

Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Public Education

Utah Schools for the Deaf and the Blind
Institutional Council

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1.0 USDB – Institutional Council

Summary

The Utah Schools for the Deaf and the Blind – Institutional Council line item was created by the Legislature during the 2003 General Session. The Institutional Council was created in statute as an advisory panel to the State Board of Education that considers the educational needs of deaf and/or blind students. Council members are appointed by the State Board of Education based on their interest and knowledge of the needs and education of those that suffer from sensory impairments.

Section 53A-25-304 outlines the duties of the Institutional Council, they are to “make recommendations to and advise the superintendent of the schools, the state superintendent of public instruction, and the [State] board with respect to the continued employment of the superintendent of the schools, staff positions, policy, budget, operations, and other duties as assigned by the board.

The Analyst recommends \$286,900 for the USDB – Institutional Council line item.

	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Financing			
Dedicated Credits Revenue	360,000		360,000
Beginning Nonlapsing	507,900		507,900
Closing Nonlapsing	(581,000)		(581,000)
Total	\$286,900	\$0	\$286,900
Programs			
Institutional Council	286,900		286,900
Total	\$286,900	\$0	\$286,900
FTE/Other			
Total FTE	6		6

2.0 Issues: Schools for the Deaf and Blind – Institutional Council

2.1 USDB Performance Audit

During the 2003 General Session, the Legislature requested a performance audit of the Utah Schools for the Deaf and Blind to be conducted during the interim and reported back to the Public Education Appropriations Subcommittee. Legislators asked that the Legislative Auditor General evaluate the cause for the large year-end balances reported by USDB, are the teachers at USDB receiving all funds appropriated to them for salary adjustments, and finally, are the school's generally well managed?

The audit addresses several issues regarding the USDB Institutional Council and Trust Land Funds that are accounted for in the Institutional Council Line Item. The Audit makes the following recommendations:

- ▶ “We recommend that the State Board of Education define the appropriate use of USDB’s Trust Land Funds so that there will be no misunderstanding regarding any restrictions placed on the use of those funds.”¹
- ▶ “We recommend that the USDB develop a spending plan and use this to govern excess funds”²
- ▶ “We recommend that [the] State Board of Education provide more oversight, or the Legislature develop a body that can provide sufficient oversight.”³

The above recommendations are discussed further in the 3.1 section of this document, as well as, Analyst Recommendations and potential Legislative Intent Language.

¹ A Performance Audit of the Utah Schools for the Deaf and Blind, February 2004. Office of the Legislative Auditor General, Report Number 2004-01, page 18.

² A Performance Audit of the Utah Schools for the Deaf and Blind, February 2004. Office of the Legislative Auditor General, Report Number 2004-01, page 40.

³ A Performance Audit of the Utah Schools for the Deaf and Blind, February 2004. Office of the Legislative Auditor General, Report Number 2004-01, page 40.

3.0 Programs: Utah Schools for the Deaf and Blind – Institutional Council

3.1 Institutional Council

Recommendation The Analyst recommends \$286,900 for the USDB Institutional Council line item.

	2004	2005	Est/Analyst
Financing	Estimated*	Analyst	Difference
Dedicated Credits Revenue	403,000	360,000	(43,000)
Beginning Nonlapsing	396,000	507,900	111,900
Closing Nonlapsing	(507,900)	(581,000)	(73,100)
Total	\$291,100	\$286,900	(\$4,200)
Expenditures			
Personal Services	291,100	286,900	(4,200)
Total	\$291,100	\$286,900	(\$4,200)
FTE/Other			
Total FTE	6	6	0

*Non-state funds as estimated by agency

Purpose

The line item was created by the Legislature at the request of the Utah Schools for the Deaf and Blind. The purpose was to shift the revenue generated from the interests and dividends derived from the permanent funds created for the Schools for the Deaf and the Blind pursuant to Section 12 of the Utah Enabling Act and distributed by the director of the School and Institutional Trust lands Administration from the Support Services division of USDB. Utah Code Annotated 53A-25-306 restricts the use of Trust Land funds to the Education Enrichment Program for Hearing and Visually Impaired students.

The intent of shifting the Trust Land funds to a separate line item was to make the accounting and reporting of these funds more discernable from other funds received by USDB and to reduce the amount of non-lapsing balances reported annually by USDB. The anticipated amount of closing non-lapsing estimated above at \$581,000 for FY 2005 indicates that this may have achieved the original intent in creating the line item, as these funds are no longer reported in the main USDB line item. However, the closing non-lapsing balance continues to increase as the line item collects more revenue than expended. To date, USDB has not developed a specific, distinct plan for the use of these funds. Section 53A-25-306 states that these funds must be used for the education of deaf and/or blind students.

Legislative Audit

The Legislative Auditor General addresses some issues regarding the Trust Lands revenue and its uses in the Performance Audit of the Utah Schools for the Deaf and Blind, released in February, 2004. In the audit, the Legislative Auditor General recommends that the “Utah State Board of Education define the appropriate use of USDB’s Trust Land Funds so that there will be no misunderstanding regarding any restrictions placed on the use of those funds.”⁴ In addition the Legislative Auditor General recommends that a spending plan be created to govern the use of excess agency funds.

Recommendation

The Analyst recommends that the Legislature pass the following intent language.

It is the intent of the Legislature that the State Board of Education, in consultation with the USDB Institutional Council, define the appropriate use of the USDB Trust Land Funds. The definition should include any restrictions on use of Trust Land Funds as well as a specific plan outlining the use of the closing non-lapsing balances held by the line item and report back to the Public Education Appropriations Subcommittee before the 2005 General Session.

In addition, the Analyst recommends that the State Board of Education complete a full review of revenues and expenditures reported in the two USDB line items, and recommend to the Legislature any changes in its FY 2006 budget request for the line item.

USDB Governance

In the performance audit of the USDB, the Legislative Auditor General addresses some concerns relating to USDB governance. The State Board of Education is designated in statute as the USDB’s governing body. Legislative Auditors found little oversight by the State Board and it appears that the State Board has delegated most of its oversight responsibility to the Institutional Council.

Auditors concluded that the Institutional Council is not properly equipped to carry out the responsibilities of the State Board of Education. “The Legislature should either encourage the State Board to assume its legal mandate to govern the USDB or consider giving the USDB a new board that has the knowledge and authority to govern the USDB.”⁵

Recommendation

The Analyst’s recommendation regarding USDB governance may be found in main Budget Analysis of the Utah Schools for the Deaf and Blind.

⁴ A Performance Audit of the Utah Schools for the Deaf and Blind, February 2004. Office of the Legislative Auditor General, Report Number 2004-01, page 18.

⁵ A Performance Audit of the Utah Schools for the Deaf and Blind, February 2004. Office of the Legislative Auditor General, Report Number 2004-01, page 36.

4.0 Additional Information: USDB – Institutional Council

4.1 Funding History

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated*	2005 Analyst
Financing					
Dedicated Credits Revenue				403,000	360,000
Beginning Nonlapsing				396,000	507,900
Closing Nonlapsing				(507,900)	(581,000)
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$291,100</u>	<u>\$286,900</u>
Programs					
Institutional Council				291,100	286,900
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$291,100</u>	<u>\$286,900</u>
Expenditures					
Personal Services				291,100	286,900
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$291,100</u>	<u>\$286,900</u>
FTE/Other					
Total FTE				6	6

*Non-state funds as estimated by agency.