

Public Education Appropriations Subcommittee

Comments by Jennifer Johnson
State Board of Education Finance Chair

Agenda item #3: 2015 General Session Follow-up Items: USOE

- **Indirect cost: USOR & USOE** – We have received a federal *provisional* approval for a set of indirect cost rates, but we still await final approval. We are in the midst of two independent reviews by a consultant and the feds. The independent consultant needs to review accounting of indirect costs for several years. This should be completed by the end of December 2015. Because of the large amount of money that is passed through to other entities, the indirect costs rates can be allocated over a very small number of employees. This results in a relatively higher indirect cost rate compared to other state agencies.
- **ASPIRE (Student Information System)** – There has been a recommendation for privatization of ASPIRE. The State Board of Education has held a hearing about initiating a fee for this product, but has taken no action. Most commentary was against this fee. Incidentally the State Board has recommended that Electronic High School (EHS) no longer be funded. The arguments regarding government interference in free markets through EHS are similar, and, unlike ASPIRE, there is no need on the part of the State Board of Education to provide EHS, whereas one could argue that ASPIRE is an outgrowth of a need for a state student information database.
- **Licensing of SAGE** – The State Board of Education has entered into intellectual property licenses (*without* the benefit of any IP lawyers) with AIR (vendor who provides computer-adaptive testing) for the use by several other states of our SAGE test items. *Currently the amended contract with AIR exceeds the legislatively appropriated funding for testing.* USOE staff had anticipated CRT state funding to be ongoing. That does not appear to be the case – meaning we are missing millions of dollars of funding each year. That means we need the licensing revenue even to pay the original contract – and the contract has been amended to be larger. However, there is no guarantee that the states will use the test item bank perpetually or to the extent initially contemplated by the contracts. For example, Florida chose to cancel their 11th grade testing which resulted in less licensing revenue than anticipated. The point is that uncertain, one-time licensing revenue is needed for a contractual obligation with AIR. We need more flexibility of use of these funds given our needs inside our office than the legislative intent language that had been assigned this year.

Agenda item #4: Utah State Office of Education: Financial Management (USOR Audit)

- The USOR audit is worth reading. The most important two points for public education are (1) State Board of Education should not govern USOR, and (2) USOE Internal Accounting was heavily responsible for the failure at USOR which implies deep problems in accounting for public education generally.

- The State Board of Education has taken a position that funding for USOR should come from the General Fund. USOR is primarily an employment program rather than an education program. There is a constitutional conflict.
- Please check out part of the State Board response on pages 120 (132nd electronic page) and 121 (133th electronic page) for what we are doing.
 - Hired new “CFO”/Superintendent of Business and Operations
 - Hired new “Controller”/Director of Internal Accounting (first one lasted only 8 days)
 - Started closing books monthly – not just annually
 - Hired a consultant to clean up and review indirect cost
 - Hiring 3 managerial accountants and then can initiate joint-review procedure
 - Hiring a federal grants compliance officer
- We still need
 - Accounting system or upgrade to FINET for USOE
 - Permanent funding for many positions, which are currently funded with one-time money (auditors, school finance, legal, etc.)
 - Federal grants compliance system
 - More accurate systems for forecasting student growth and migration for more than one year (current system is increasingly error-prone)

Agenda item #6: Minimum School Program: Oversight of Categorical Programs

- NEED MORE TRANSPARENCY OF ALL COSTS, ESPECIALLY ADMINISTRATIVE – hard when currently don’t trust accounting because year-end closeout has been done wrong for years (balances are off).
- Here are the main things done by our office:
 - Policymaking (graduation requirements, standards, regulations, etc.)
 - Federal program administration and oversight
 - State program administration and oversight
 - Licensing of educators
 - ***Technical service and support (growing “district”-type support to small LEAs)***
 - Adjudicative administrative actions
- There is significant and increasing amount of technical service and support given as the number of small LEAs (charters) increases.
- A large part of the funding for USOE that is not passed through is federal funding *which cannot be used for state purposes*.
- There are large discrepancies between the appropriations units and the organization of our office. These need to be reconciled.