI has little control. As discussed in Chapter 1 of this report, OSPI’s primary role is to distribute funds to school districts in accordance with rules developed by other entities, such as the state legislature.

On the other hand, there are programs over which OSPI has relatively more control, such as the school construction program, the student transportation program, or educational programs in which funds are distributed on the basis of competitive grants that are administered by OSPI. The agency does not attempt to define or measure outcomes of such programs. Additionally, while OSPI stated that it defines outcomes over activities over which it does have control (e.g., the timely distribution of funds to school districts), it does not attempt to identify measures of its performance; for example, targets for timely distribution of funds.

Conclusions

While OSPI has very little control over how much of K-12 funds are spent, it does have relatively more control over some of the funds. Also, while in some instances, OSPI has identified outcomes over areas where it does have control, it has not defined measurable indicators of its performance. OSPI could have done more to comply with the legislative vision of the Washington Performance Partnership Act in its 1995-97 budget submittal.

OSPI should
identify
better
measures
of its
performance

8. HOW SATISFIED ARE OSPI'S CUSTOMERS?

Summary

OSPI customers are very satisfied with some services provided by OSPI and less satisfied with others. A large majority of OSPI customers feel that the agency does an excellent job of distributing the basic education apportionment funds in a timely and equitable manner. However, many OSPI customers are dissatisfied that OSPI is not a leader in education policy and does not provide much technical assistance to schools. Some of OSPI's customers blame the legislature for not providing OSPI with the resources necessary to be more effective.

Efforts to solicit customer input

The LBC made extensive efforts to solicit the input of OSPI's customers concerning the scope of the performance audit, and their satisfaction with OSPI service. These efforts included extensive preaudit interviews, several focus groups, meetings with ESDs and local school districts, and four different surveys of OSPI's customers. OSPI's customers reported that:

- OSPI does a very good job of apportioning funds to school districts.
- OSPI is not a leader in education policy or in providing guidance or technical assistance to school districts.
- OSPI's capacity to provide guidance or technical assistance to school districts has been diminished as a result of budget cuts.
- Because of personnel changes that are attributable to budget cuts or changing legislative priorities, OSPI staff are not able to provide technical assistance to school districts because many OSPI staff are in new positions with different responsibilities.

Feedback from OSPI customers

- While many of OSPI's customers complain about excessive regulation, it is not clear that the complaints are aimed at discretionary OSPI regulations or regulations required to comply with OSPI's statutory mandates.
- OSPI's legislative customers are dissatisfied with the quality of data produced by OSPI in response to legislative questions, and are dissatisfied with the quality of OSPI fiscal notes. Some of this dissatisfaction may stem from the legislature's need for information from local districts that is unavailable to OSPI.

9. HOW DOES OSPI'S ADMINISTRATIVE BUDGET AND STAFF COMPARE TO EDUCATION AGENCIES IN OTHER STATES?

OSPI appears to be one of the smallest of the state education agencies. Part of the reason OSPI is comparatively little in size is that it does not provide some of the same services as other state education agencies.

We contacted several other states and found they differ from Washington in terms of the range of services they offered. For example, state education agencies in some other states provide educational services to children living in state institutions. In Washington State the local district where the institution is located is responsible for these services. Also in other states, the state education agency carries out some of the roles performed by educational service districts in Washington State.

We found some comparisons with other states that suggest that OSPI is a relatively small state education agency overall. A 1993 U.S. General Accounting Office (GAO) study of state education agencies shows that Washington spends about \$22 per student for state level administrative costs compared to the national spending average of \$68 per student. This was the lowest average per student of any state.

Compared to other state education agencies, OSPI is small

As a second comparison, we obtained from the Texas Comptroller a 1993 performance audit of the Texas Education Agency (TEA). TEA appears to provide similar services to Washington's OSPI except the state of Texas tests teachers for competency, purchases textbooks centrally, and does their own financial audits. TEA has four times the number of staff as OSPI. (In Appendix 5, we have attempted to align OSPI's staff into the organizational structure of TEA. The alignment is approximate, based on the descriptions of the TEA units.)

10. HOW DOES EDUCATION SPENDING IN WASHINGTON STATE COMPARE WITH OTHER STATES?

Summary

The proportion of education dollars spent in the classroom in Washington State is similar to other states.

Background

We are aware of legislative interest in comparisons of how education funds are spent in Washington State with education spending in other states. In particular, there is interest in a 1994 report by the American Legislative Exchange Council (ALEC) entitled *The Report Card on American Education*. This report included a statistic that indicated that Washington had the lowest percentage (32 percent) of school expenditures spent on teachers' salaries than any state in the country. This statistic may be interpreted that the Washington education system is less efficient than education systems in other states, or that fewer education dollars make it into the classroom in Washington.

Findings

The statistic cited by ALEC is based on an estimate of teachers' salaries made by the National Education Association (NEA). This estimate may not include the income that Washington teachers receive through supplemental contracts (a 1992 LBC report found

that the average Washington teacher received almost \$2,800 during the 1991-92 School Year in supplemental contract income in addition to salary income). The ALEC statistic would also not account for employee benefits.

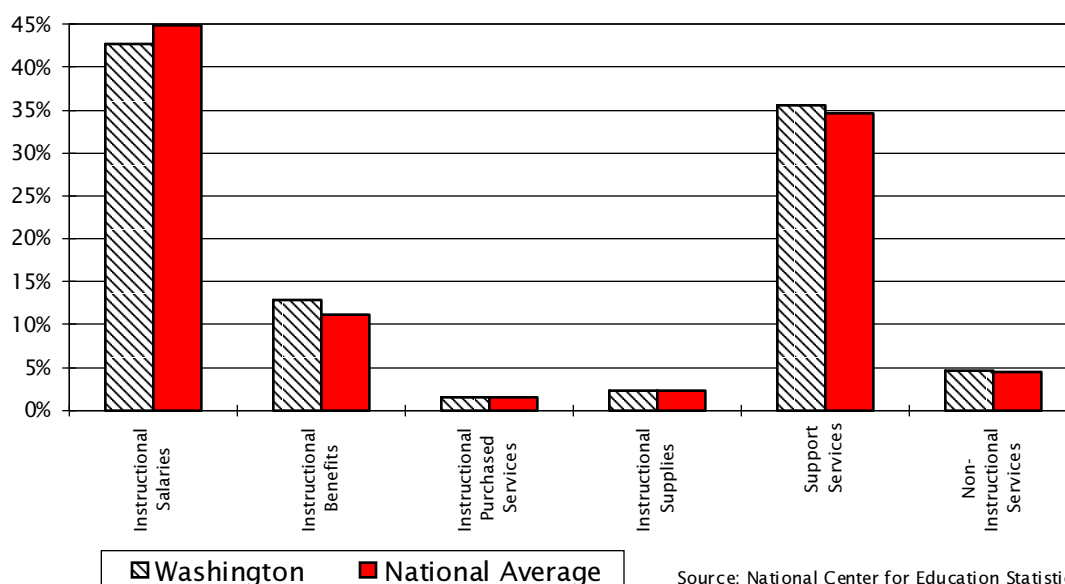
Using actual school district expenditures as reported to U.S. Department of Education’s National Center for Education Statistics, we found the proportion of funds that make it “to the classroom” in Washington is similar to other states.⁷

For example, as indicated in Exhibit 6, while Washington spends slightly less of its education dollar on salaries for instruction than the national average, it spends slightly more than average on benefits. In total, Washington spends about 60 percent of its education dollar on instructional salaries, benefits, supplies, and purchased services. The pattern of expenditures in Washington State almost exactly mirrors the national average.

Education spending in Washington is similar to other states

Exhibit 6

1992-93 School District Expenditures by Category

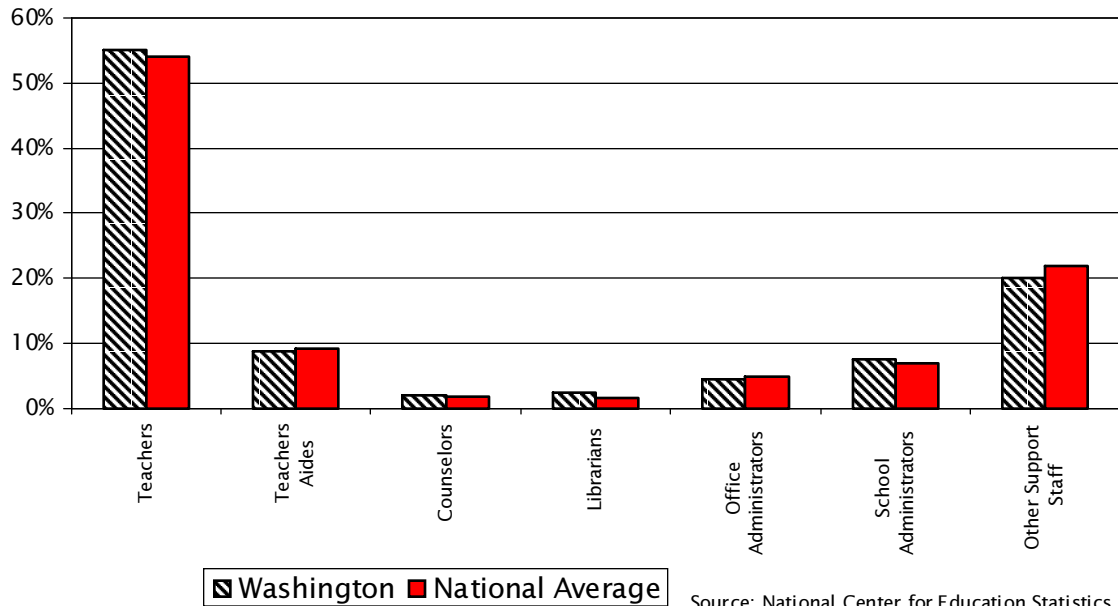


⁷ The National Center for Education Statistics (NCES) tracks expenditures by every school district in the country. Many of the tables in the ALEC report used NCES data. However, the ALEC table indicating the percentage of school expenditures spent on teachers’ salaries used estimates of teachers salaries by the NEA, rather than actual spending data from NCES.

Other NCES data also indicate that Washington does not appear to be unusual in how it spends its education dollars. For example, Exhibit 7 shows that the staffing of Washington school districts closely mirrors that national average. In fact, the proportion of school district staff that are teachers and librarians is slightly higher in Washington State than the national average, while the proportion of staff that are categorized as “other support” is slightly lower in Washington State.

Exhibit 7

**School District Staffing:
Washington versus National Average**



Conclusions

The proportion of education dollars spent in making it into the classroom in Washington is similar to other states.

At any rate, the question of how much of the education dollar is spent in the classroom is not materially impacted by spending at OSPI. As pointed out earlier in this report, OSPI spending accounts for less than one half of one percent of the total spent on K-12 education in Washington State. Finally, if there are inefficiencies in local school district operations, OSPI has no authority to require school districts to operate efficiently.

11. DOES THE STATE METHODOLOGY FOR DISTRIBUTING FUNDS TO SCHOOL DISTRICTS FOR PUPIL TRANSPORTATION PROMOTE EFFICIENT OPERATIONS?

Summary

We reviewed whether the formula for distributing state funds for student transportation promotes an efficient and effective transportation system. The 1995-97 biennial appropriation for pupil transportation is \$320.5 million of state general funds. From our review of the methodology for how these funds are allocated to school districts, we believe that an in-depth study of the pupil transportation funding system is warranted. We did not conduct an in-depth study for this audit.

Overview

The state provides funds to local school districts for purchasing and operating school buses. Districts are authorized to operate their own pupil transportation system, or contract for this service from the private sector. The basic methodology for how the transportation funds are allocated is identified in statute. OSPI rules expand upon this basic methodology to develop a process for paying school districts for transportation operating and capital costs.

During the 1995 Legislative Session, the legislature required that OSPI develop a statewide bid for school bus purchases and mandated that the state will not pay more for the replacement of buses than the statewide bid.

Potential Issues

Transportation Operations Formula

The basis for the formula for distributing student transportation operating funds to school districts is specified in RCW 28A 160.180. The formula pays differential rates to school districts based on the number of students transported, the distance students are trans-

ported, and the average number of students riding each bus. School districts complain that the formula is outdated and does not meet their costs of operating transportation programs.

The formula creates incentives for school districts to operate efficient transportation systems. For example, the formula adjusts rates for distance traveled based on a straight line between a bus stop and the school. This creates an incentive for school districts to create efficient bus routes, because the state payment does not increase to recognize less efficient routes.

However, there are other incentives in the formula that may offset the incentives for efficiency. For example, the formula results in higher payments per pupil to school districts that transport less pupils per bus. In other words, the fewer pupils riding each bus, the more money the school district receives per pupil for transportation. This creates a potential incentive for school districts to operate more buses than necessary.

This potential disincentive for efficient transportation operations may be more likely to be realized in the transportation of special education students than in the transportation of basic education students. We noted that the state pays an average of \$250 per year to transport one basic education pupil to and from school and almost \$1,900 per year to transport one special education pupil. Certainly, the costs associated with the transportation of special education pupils are expected to be higher than for basic education pupils. However, it is not clear whether the differential is totally due to these higher costs or whether the potential disincentives for efficient operations in the funding formula may explain some of this difference.

The transportation operations formula is complex and includes many incentives and disincentives. The formula was created in the early 1980's and has not been thoroughly reviewed since then. We conclude that further study of the transportation operations formula is warranted.

Transportation Depreciation Formula

The 1995 Legislature mandated changes to the methodology for reimbursing school districts for the cost of replacing school buses that should result in lower costs to school districts to purchase new

**Funding
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buses, and lower costs to the state in reimbursing school districts for the cost of bus purchases. The legislature has directed OSPI, in consultation with the LBC, to report on the savings generated by the new formula by December 1996.

We believe further study of the transportation depreciation formula is warranted. For example, in the case of school districts who contract out their bus service to the private sector, RCW 28A.160.210 requires OSPI to reimburse for depreciation using “straight line depreciation based on the original cost of the appropriate category of vehicle.” OSPI pays depreciation to districts who contract for service based on the average price school districts pay for school buses, not on the price that the contractor pays for a bus. To the extent that contractors purchase school buses for less than school districts do, the state reimbursement for depreciation will be more (and could be much more) than the amount needed to replace the bus. According to OSPI staff, private sector contractors routinely acquire school buses for much less than school districts.

Recommendation 12

The legislature should request an independent study of the allocation system for K-12 pupil transportation, with a report to the fiscal committees by January 1997.

**Further
study may
be needed**

