Oregon Department of Education
Portland Public Schools

ODE and PPS Must Do More to Monitor Spending and Address Systemic Obstacles to Student Performance, Particularly at Struggling Schools

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ODE and PPS Must Do More to Monitor Spending and Address Systemic Obstacles to Student Performance, Particularly at Struggling Schools

Report Highlights
At the Oregon Department of Education (ODE) and Portland Public Schools (PPS), monitoring of spending and evaluation of performance is limited and inconsistent, even as student performance continues to lag. This lack of sustained focus limits achievement gains and affects students at high-poverty schools the most. Oregon’s K-12 education funding has fallen into the lower half among states and retirement costs are rising quickly, increasing the importance of ensuring effective education spending.

Background
Since the 1990s, K-12 education funding has shifted substantially to the state, which spends about $4.3 billion a year in addition to local property taxes collected for education. Despite some recent improvement, the state as a whole and PPS specifically still face low graduation rates and large achievement gaps, underscoring the need to improve returns on this investment. However, improving K-12 education requires navigating multiple layers of government, from local to state to federal. PPS’s new leadership has taken important steps toward developing a uniform core curriculum, improving training, and adding student support, but still has substantial work to do. The state is also transitioning to the latest in a series of accountability systems. These challenges increase the risk that a sharp, unified focus on improving student achievement will be further delayed.

Purpose
The purpose of this audit was to examine spending at ODE and PPS, the state’s largest school district, including transparency, controls, and priorities, and determine additional steps these agencies could take to improve returns on the state’s education investments and increase achievement. As a component of the audit, we honored a request from the Oregon Legislature to audit ODE grant management.

Key Findings
1. ODE does relatively little to support and monitor efficient district spending. The Legislature has not required detailed reviews of school district efficiency outside of narrowly focused initiatives.
2. PPS has more money to spend per student than many of its state and national peer districts, but the district is spending proportionately less on instruction and more on support services than many of its peers. Potential savings areas we identified include executive administration, substitute teacher use, health benefits, bus service, and legal costs.
3. PPS needs to develop a more transparent budget, publicly report on the results of its investments in student achievement, and detail how its revenues and spending compare to peer districts. The district also needs to better control increasing employee use of purchasing cards.
4. ODE and PPS are not adequately evaluating whether grants, contracts, and other dollars, often intended for Oregon’s most vulnerable students, are improving student performance. At PPS, contract issues include poor oversight of alternative education contracts and limited scrutiny of non-competitive contracts. ODE has not adequately evaluated its school improvement efforts under the federal Title I program, focused on some of the most vulnerable children in the state. The lack of sustained focus at
PPS and statewide has the most detrimental effect on schools serving high numbers of African-American, Latino, and economically disadvantaged students.

5. At PPS, inequities affecting these students include relatively high rates of teacher turnover and absences at high-poverty schools, a disconnect between teachers and administrators on managing student conduct, and a teacher hiring and transfer system that contributes to high-poverty schools having less experienced teachers. The district has also not prioritized principal or teacher stability at high-poverty schools, adequately supported principals, or developed a consistent and effective performance evaluation system.

6. In comparison to students in peer districts, PPS does relatively poorly with African-American, Latino, and economically disadvantaged students. Conversely, the district does relatively well compared to peers with white students and students who are not economically disadvantaged.

7. ODE's limited enforcement of district standards, a new K-12 accountability system at risk of delays, a reliance on short-lived improvement initiatives, and a disjointed system of education funding all increase the risk that the state's student performance will continue to lag. ODE enforcement of standards designed to improve student achievement is limited, and education leaders and the Legislature have not resolved how best to improve districts without infringing on local control.

**Recommendations**

We made 26 recommendations to help improve return on education investments at ODE and PPS.

Among the key recommendations for ODE:

- Coordinate with the Governor's Office, the State Board of Education, the Legislature, and districts to develop a plan to align education investments for the long-term.
- Work with the State Board and stakeholders to evaluate Division 22 district standards for clarity and enforceability and ensure that ODE has adequate resources to review compliance and enforce standards when districts fall short.
- For key grants, incorporate best-practice performance management, including setting quantitative and qualitative performance expectations in contracts, establishing baseline measurements, and providing timely and constructive feedback to grantees.

Among the key recommendations for PPS:

- Investigate and report on potential savings areas in depth, including the level of executive administration, use of substitute teachers and educational assistants due to educator absences, health benefits, bus services, legal services, and building utilization.
- While working to improve instructional quality, address other obstacles that create inequities at high-poverty schools. Strategies include changes to attendance rules, boundary changes, and practices that could encourage retention of high-quality principals and teachers at high-poverty schools, such as additional pay, enhanced training, and additional classroom support.

We also made a recommendation to the PPS school board. In general, the board should ensure that district administrators prioritize key steps to improve the efficiency and effectiveness of district operations. These steps include developing a strategic plan that focuses on long-term investment and measurement of results, and addressing inequities at high-poverty schools.

ODE and PPS agreed with all of our recommendations, with agency leaders detailing steps the agencies have already taken and providing timelines for completion. The auditees’ responses are at the end of the report.
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Introduction

The state of Oregon provides a large share of K-12 school funding. Portland Public Schools, or PPS, is the largest district in the state. The state as a whole and PPS specifically have low graduation rates and substantial achievement gaps. The purpose of this audit was to examine spending transparency, controls, and priorities of both the Oregon Department of Education (ODE) and PPS, and determine additional actions these agencies can take to improve student achievement.

Improving K-12 education requires navigating multiple layers of government

In Oregon, school districts, school boards, ODE, the State Board of Education, the Legislature, the Governor, and education leaders in the Governor's Office are all responsible for improving education and ensuring money is spent effectively. The federal government also plays a key role, issuing large grants and requiring states to build accountability systems.

ODE's role is to provide curriculum content standards, technical assistance, monitoring, contract and grant administration, and statewide leadership on education issues. It is charged with ensuring that school districts comply with laws and rules, and it reports student performance information for districts and schools. ODE's operations budget totals $198 million for 2017-19, funding 469 positions. About 40% of that money comes from federal sources.

The Chief Education Office, housed within the Governor's Office, is charged with building a seamless system of education in Oregon, and has control over multi-agency planning for ODE,
the Higher Education Coordinating Commission, and the Teachers Standards and Practices Commission. It aims to improve student results by building stronger connections and curriculum alignment from early learning through post-secondary education and the workforce. The Chief Education Officer is also the Governor’s education advisor. This office is due to sunset June 30, 2019, with many of its responsibilities transferring to ODE.

**The State Board of Education** sets educational policies and standards for Oregon public schools. The board is made up of seven voting members appointed by the Governor and approved by the Senate. The State Treasurer and Secretary of State, or their designees, are also on the board, serving as non-voting, ex-officio members.

**State legislators** approve State School Fund allocations, among other fiscal duties related to education. Through the bills they pass and grants they approve, legislators also send important signals of what they expect from schools, districts, and state-level education officials.

**The Governor** is the Superintendent of Public Instruction and appoints the Deputy Superintendent of Public Instruction to lead ODE and the Chief Education Officer to lead the Chief Education Office.

**Oregon’s 197 school districts and their elected boards** are responsible for governing their schools consistent with State Board of Education policies. Districts establish improvement plans, set school days and hours, determine their curriculum, and decide how they will distribute their allocation of state school funding.

**PPS**, the state’s largest district by enrollment, has a seven-member board, elected to four-year terms. The board establishes policies that direct instructional and support programs, employs and evaluates the superintendent, and is accountable for all fiscal matters that significantly affect operations. The district’s major administrative categories include school support, student support, an academic office, finance, human resources, technology, and operations. The district’s General Fund budget for 2018-19 is $655 million.

**Oregon’s 19 education service districts** and their elected boards assist school districts by region, providing regional services to public school students across districts, such as intensive services for students with special needs.

**The federal government** plays a large role in Oregon’s efforts to improve results for vulnerable students. The new Every Student Succeeds Act (ESSA), which replaced No Child Left Behind, provides grants that support students in poverty and other historically underserved groups. ESSA also requires states to have an accountability system that identifies schools and districts that need improvement. Federal officials approved Oregon’s ESSA plan in August 2017. Due to new ESSA requirements, Oregon is changing significant portions of its accountability system.

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**Portland Public Schools** (2017-2018)

<table>
<thead>
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<th>Student Enrollment:</th>
<th>48,650</th>
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<td><strong>Student Information:</strong></td>
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<tr>
<td>White</td>
<td>56.7%</td>
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<td>Hispanic/Latino</td>
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<tr>
<td>Asian</td>
<td>7.0%</td>
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<tr>
<td>Native Hawaiian/Pacific Islander</td>
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<tr>
<td>American Indian/Alaska Native</td>
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<table>
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<td>32</td>
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<td>K-8</td>
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<td>Middle Schools</td>
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<td>High Schools</td>
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<table>
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<td>Teachers</td>
<td>3,439</td>
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<td>Classified Represented</td>
<td>2,031</td>
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<td>Licensed School Admin.</td>
<td>173</td>
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<td>Not Represented</td>
<td>425</td>
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<tr>
<td>Substitutes</td>
<td>866</td>
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<td>Other</td>
<td>666</td>
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<td><strong>Total</strong></td>
<td>7,600</td>
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State funding for K-12 has increased significantly due to citizen-approved ballot measures and legislative actions

In Oregon, general state support for school districts and regional education service districts comes from the State School Fund, which totals $8.2 billion for the 2017-19 biennium. That figure includes $7.6 billion from the state’s General Fund, which receives most of Oregon’s income tax revenue.

Money for K-12 schools also comes from local property taxes and from grant funds, both federal and state, such as federal Title I grants for schools in high-poverty areas. State grants are expected to total roughly $450 million in the 2017-19 biennium, while federal grants passed through ODE are projected to top $1.2 billion.

The state’s share of K-12 school funding increased dramatically after 1990, when voters passed Measure 5, limiting local property taxes for schools. The state’s non-grant school funding grew from about 30% of total school funds before Measure 5 to 67% in the 2017-19 biennium.

Another substantial shift in school funding came with the Legislature’s adoption of an “equalization” formula in 1991. This formula makes per student funding for operations — state money plus local property taxes — more equal between districts with high local property tax collections and districts in less wealthy areas. The formula also allocates more money for students who need additional services, such as students in special education and students in English language learner programs.

K-12 schools receive nearly 40% of the state’s General Fund, up from 25% before Measure 5 and the state’s equalization strategy took effect.

School districts have limited control over revenues but significant control over spending

Property tax caps, the state’s greater financial involvement, and the equalization formula have combined to give Oregon’s 197 school districts relatively little control over their own revenue. The Legislature determines state grants and, most importantly, General Fund and lottery allocations to education. The funding formula guides distribution of the bulk of school money.

School districts can still raise some additional revenue. District voters can approve construction bonds, paid for with local property taxes. Voters can also approve local option property taxes for operations costs that are not counted in the state’s education funding formula. Local option taxes are capped, however, to limit per student funding disparities between districts.

PPS, the state’s largest district with 48,650 students in fall 2018, has passed two large construction bonds, the latest in 2017 for $790 million. District voters have also passed a local option levy, making PPS one of about 20 Oregon districts with local option revenue.

For the 2018-19 school year, PPS expects to receive $655 million for its General Fund — $238 million from state funds, $236 million from general property taxes, $95 million from the local option levy, and the remainder from a variety of funds. As discussed later in the report, PPS’s per student level of funding is the highest among peer districts in Oregon.

Spending of these dollars is largely up to local school boards, absent specific requirements tied to grants and other restrictions on special revenue sources. Making spending decisions locally is consistent with Oregon’s philosophy of local control by school districts.
Oregon’s K-12 funding and spending falls roughly in the middle of the pack; student-teacher ratios are high

Several national organizations rank states on how much K-12 funding they receive and how much they spend on each student. The U.S. Census and National Center for Education Statistics (NCES), and the National Education Association (NEA), a teacher’s union, develop these rankings by analyzing state revenue and spending data on a per student basis.

The rankings differ because of different methodologies, but Oregon remains in the lower tier for all 50 states in both rankings. Oregon’s rankings drop after adjustments for regional price differences.1 See Figure 1.

Figure 1: Oregon’s adjusted per student education revenues and expenses rank from 27th to 35th compared to other states and the District of Columbia

<table>
<thead>
<tr>
<th></th>
<th>Revenue – Not adjusted</th>
<th>Revenue – Adjusted for price differences</th>
<th>Current expenses – Not adjusted</th>
<th>Current expenses – Adjusted for price differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Census/NCES 2015-16</td>
<td>Rank: 26th</td>
<td>33rd</td>
<td>30th</td>
<td>35th</td>
</tr>
<tr>
<td></td>
<td>Per student: $12,838</td>
<td></td>
<td>$10,842</td>
<td></td>
</tr>
<tr>
<td>NEA – 2015-16</td>
<td>Rank: 21st</td>
<td>27th</td>
<td>22nd</td>
<td>29th</td>
</tr>
<tr>
<td></td>
<td>Per student: $13,136</td>
<td></td>
<td>$11,144</td>
<td></td>
</tr>
</tbody>
</table>

Source: Census/NCES and NEA data on revenue and spending per student.

Oregon’s ranking on revenues per student has fallen over time. According to ODE, Oregon ranked 15th in revenues per student in the unadjusted NCES data in 1990-91, before Measure 5 took effect. By 2015-16, its ranking fell to 26th. Northeastern states and resource-rich states, such as Alaska and Wyoming, tend to rank highest on both revenue and spending per student, with per student revenues topping $20,000 in five states.

Teacher salaries and benefits represent a significant portion of school spending, and NEA data indicate Oregon’s lower-half spending ranking contributes to a high student-teacher ratio compared with other states. The ratio is important because a low student-teacher ratio can allow teachers to focus more on individual students to raise their performance, which makes a particular difference in early grades and with disadvantaged students. Oregon had almost 20 students per teacher in the 2015-16 and 2016-17 school years, making it fifth- and sixth-highest among the states. Conversely, states with the lowest student-teacher ratios had ratios ranging from 10 to 13 students per teacher. These states were also often among the highest revenue states.

Oregon spent more on benefits and less on salaries and wages than other states, ranking 38th in salaries and wages per student and 17th in benefits. Benefits are the major cost category where Oregon exceeded the national average by the largest margin in 2015-16. In Oregon, benefits per student totaled 29% of current expenses, greater than the 24% national average and the 22% total in Washington. This

Employee retirement costs
Retirement account contribution rates have roughly doubled since the 1980s and 1990s for Oregon school districts, and are expected to rise another 19.5% in the 2019-21 biennium.

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1 We adjusted the latest comparable numbers for both sources — in school year 2015-16 — for regional price differences to more fairly compare the buying power of Oregon’s funding to other states.
is likely because of the state’s Public Employees Retirement System (PERS), which has seen costs grow substantially.

Retirement account contribution rates have roughly doubled since the 1980s and 1990s. For the 2019-21 biennium, the contribution rate is projected to rise another 19.5%, contributing to an expected 7% increase in State School Fund contributions. Other education cost drivers include health insurance (up 6.9%), teacher salaries (up 4.3%), and enrollment (up 0.9%).

Oregon’s operating revenue per student has risen, but inflation has absorbed much of the growth

The most accurate way to analyze K-12 revenue growth is on a per student basis, to account for revenue increases caused by rising student enrollment. ODE tracks operating revenues statewide on a per student basis, folding in local, state, and federal resources. Adjusting those dollars for inflation also gives a better picture of revenue increases, above and beyond costs absorbed by the routine inflation that consumers also face.

From the 1990-91 fiscal year to 2016-17, Oregon’s operating revenue per student rose 127% from $5,019 to $11,381, despite falling in 2003, 2005, and 2010. However, adjusted for inflation, the actual increase was 17%. See Figure 2.

Figure 2: K-12 per student operating revenues have increased over time, although at a much lower rate when adjusted for inflation

Source: ODE; OAD inflation-adjustment to base year FY 1991 based on Portland-Salem Consumer Price Index for All Urban Consumers. All data in fiscal years.

Oregon is short of the money needed to fund a system of highly effective schools across the state, according to the latest report from Oregon’s Quality Education Commission. The Commission, staffed by ODE and the Chief Education Office, estimated that Oregon was nearly $1.8 billion, or 22%, short of the needed funding level in the 2017-19 biennium.

Students from relatively wealthy families may not be affected as sharply by funding shortfalls, research indicates, but they are a particular concern for students living in poverty. A major study from 2016, based on nationwide data for students born between 1955 and 1985, found that increases in per student spending significantly improve educational attainment, graduation
rates, and long-term earning potential for low-income students, but not for students from wealthier families.²

**Despite recent improvements, the state and PPS still face low graduation rates and large achievement gaps**

Since 2014, the Secretary of State has conducted three performance audits that documented Oregon’s struggles with graduation rates and achievement gaps.³ Achievement gaps focus on performance differences among economically disadvantaged students and historically underserved students compared to other students — a gap that can mean students are years behind their peers in learning.

The state as a whole, and PPS specifically, have improved in some areas, but substantial shortfalls remain.

Since 2011, Oregon’s four-year graduation rate increased for all categories of students across race, economic status, and other demographic categories. African-American and Latino students in particular gained substantial ground. Yet Oregon’s 2016-17 graduation rate of 76.7% was just 1.9 percentage points above the 2015-16 rate, when Oregon ranked 48ᵗʰ nationwide. Substantial gaps also remain based on economic status, language fluency, race, and disability status.

**Figure 3: Oregon’s four-year graduation rate has increased across the board, but significant gaps remain among student groups**

<table>
<thead>
<tr>
<th>Student Group</th>
<th>2011-12</th>
<th>2016-17</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Students</td>
<td>70.0%</td>
<td>76.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Economically Disadvantaged</td>
<td>63.3%</td>
<td>70.1%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Not Economically Disadvantaged</td>
<td>77.1%</td>
<td>85.4%</td>
<td>8.3%</td>
</tr>
<tr>
<td>English Language Learners in High School</td>
<td>51.9%</td>
<td>54.9%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Former English Language Learners</td>
<td>N/A</td>
<td>82.5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Not English Language Learners</td>
<td>71.5%</td>
<td>77.6%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Asian</td>
<td>81.7%</td>
<td>88.9%</td>
<td>7.2%</td>
</tr>
<tr>
<td>White</td>
<td>72.7%</td>
<td>78.0%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Multi-Racial</td>
<td>70.3%</td>
<td>77.4%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>61.3%</td>
<td>72.5%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific Islander</td>
<td>67.2%</td>
<td>69.4%</td>
<td>2.2%</td>
</tr>
<tr>
<td>African-American/Black</td>
<td>55.4%</td>
<td>67.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>American Indian/Alaska Native</td>
<td>53.3%</td>
<td>59.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Students with Disabilities/Special Ed</td>
<td>49.3%</td>
<td>58.8%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Students without Disabilities</td>
<td>73.2%</td>
<td>79.6%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Source: ODE cohort graduation rate data. Graduation data from 2011-12 are adjusted to include modified diplomas. The Former English language learner student group was not tracked in 2011-12.


Like the state, PPS has also increased graduation rates across all demographic groups, moving from well below the statewide graduation rate eight years ago to a percentage point above it — at 77.9% — in 2016-17. For the 2016-17 school year, the four-year graduation rate at PPS for students with disabilities was 64%, an increase from 38% in the 2012-13 school year. Four-year graduation rates also rose in that period for the district's African-American students (53.1% to 64.7%) and Hispanic/Latino students (57.2% to 71.8%).

Graduation rates for African-American and Latino students remain slightly below the state average for those subgroups, however, and significant achievement gaps remain. As the state ranking noted above indicates, Oregon’s statewide average is low compared to other states.

Since the 2014-15 school year, Oregon has required annual Smarter Balanced achievement tests in math and English Language Arts, including reading and writing. In 2017-18, the latest year of test scores available, the state had deep achievement gaps in both English Language Arts and math between white students and historically underserved students. It also had a large gap in English Language Arts and math between students classified as economically disadvantaged and non-economically disadvantaged.

The achievement gaps at PPS, however, were far deeper than the statewide average.

The district's white students scored higher than comparable students statewide, while African-American, Pacific Islander, and economically disadvantaged students scored lower than students statewide. Latino students scored at the state average, and students with disabilities scored above it.

**Figure 4: PPS trails the state in achievement test performance of some key demographic groups**

<table>
<thead>
<tr>
<th></th>
<th>PPS % Met or Exceed</th>
<th>State % Met or Exceed</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>74%</td>
<td>61%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>American Indian/Alaskan Native</td>
<td>36%</td>
<td>39%</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific Islander</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>African-American/Black</td>
<td>21%</td>
<td>32%</td>
</tr>
<tr>
<td>Not Econ. Disadvantaged</td>
<td>34%</td>
<td>42%</td>
</tr>
<tr>
<td>Econo. Disadvantaged</td>
<td>32%</td>
<td>42%</td>
</tr>
<tr>
<td>Students without Disabilities</td>
<td>66%</td>
<td>61%</td>
</tr>
<tr>
<td>Students with Disabilities</td>
<td>31%</td>
<td>19%</td>
</tr>
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</table>

Source: ODE 2017-18 data on Smarter Balanced English Language Arts test results, all grades combined.

**Figure 5: PPS student achievement gaps are generally larger than the statewide average**

<table>
<thead>
<tr>
<th></th>
<th>PPS Gap</th>
<th>State Gap</th>
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</thead>
<tbody>
<tr>
<td>White - African-Am./black</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>White - Nat. Haw./Pac. Islander</td>
<td>37%</td>
<td>45%</td>
</tr>
<tr>
<td>White - Hisp./Latino</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>White - Am. Ind./Alaska Native</td>
<td>23%</td>
<td>38%</td>
</tr>
<tr>
<td>Not Econ. Disad - Econ. Disad.</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Not Disabled - Disabled</td>
<td>35%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: Auditor analysis of 2017-18 English Language Arts test data from ODE.
The biggest gap at PPS — about 50 percentage points — was between white students and African-American students. Across all grades tested in 2017-18, only 21% of African-American students at PPS met or exceeded state standards in English Language Arts, and only 11% did in math. That compares to 74% of white students in English Language Arts and 60% in math. The district also had larger gaps than the state for economically disadvantaged students and each category of historically underserved students.

Roughly 80% to 90% of PPS’s African-American students did not meet grade-level standards on the state’s 2017-18 achievement tests.

**PPS has faced substantial organizational challenges and controversies that can erode public trust and confidence**

PPS has faced longstanding organizational risks, challenges, and performance issues. Over the years, PPS performance audits from both internal and contracted auditors have pointed out problems and suggested solutions. As far back as 1998, a 300-page contracted audit suggested numerous improvements for the district, including developing a strategic plan, better tracking the performance of historically underserved students, and addressing “a crisis of confidence” among district stakeholders.

Audits in the last decade have focused on the district’s low graduation rates, problems with school improvement planning, teacher absences, performance measures, facilities maintenance, and employee performance evaluations, among other topics. A 2016 risk assessment⁴ found inadequate accountability and governance, and raised concerns about the district’s ability to retain knowledgeable, experienced personnel. District-commissioned investigations and media reports have also raised substantial management issues.

In recent years, PPS has faced a series of controversies that raised concerns about accountability and decision making in the district. In 2016, the district superintendent stepped down after nine years in the position over the district’s lack of action on high lead levels in school water. Media reports in 2017 and a subsequent school board-ordered investigation spotlighted district officials’ failure to take action after years of reports accusing a longtime educator of sexual misconduct.

Also drawing scrutiny:

- Contracts with no competition;
- Rising legal costs;
- Public records availability;
- Inadequate course offerings in schools serving students of color;
- Questions of principal competency;
- Extended paid leave for teachers and administrators; and
- Understated budgets for a $790 million construction bond district voters approved in 2017.

**PPS is working on substantial initiatives**

PPS has a new superintendent, who arrived in October 2017, and a new executive team. The board is also relatively new, with no members starting before 2015. Since 2017, the district has made progress on developing a uniform core curriculum in math and English and aligning it to state standards by grade level. Administrators have also begun efforts to improve teacher and

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principal training and to add more support for students with behavioral issues, creating a separate department to provide targeted support to students.

The district is also beginning to implement uniform interim assessments of students in math and reading — assessments given during the year instead of the end. The interim assessments and more uniform curriculum should help teachers, principals, and district officials better monitor student and school performance and make needed adjustments.

District leaders and the board have begun working on a strategic plan; the district is without one now. The district also added two new middle schools serving some high-poverty areas that should allow for more equitable course offerings in the middle school grades. It set a new public records policy, began responding to investigator recommendations in the misconduct investigation, increased board oversight of legal contracts and costs, required external auditors to examine bond budget gaps, and is beginning to focus more on improving the performance of contractors who serve students.

The district has no internal auditors, but plans to hire two. Plans for the coming years include fully implementing a core curriculum in all key subject areas, completing the strategic plan, changing student discipline policies, developing school climate plans for all schools, and developing a five-year plan for increasing racial equity in the district, including diversifying staff.

These changes will likely help, but PPS’s substantial work-in-process, long-running student performance challenges at the state and district levels, expected cost increases, and a new state accountability system increase the risk that a sharp, unified focus on improving student achievement will be further delayed. Our findings focus on additional efficiencies and improvements the state and district can make as both go through important transitions.
Objective, Scope, and Methodology

Objective

The objective of this audit was to examine spending at ODE and PPS, the state's largest school district, and determine additional steps these agencies could take to improve return on the state's education investments and increase achievement.

Scope

The audit focused on ODE and PPS's monitoring of operational spending, including grants and contracts. It also focused on ODE and PPS's performance management, particularly for high-poverty schools. As a component of the audit, we honored a request from the Oregon Legislature to audit ODE grant administration practices. We did not focus on PPS's considerable construction spending, which is drawn primarily from local property taxes on voter-approved bonds that do not include state money.

Methodology

To address our objectives, our methodology included, but was not limited to: conducting interviews and research; visiting schools; analyzing spending, staffing, and student performance data at PPS, in Oregon and nationwide; reviewing laws, regulations, and policies; reviewing budgets in PPS and other districts; reviewing grant and contract documents; and analyzing PPS data and reviewing documents on staff turnover, performance evaluations, teacher and educational assistant absences, purchasing card usage, and contracts.

Our analysis covered multiple areas at the district and state level, including spending, staffing, student outcomes and achievement, purchasing card transactions, educator performance evaluations, and contracted services. In these analyses, we included the most recent data available at the time of our testing. For example, for PPS spending and staffing trends, we focused on fiscal years from 2012-13 through 2018-19, while comparisons with other states were based on available data from 2015-16 and 2016-17. We based our comparison of student outcomes and performance at PPS with other Oregon districts on data provided by ODE from the 2011-12 through 2016-17 school years. The available achievement data for comparisons between PPS and out-of-state districts was older, covering 2008-09 through 2014-15. Throughout the report, we identify the time periods covered by specific types of analysis where applicable.

Interviews and visits

We conducted interviews with legislators, ODE leadership and staff, the chair of the State Board of Education, the Chief Education Officer and staff in the Chief Education Office, PPS board members, PPS executive leadership, and PPS administrative and school staff. We also visited four high-poverty schools in PPS where we talked to principals, teachers, and parents.

We conducted interviews or corresponded with ODE and PPS stakeholders, among them:

- Oregon Education Association;
- Oregon School Boards Association;
- Confederation of Oregon School Administrators;
- Oregon Parent Teacher Association;
- Stand for Children;
- Coalition of Communities of Color;
• Portland Federation of School Professionals;
• All Hands Raised;
• Education Northwest;
• Latino Network;
• Self Enhancement Inc.;
• Community activists and critics; and
• Education leaders in other districts in Oregon and nationwide.

Leaders of PPS’s teachers’ union, the Portland Association of Teachers (PAT), declined to speak with us. We cannot compel external stakeholders to participate in a publicly funded state audit executed under Government Auditing Standards, but it is unusual for key stakeholders to decline to share their views. We spoke with individual teachers, reviewed PAT communications, and reviewed news stories and opinion columns involving PAT to obtain teacher and PAT perspectives.

**Revenue and spending analysis**

To compare revenue and spending between states, we used data from the U.S. Census Bureau, the National Center for Education Statistics (NCES), and the National Education Association. Census Bureau data also allowed us to compare PPS revenue and spending to revenue and spending in out-of-state districts, both NCES peers and the member districts of the Council of the Great City Schools, whose members include PPS and other urban districts nationwide. We adjusted the state and district data for regional price differences using U.S. Bureau of Economic Development Regional Price Parities data for states and for Metropolitan Statistical Areas.

We compared revenue and spending at PPS to other large Oregon districts and smaller nearby districts in the Portland area using ODE data. We also used ODE data on district staffing to evaluate PPS staffing relative to other districts. Finally, we used PPS data on spending and staffing to evaluate the district’s spending and staffing over time, and evaluated changes in its budget from 2017-18 to 2018-19.

Our evaluation of purchasing card use at PPS included analysis of 21 months’ worth of transactions using Audit Command Language (ACL) database software.

**Grant, contract, and performance evaluation review**

To evaluate ODE and PPS performance management of grants and contracts, we drew on criteria from the Government Finance Officers Association, the Oregon Accounting Manual, the Government Accountability Office, and the Oregon Department of Administrative Services.

We focused our grant review on four grants intended to improve education for some of Oregon’s most vulnerable students: federal Title I grants aimed at students living in poverty; federal Title III grants for students learning English; a state grant program for students learning English; and the state’s African-American/Black Student Success grants.

Our PPS contract review focused on active contracts and primarily on contracts designed to improve student performance. We judgmentally selected 25 contracts for review, aiming for a mix of departments at PPS and contract sizes.

For both grants and contracts, we spoke with managers and evaluated documentary evidence of performance management and evaluation.

To evaluate performance evaluations at PPS, we analyzed data and procedures. We then reviewed a judgmental selection of 32 evaluations of teachers, principals, and central office administrators who oversee schools.
Comparison of PPS student performance in Oregon and nationally

To assess PPS performance with its most vulnerable students relative to other districts in Oregon, we asked ODE for data on six metrics — regular attenders, freshmen on track, four-year graduation rates, five-year completer rates, post-secondary enrollment, and Smarter Balanced achievement scores by grade. We also asked ODE to break down those results by specific subgroups — African-American, Latino, white, ever English learners (students who have ever been classified as English language learners), and disabled or special education students, and to break down results within those subgroups by whether the students were classified as economically disadvantaged or not.

We compared PPS performance to 12 other districts in the state with more than 10,000 students enrolled and to two smaller districts in Multnomah County.

For out-of-state performance comparisons, we used NCES data to identify peer districts for comparison. We also compared PPS to other members of the Council of the Great City Schools group. In this analysis, we compared graduation rates from the U.S. Department of Education and district achievement test data from the Stanford Education Data Archive. See Appendix A for further details.

Data reliability

We assessed the reliability of ODE data by evaluating similar assessments of reliability conducted by this office in four recent audits involving ODE. For the PPS data, we reviewed recent audits and existing information about the data and the system that produced them, interviewed or surveyed agency officials knowledgeable about the data, and evaluated the reasonableness of individual data sets. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis to achieve our audit objective.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of ODE and PPS during the course of this audit.
Audit Results

The state education system’s lack of strategic planning and disjointed approach to funding contributes to the limited tracking of student performance. Multiple sources of spending and short-lived initiatives make it more difficult to track program effectiveness and correlate spending decisions to outcomes.

ODE and PPS are not adequately evaluating whether grants, contracts, and other dollars, often intended for Oregon’s most vulnerable students, are improving student performance outcomes. The lack of sustained focus at PPS and statewide has the most detrimental effect on schools serving high numbers of African-American, Latino, and economically disadvantaged students. At PPS, these schools already face high teacher turnover and absences, frequent principal changes at some schools, a disconnect between teachers and administrators on managing student conduct, and a teacher hiring and transfer system that can prioritize educators over the district’s neediest students.

PPS’s board, which oversees district management, should ensure that district leaders prioritize addressing these problems. The board should also prioritize a more transparent budget, deeper analysis of potential savings areas, and improved contracting and purchasing card controls. Finally, the board should ensure that the district’s strategic plan focuses on long-term investment and measurement of results, and addresses challenges in the district’s organizational culture, including the divide between central administrators, principals, and teachers.

ODE and PPS can more effectively monitor and control spending to help increase student achievement

As noted previously in this report, research indicates adequate school funding is particularly important to increase the performance of students living in poverty. Compared to other states, ODE can do more to monitor state education funds and to encourage efficient and effective spending at the district level.

PPS, with relatively high funding compared to many peer districts, needs to better benchmark its spending against peers and analyze spending trends to identify potential savings areas. Our peer analysis identified several potential savings areas including: executive administration, use of substitute teachers and educational assistants, health benefits, bus service, legal costs, and building utilization.

The district also needs to improve the transparency of its budget to facilitate scrutiny of costs, and better control its growing purchasing card use.

ODE does relatively little to support and monitor efficient district spending

ODE’s support of school districts with respect to spending is limited to establishing a detailed chart of accounts, detailing district spending online, and preparing an annual report on education resources, known as the Quality Education Model, as required by the Legislature. That report focuses primarily on revenues compared to funding needs, not a detailed analysis of spending.

Under new federal rules, ODE is also working — as are other states — to better define per student spending at schools and disclose it publicly. If these new definitions include enough detail, ODE and districts should have more opportunities for cost and staffing analysis between similar schools. State law also requires financial audits of school districts, though those audits do not focus on spending efficiency or effectiveness.
Several other states do more to identify spending issues, including Arizona, Texas, and Florida.

**Arizona’s Auditor General** conducts performance and spending audits of school districts, which include evaluating amounts spent on classroom instruction, comparing districts of similar size, type, and location, and detailing efficient and inefficient operating practices. Efficient districts tend to have more students per administrative position, for example, while inefficient districts have higher non-classroom staffing levels.

**Texas’s Legislative Budget Board** periodically reviews school district performance and spending and publishes reports on overarching school spending issues. Board staff scrutinize many aspects of school district management practices, including organizational structure, education service delivery, and facility maintenance. Recent reports on school spending have examined school district participation in regional purchasing cooperatives to get volume discounts and a comparison of school finance formulas in various states.

**Florida’s Auditor General** conducts operational audits of school districts that cover many topics. Spending-related scrutiny in past audits included financial condition assessments and reviews of procurement controls, purchasing card expenses, and bidding procedures.

In Oregon, the Legislature has not required detailed reviews of school district efficiency outside of more narrowly focused initiatives, such as a recent requirement that ODE monitor spending and performance in English language learner programs.

**PPS can better monitor its spending and identify potential savings areas by comparing its spending to peer districts and analyzing spending trends in more depth**

Benchmarking spending and operations against other districts can reveal potential savings and identify ways to direct more spending to classrooms. The Council of the Great City Schools, of which PPS is a member, benchmarks its members in some detail. Other districts in Oregon with enrollment above 10,000 students also benchmark against each other. Similarly, analyzing trends in spending and staffing over time can highlight growth inside and outside the classroom and help decision makers focus investment on district priorities.

PPS’s benchmarking and the trend analysis it provides for decision makers has been limited. In part, this is because the district’s budget and finance staff, like most of its administrative staff, has experienced significant turnover in recent years.

We compared PPS spending with other districts in Oregon and nationally, then analyzed the district’s spending trends. Our analyses indicate:

- PPS has more money to spend on operations than its state peers and many, though not all, of its national peers.
- The district’s support services spending is rising faster than instructional spending.
- Spending growth and high costs compared to peers for some non-classroom support services indicates potential areas of savings.

**Comparisons to state and national peers** indicate PPS is relatively well funded, though inflation has reduced PPS’s spending growth considerably. The district’s inflation-adjusted operations spending rose 8% from 2013 to 2017, less than half the unadjusted rate.

Even with this modest growth rate, PPS had the highest operating spending per student in 2016-17 among the state’s 10 largest districts. PPS spending exceeded the second-highest district,
Salem-Keizer, by a 20% margin. About four-fifths of the difference came from PPS’s voter-approved local option tax, which brought in $87 million that year. Salem-Keizer did not have a local option tax. PPS also had more money to spend per student in 2016-17 than smaller districts in Multnomah County that had higher percentages of students in poverty. See Figure 6.

Figure 6: PPS has higher operating costs per student than other large districts and nearby districts

<table>
<thead>
<tr>
<th>District</th>
<th>County</th>
<th>2016-17 enrollment</th>
<th>2016-17 operating cost per student</th>
<th>% students in poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland</td>
<td>Multnomah</td>
<td>47,240</td>
<td>$13,678</td>
<td>13%</td>
</tr>
<tr>
<td>Salem-Keizer</td>
<td>Marion</td>
<td>41,718</td>
<td>$11,332</td>
<td>20%</td>
</tr>
<tr>
<td>Beaverton</td>
<td>Washington</td>
<td>40,800</td>
<td>$11,050</td>
<td>11%</td>
</tr>
<tr>
<td>Hillsboro</td>
<td>Washington</td>
<td>20,686</td>
<td>$11,227</td>
<td>13%</td>
</tr>
<tr>
<td>Bend-La Pine</td>
<td>Deschutes</td>
<td>17,699</td>
<td>$10,064</td>
<td>13%</td>
</tr>
<tr>
<td>North Clackamas</td>
<td>Clackamas</td>
<td>17,309</td>
<td>$10,473</td>
<td>12%</td>
</tr>
<tr>
<td>Eugene</td>
<td>Lane</td>
<td>17,258</td>
<td>$10,734</td>
<td>16%</td>
</tr>
<tr>
<td>Medford</td>
<td>Jackson</td>
<td>14,081</td>
<td>$10,022</td>
<td>24%</td>
</tr>
<tr>
<td>Tigard-Tualatin</td>
<td>Washington</td>
<td>12,808</td>
<td>$10,922</td>
<td>13%</td>
</tr>
<tr>
<td>Gresham-Barlow</td>
<td>Multnomah</td>
<td>11,972</td>
<td>$10,457</td>
<td>16%</td>
</tr>
<tr>
<td>Reynolds</td>
<td>Multnomah</td>
<td>11,538</td>
<td>$11,621</td>
<td>25%</td>
</tr>
<tr>
<td>Springfield</td>
<td>Lane</td>
<td>11,064</td>
<td>$10,322</td>
<td>23%</td>
</tr>
<tr>
<td>David Douglas</td>
<td>Multnomah</td>
<td>10,591</td>
<td>$13,349</td>
<td>26%</td>
</tr>
<tr>
<td>Centennial</td>
<td>Multnomah</td>
<td>6,145</td>
<td>$11,194</td>
<td>25%</td>
</tr>
<tr>
<td>Parkrose</td>
<td>Multnomah</td>
<td>3,238</td>
<td>$11,402</td>
<td>21%</td>
</tr>
</tbody>
</table>

Sources: ODE financial reports; poverty percentages based on data used to calculate 2016-17 State School Fund disbursements.

To evaluate PPS spending against that of national peer districts, we first looked at 29 peer districts we identified by using the NCES peer district identification tool. At PPS’s suggestion, we also looked at the 19 members of the Council of the Great City Schools with enrollment from 40,000 to 60,000 students, close to PPS’s enrollment of roughly 47,000 students. We evaluated both peer groups using U.S. Census data for the 2015-16 school year, the latest comparable district data.

Overall, we found:

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5 This difference was not because PPS had more students in poverty, students in English language learner programs, or students in special education programs — all categories that receive extra money from the State School Fund. Though it had about 5,500 fewer students — 41,700 vs 47,200 — Salem-Keizer had more students in poverty and in English as a Second Language programs, and about the same number of special education students.

6 The council has 70 member districts, including PPS, and seeks to improve urban education.
• PPS had the fifth-highest per student operations expenses in its NCES peer group of 30, at $12,421, despite having the 23rd-lowest poverty ranking in the group. That ranking did not change when we adjusted for regional price disparities.

• PPS ranked 9th in operations spending out of 19 Great City schools, though it had the third-lowest free-and-reduced lunch rate and the lowest proportion of students of color. That ranking was also the same adjusted for regional price differences and non-adjusted.

In the Great City Schools group, district funding corresponded with the generosity of state funding. Seven of the eight districts that spent more than Portland were in states that fund schools well above Oregon’s level per student.

Benchmarking to peers and trend analysis also highlighted growth in PPS support services spending and helped us identify potential savings areas.

We benchmarked PPS spending against in-state and out-of-state peer districts and evaluated trends in spending and staffing over time to gauge where PPS might be able to re-direct dollars to the classroom.

PPS is spending a smaller percentage of its budget on instruction than many of its state and national peers. The percentage is also declining over time as support services costs increase more rapidly than instruction costs. “Support services” is a broad classification that covers employees from school counselors to central office administrators.

According to Census data, 58% of PPS’s current spending went to instruction in 2015-16, 18th among its 30-member NCES peer group. In-state, PPS ranked 11th out of 15 large and metro area districts in the percent of instructional spending in 2016-17, and ranked relatively high in percent spending on support services, 5th out of the 15.7

PPS is also spending more on support services over time. From 2012-13 through to its latest 2018-19 budget, the district’s allocation for instruction grew 31%, while its allocation for support services rose 61%, increasing by $119 million in those seven years.

About half of that increased support spending is for staff and services directly connected to the classroom. Since 2012-13 and continuing in the 2018-19 budget year, PPS has increased spending for school counselors, student support specialists, library staff, instructional specialists, new teacher mentors, and vocational education.

Other support service categories are less connected to the classroom. In-state, PPS ranked high relative to large districts in executive administrative services, fiscal services, principal services, educational media services, and employees earning salaries of more than $100,000. In national benchmarking, PPS ranked high in its peer group for per student spending on business central services, general administration, and school administration.

Within PPS, fast-growing categories include English language learner and special education administration, human resources, legal services, transportation services, school administration, and executive administration.

PPS’s new management plans to benchmark against other Oregon districts going forward. Our own benchmarking identified seven areas with potential for savings on which management may wish to focus.

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7 The higher support spending is not explained by student demographics: PPS ranked 12th in the percentage of students eligible for free-and-reduced lunch and 11th in its proportion of historically underserved students.
Executive administration service grew about $11.5 million from 2012 to 2018, to $16.3 million in the 2018-19 budget. The new superintendent has $2.5 million more for additional investments in equity in schools, and $2.1 million extra for special projects such as setting a strategic plan. Other costs are related to administrative shuffling, legal expense increases, and a general increase of roughly $2.2 million.

Legal costs included in executive administration totaled $3.2 million in the latest budget, rising $2.2 million since 2012 to cover rising district charges, including higher settlements and the need for additional legal services. Separately, the district increased its insurance premium expenses and estimated liability claim losses by about $2 million total.

School administrative services grew $12.4 million to $44 million in the 2018-19 budget. Some of that is due to accounting treatment, according to PPS, but $8.5 million was fueled by a large increase in the number of assistant principals and new equity funds for school administrators. That increase averaged 26% per school.

Substitute use is growing districtwide, increasing about 10% for teachers and 35% for educational assistants from 2014-15 to 2017-18. In 2017-18, absences averaged three weeks for teachers and more than four weeks for assistants, not counting holidays and scheduled breaks. PPS’s per student costs for licensed substitute salaries was 39% higher than the average cost for the next three largest districts in Oregon in 2016-17 — Beaverton, Salem-Keizer and Hillsboro — and 2nd highest among all 15 in-state peers. PPS’s total substitute cost that year topped $7.5 million.

Contracted employee benefits were higher at PPS in 2016-17 than at the next three largest Oregon districts, and third highest per student among all 15 districts. PERS costs were lower at PPS — though expected to increase sharply next year. District data indicate two sets of employees — non-represented employees and employees with the Service Employees International Union — are covered by the Oregon Employee Benefits Board, rather than the district’s employee trust, which has lower costs. The district estimates it lost $15.5 million from 2010 to 2017 because of this arrangement, which it needs legislative approval to change, though supporters of retaining the coverage say these loss estimates are overstated. The district is also ending its early retirement health benefits in 2019 for employees with less than 15 years of experience, which should reduce costs over time.

School bus services are divided between district employees and a contractor. For 2018-19, the contractor’s rate rose 12.5%, increasing costs by $1.3 million and indicating the potential for savings in bus services. Changes in the district’s middle schools configuration also required more routes.

Total administrative salaries per student were 28% higher at PPS versus Beaverton, Salem-Keizer, and Hillsboro in 2016-17. Administration is not a large part of spending — administrative salaries make up about 4% of operations spending — but PPS does have a relatively large number of relatively high-paid administrators. As of December 1, 2017, the district had 257 employees making more than $100,000 compared to 141 in Beaverton, for example. The PPS total included 96 central office employees and 161 principals, vice principals, and assistant principals.

PPS eliminated 65 administrative positions late last school year, but that tally included 30 vacant positions and employees who transferred into other jobs. The 2018-19 budget actually slightly increased administrative positions from 270 in 2017-18 to 277. Positions in executive
administration grew from 51 to 61. The district’s budget also added about 70 licensed professionals, including teachers.

PPS has relatively small neighborhood schools and a relatively high number of schools for its enrollment, generating the need for more school administrators and clerical staff. PPS also has more teachers and librarians per student compared with the next three largest districts.

A higher number of administrators can provide benefits, particularly if the additional employees can improve the district’s performance management and oversight. However, this and other staffing and spending decisions should be a deliberate choice clearly laid out for decision makers and the public.

**PPS’s budget is not transparent and contains few performance measures**

PPS’s budget includes limited program detail, few performance measures, no benchmarking against other districts, little detail on changes in staffing and spending over time, and no information on results from high-priority programs. Substantial initiatives are not detailed in the budget, and large increases in funding outside the classroom, such as increases for executive administration and legal costs, go unexplained.

This lack of transparency has frustrated budget committee members and school board members, who are responsible for approving the budget. In its latest report, included in the 2018-19 budget, PPS’s Community Budget Review Committee noted that it had trouble evaluating the district’s spending. The district needs to invest to monitor program implementation, collect data, report on the impact of investments, and tie the budget to student-centered, measurable goals, according to the report.

Several school board members expressed similar concerns in public meetings as well. During the June board meeting, one board member, an economist, said he had a limited understanding of some aspects of the budget, and was resigned to not having “the full, confident grasp of this going forward that I would like.” Another said the board wants to make fiscal decisions informed by evidence on student achievement, but “we don’t have the data we need to be an organization that makes decisions that way.”

Budgets for the Beaverton School District, Seattle Public Schools, and other local governments, such as Multnomah County, illustrate stronger budget approaches that could help PPS manage its services more effectively. Beaverton’s budget includes benchmark comparisons against other Oregon districts on per student spending, analyses of student achievement with shortfalls identified and strategies for addressing them detailed, and analyses of results and spending on key student performance investments. For example, Beaverton’s 2018-19 budget showed that adding elementary reading intervention teachers helped students make a full year’s worth of reading growth in 16-18 weeks, on average, at a cost of less than $500 per student.

Seattle Public Schools’ budget clearly details costs for direct services to schools versus support services, and specifies staff totals over three years in easy-to-understand categories, such as elementary teacher, counselor, and director/supervisor.

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6 PPS’s Community Budget Review Committee, composed of eight to 12 volunteers, advises the school board on the budget. The committee reviews, evaluates, and makes recommendations to the board on the superintendent’s proposed budget and any other budgetary issues the committee or the board identify. The committee also monitors and advises the Board on the allocation and expenditure of Local Option Levy funds.
Multnomah County's budget details department responsibilities and includes an analysis of successes and challenges. It also includes results on performance measures by division. The Department of Community Justice’s measures, for example, range from the percent of invoices paid within 30 days to the percent of adults convicted of a crime within one year of their supervision start date. Including this kind of content in the PPS budget would facilitate public review. It could also help set priorities and accountability for PPS managers and ensure that funding is aligned with the district’s top priorities.

Finance and budget staff has been limited, with numerous departures in 2018 just before budget preparation. The district had to bring in contractors to help complete the 2018-19 budget. After the budget was completed, PPS hired the former Beaverton School District chief financial officer, who will lead the PPS budget process as deputy superintendent of business and operations, and district leaders say they will make improvements going forward. Given its accountability for fiscal matters, the PPS board should ensure that information in the budget is sufficient for making evidenced-based financial decisions.

**PPS needs to better control purchasing card spending**

Providing employees with purchasing cards has some distinct advantages. The cards allow government employees to make purchases without the administrative cost of processing reimbursements or handling petty cash. They can also make small purchases more efficient. For example, PPS uses an online “marketplace” arrangement with certain vendors under competitively solicited agreements for office supplies and other goods. With strong controls, the cards can also help ensure that employees make purchases only for legitimate business reasons.

PPS has deliberately increased purchasing card spending to reduce administrative burden and take advantage of a 1.7% rebate on standard card purchases. As of March 2018, the district had 385 employees with purchasing cards, from schools to central office departments. These employees spend roughly $13 million a year on goods and services, generating about $200,000 in rebates.

The district’s purchasing cardholders enter their receipts, business purpose, and other documents in an online system, which can also produce monthly summary reports for supervisor review. Two central office staff manage the purchasing card program, provide training, and oversee card use, including reviewing transactions. Other PPS controls over this spending include card limits and individual transaction limits.

However, our review of card transactions from July 2016 through March 2018 found the controls fall short of controls used by the state of Oregon and some other school districts. With 385 cardholders, the district has more cards in circulation and more spending than other large districts in Oregon. Beaverton reports 149 cardholders and $4.5 million in transactions; Salem-Keizer reports 195 cardholders and $3.3 million in transactions.

Among the control gaps:

**Lack of required management review of business purpose.** Manager review is particularly important because central office purchasing card staff lack the knowledge to verify the business purpose of transactions. In fact, the central office staff do not question any non-prohibited transaction if the cardholder lists the purpose as benefiting students. An employee’s manager — a school principal, for example — is likely to have a much better sense of a transaction’s validity. PPS stopped requiring managers to sign-off on card purchases in 2015 because of the administrative burden on managers and to eliminate processing delays. The district sends supervisors the monthly summary reports but does not track whether they review and approve them.
Limited analysis of card use data. Purchasing card staff review almost all transactions, following up on thousands of purchases that do not have adequate supporting documentation. However, the district does not use database software to analyze large groups of transactions for potential fraud, unusual purchases, and spending trends, a widely used approach to spot unusual transactions.

Extensive infractions by cardholders. PPS identified infractions on approximately 1,600 transactions totaling $562,000 in our 21-month time period. Typically, these were purchases that had inadequate supporting documentation or lacked sign-off by the cardholder. Seventy-four transactions involved accidental purchases, many noted as personal items. Another 109 purchases were flagged as unauthorized, such as airline tickets for chaperones’ family members that PPS said cardholders reimbursed. All these transactions require more administrative work because accidental or unauthorized purchases must be paid back and may require human resources involvement. The high volume also increases the risk that improper transactions will not be caught. These transactions could be reduced with more thorough training and stricter enforcement of policy violations.

Employees with multiple infractions retain cards. Our analysis indicated employees could accumulate improper purchases and purchases without adequate documentation and still retain their cards. For example, two employees were allowed to continue using their cards despite at least one infraction each in seven separate months, in violation of district policy. Also, employees with multiple instances of someone using their card numbers for suspected fraudulent transactions are allowed to keep using replacement cards. This is a fraud risk. The employees may not be keeping their cards secure or, in the worst case, could misuse their cards and report transactions as fraudulent.

Insufficient use of Merchant Category Codes. Purchasing card managers can bar purchases from particular merchant categories, such as jewelry, antique, and furrier shops, as a control against improper spending. Except for two cardholders in Facilities & Maintenance and School Modernization departments, PPS, however, does not use Merchant Category Codes to identify prohibited and unusual transactions. We reviewed unusual codes, which PPS officials said were defined more than 12 years ago, and found 16,468 transactions totaling a little over $6 million. Some of those examples were clearly reasonable in a school context, such as expenditures for athletic equipment and field trips. However, others were questionable, such as veterinary services, pawn shop purchases, court costs, doctors, dentists, and hospitals. Several charges indicated the cardholder made a mistake and would reimburse PPS. The two pawn shop purchases were reported as fraudulent, likely made by someone outside the district with a stolen card number, and were reversed by the bank.

Inadequate purchasing card and meals policies. Many of the district’s most important expectations, including when it is appropriate to charge meal expenses, are based on a 2005 board policy. That policy does not bar refreshments at regular staff meetings or refreshments at social events, as the state’s policy does. Unlike PPS, the state also limits working meals to meetings where a minimum of 25 staff are in attendance. Other areas with missing or vague policies include use of unusual merchant codes and relatively loose controls on refreshments for staff meetings and community meetings, retirement parties, student meals, and student incentives such as gift cards and food. We noted $72,000 spent for student incentives during our review period.

We also found the following examples of questionable purchasing card expenses from July 2016 through January 2018:

- PPS spent at least $13,000 on a retirement party for all district retirees in June 2017. The charges, approved by a human resources director, included $9,475 to rent the Portland
Spirit river cruise ship for 125 attendees, $1,068 for leis and other flowers shipped from Hawaii, and $1,725 for crystal clock retirement gifts. By contrast, at state agencies, state policy bars spending taxpayer money on gifts, flower arrangements, invitations, party favors, and retirement refreshments. State policy does not address chartering a boat for retirement celebrations. In March 2018, the district paid $3,800 to reserve the Portland Spirit for the 2018 retirement party.

- PPS employees spent nearly $1.4 million on Amazon purchases of school supplies and other goods with their cards, plus monthly or annual Amazon Prime memberships for about 70 cardholders at a cumulative cost of just under $8,000. In the time period we reviewed, the district identified 43 transactions mistakenly charged to the district. PPS recently changed policy to help ensure that employees will not confuse personal and business purchases, which should help. However, the amount of total Amazon purchases and lack of required manager review increases the odds that inappropriate purchases will go undetected.

- Approximately 13% of all purchasing card transactions, at a cost of $1.2 million, were at restaurants, bakeries, grocery stores, and catering services. We found around $15,500 of questionable transactions coded to meal charges while employees were traveling, which is barred by PPS policy. Other questionable transactions include $4,862 for an August 2016 catered appreciation breakfast for operations staff on the lead-in-water emergency project, and an April 2017 all-day management retreat for 10 totaling $780.

The state of Oregon has tighter standards in some key areas. For example, supervisors must review transactions at least once a month, and sign off on the purchasing log. Lunchtime meals require a minimum of 25 people, while PPS has no such minimum.

Some school districts also have tighter standards. For example, Minnesota’s St. Paul Public Schools requires supervisors to pre-approve food purchases. The Los Angeles Unified School District bans Amazon Prime memberships and has detailed specifications on when food can be purchased with cards.

The dollar amount of card purchases is not large relative to PPS’s $655 million General Fund budget. However, the potential for improper spending poses reputational risks, and tighter controls would set higher standards for spending public money.

**Systemic obstacles to performance affect students at PPS’s high-poverty schools the most**

PPS has focused on improving educational equity in recent years. The district is taking steps now that could help improve results for high-poverty schools, which typically have high proportions of African-American and Latino students.

However, the district needs to address five structural inequities that disproportionately affect students at high-poverty schools:

- High staff turnover and lower teacher experience;
- Higher staff absences and more difficulty finding substitutes;
- A disconnect between teachers and administrators on managing student conduct;
- Initiative overload; and
- Low enrollment.

Many of these schools also receive extra funding through the district and through Federal Title I grants, which are designed for high-poverty schools. Title I schools serve a disproportionate number of students of color. Districtwide, 17% of PPS’s white K-8 students attend Title I schools compared to roughly 60% of the district’s African-American and Latino K-8 students.
The district has taken some steps to address inequities. PPS leadership has begun to create a core curriculum to ensure that students get similar instruction between schools, which is crucial for students in poverty who switch schools more frequently. The district is strengthening student support by hiring additional staff such as counselors, student engagement coaches, and therapeutic intervention coaches. It is adding two new middle schools that will serve some high-poverty areas and should allow for more equitable course offerings in middle grades. The district is also developing a five-year plan for increasing racial equity in the district, including diversifying staff.

In addition, an analysis of PPS staffing and enrollment from school year 2017-18 indicates Title I and high-poverty schools had more staff per student than low-poverty schools, including more classroom teachers and educational assistants outside special education. These relatively low ratios of students to staff allow for greater individual attention, one key to improving student performance.

Inequities remain, however. New leadership and the Portland Association of Teachers recently negotiated a class size stipend when class sizes exceed target thresholds. Those stipends will likely go to teachers at wealthier schools, where teacher-student ratios are higher, at an estimated general fund cost of $2.3 million a year. The district had 43% ethnically diverse students in 2017-18, but only 19% ethnically diverse teachers, though that was the smallest gap in Oregon among districts with at least 40% ethnically diverse students. Despite the district’s efforts, high-poverty schools also continue to face structural inequities that the district has not adequately addressed. We identified five key obstacles. The common thread among them is that they increase disruption at schools serving many students with already high disruption in their personal lives.
Obstacle 1: High staff turnover and lower teacher experience

We analyzed PPS data on transfers and departures of licensed staff — including teachers and principals — for three years. We found that, on average, licensed staff depart Title I schools at a rate 1.5 times higher than licensed staff at non-Title I schools. At schools with the highest proportion of African-American and Latino students, staff departed at a rate more than twice the rate at schools with the lowest proportion of these African-American and Latino students.

The data also indicate PPS has not prioritized reducing principal turnover at high-poverty schools, despite the importance of principal stability for student achievement. Over the last five years (2013-14 through 2017-18), both Title I schools and non-Title I schools at PPS averaged two principals. Title I schools were also less likely to have one principal over that period. Two Title I schools had four principals over five years. Recent research shows that such high principal turnover harms individual student and overall school performance, makes long-term positive changes at the school more difficult to implement, increases personnel development and hiring costs, and is particularly harmful to students in schools with high poverty, large populations of low-performing students, and inexperienced teachers.

The higher level of personnel change at high-poverty schools adds to the challenges and disruption these schools face. Short principal tenures make it “harder for administrators to gain credibility with students, teachers, and families,” one principal told us. “You don’t have time to build relationships.” High teacher turnover also limits relationships with students, contributing to behavior problems, both teachers and administrators told us. If teachers leave the district, it can also raise districtwide costs. Studies estimate that the added costs of hiring a new replacement teacher amount to roughly 20% of the departing teacher's salary, because of productivity losses and the costs of hiring and training the new teacher.

In addition to relatively high turnover, PPS’s high-poverty schools also get less experienced licensed staff and teachers on average, including more new teachers and more teachers within the three-year "probationary" range.

Hiring Challenges
Title I schools “not only get the least-qualified new applicants, but then we get the people who are guaranteed jobs but have been passed over for openings at other schools.”
- A longtime Title I school principal

We heard from a number of interviewees that high-poverty schools are challenging to work in, and principals and teachers can find it easier to work elsewhere. Teacher’s union leaders have noted that teachers can get demoralized and burn out without consistent building leadership and adequate support, increasing turnover.

We also heard repeatedly that hiring rules in PPS’s teacher contract can give high-poverty schools the last choice of teachers. We reviewed teacher contracts at PPS and several nearby districts. The PPS contract is notable for the complexity of its teacher hiring process.

At PPS, the district must fill open teacher positions with internal candidates before hiring from outside the district. The district also allows new probationary teachers to transfer between schools in their third year. These practices give existing staff more options. However, the hiring rules can also give high-poverty schools fewer teachers to choose from than wealthier schools.

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9 On average, 58% of the licensed staff at Title I schools departed from 2015-16 to 2017-18 compared to 35% at non-Title I schools. At the 10 schools with the highest proportion of African-American and Latino students, about 60% of the licensed staff departed over the three years compared to 29% at the 10 schools with the lowest proportion.


11 Licensed staff with zero to three years of experience totaled 26% at Title I schools vs. 17% at non-Title I schools. Six of 25 Title I schools had double-digit percentages of new licensed staff. Of 53 non-Title I schools, only three did.
school leaders told us. The rules can also lead to staffing of these schools with more difficult-to-place teachers, and cause them to lose their newly trained teachers after just two years, increasing disruption.

**Obstacle 2: Higher teacher and educational assistant absence rates and difficulty finding teacher substitutes**

Absences and substitute use are growing districtwide, for both teachers and educational assistants. Yet it is more frequent at high-poverty schools. Schools also have far more trouble finding substitute teachers to replace absent teachers, which compounds the problem.

District data indicate teachers were absent four days more on average last school year in Title I schools than in non-Title I schools, with total school year absences per teacher averaging one month out of a nine-month school year in Title I schools. The percentage of jobs not filled by substitutes when teachers were absent was triple at Title I schools compared to non-Title I schools, indicating substitute days cause more disruption at these schools. Districtwide, sick days and family illness days accounted for almost half the teacher absences in 2017-18. District officials told us these absences occur most often on Mondays or Fridays.

Studies of organizational culture indicate that a high number of absences is one sign of cultural problems.

Principals at high-poverty schools said the district has been assigning “support instructors” that act as permanent substitute teachers dedicated full-time to a specified high-poverty school, which has helped. However, finding substitutes is difficult in part because the substitutes can choose where they want to work, and principals told us that many substitutes may not want to work in high-poverty schools.

**Obstacle 3: A disconnect between teachers and administrators on managing student conduct**

A 2018 survey of licensed educators\(^\text{12}\) found those at PPS expressed more concern about managing student conduct than educators at other Oregon districts. PPS teachers scored their district lower on every question in the managing student conduct category than seven out of the 11 largest school districts in Oregon.

Educators at PPS's Title I schools, compared to its non-Title I schools, were less likely to agree that they could focus on students with minimal interruptions (36% vs 54%), that the school environment is safe (57% vs. 78%), and that students at their school follow rules of conduct (37% vs 64%).

Those results mirror what we heard in our visits to Title I schools. Teachers told us that some children can be highly disruptive, be pulled from the classroom, and then quickly returned. Teachers can get frustrated with the lack of administrative support and leave the school; new teachers then have to be trained in behavior intervention.

In our interviews, we saw gaps in the way teachers viewed student conduct compared to school administrators, indicating a need for more discussion. The principals we spoke with were not as concerned about it, either pointing to a need for more teacher training on trauma-informed care or saying the problem was not as significant as teachers portrayed.

\(^{12}\) 2018 Teaching Empowering Leading and Learning (TELL) survey.
Title I schools and high-poverty schools have been at the center of the district’s costly efforts to reduce relatively high discipline rates for students of color. In 2011, the district established a five-year equity plan that set goals for reducing disproportionate discipline rates between white students and students of color. That same year, ODE reprimanded PPS for the disproportionate rates, following up in 2014 with a $1.5 million fine that prompted PPS’s school board to set aside $4 million to address the issue. In 2015, the state Legislature limited suspensions and expulsions for K-5 students.

Teachers told us the district’s discipline options are confusing and behavior expectations are not clear. One principal told us some schools have not reported classroom exclusions and other discipline to avoid the district’s “arbitrary targets.”

PPS added a new department to help address behavioral issues in schools this year. Other steps that would help include clearer guidance from the district, more discipline options, more specialists in classrooms, and more interaction with families. The school board, which sets the discipline directive, should also prioritize open communication on discipline expectations and options, and improved implementation.

**Obstacle 4: Initiative overload**

Many initiatives are designed for high-poverty schools in an attempt to improve performance. This attention can bring benefits, but also hinder school administrators and teachers, particularly if the initiatives are uncoordinated and shift from year to year.

In 2016, two PPS administrators developed a “heat index” to gauge the level of change at all the district’s schools, including factors such as principal experience, the percent of new teachers, and the number of unique programs. Title I schools made up 16 of the 20 schools with the highest index. Of the 11 schools with 20 or more unique programs, eight were Title I schools.

Teachers at one school told us their school’s recent initiatives included a new reading curriculum, Title I projects, equity training, a science and technology project, a student exercise program, a new math intervention, a new art program, and a right-brain initiative. The teachers felt it was difficult to manage so many initiatives.

“It’s harder to get the experience to be really good at something if you’re bombarded with too many initiatives.”

- A Title I school teacher

“Everybody wants to help,” at Title I schools, one administrator told us, “but pretty soon the principals just want to run when they see ‘help’ coming.”

**Obstacle 5: Low enrollment in high-poverty schools**

PPS allows students the option to not attend their neighborhood schools. Other options include charter schools and “focus-option” or magnet schools. This approach expands student and parent choices but reduces neighborhood attendance rates at high-poverty schools. District boundary policies have also allowed sparsely attended schools with high numbers of students in poverty to exist side-by-side with wealthy and crowded schools, reducing efficiency and increasing inequities.

Title I schools at PPS tend to have far fewer students compared to the number of classrooms in their buildings. In the 2016-17 school year, Title I schools made up 13 of the twenty schools with the lowest building density rate, whereas only two Title I schools were in the twenty schools with the highest density rate. Low school utilization can contribute to a lower student-teacher ratio at these schools, generally a positive measure. However, low utilization is financially inefficient. Having relatively few students in a school can reduce the number of elective and non-basic courses offered because there may not be enough students interested or eligible to
warrant offering more courses. Low enrollment can also mean having only one classroom per grade, reducing opportunities for teacher collaboration. Finally, a low number of students reduces schools’ ability to collect donations from parents.

**Figure 8: Two nearby schools in Northeast Portland illustrate disparities between high-poverty and low-poverty schools**

<table>
<thead>
<tr>
<th></th>
<th>Martin Luther King Jr. School</th>
<th>Alameda Elementary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td>Northeast Portland</td>
<td>Northeast Portland</td>
</tr>
<tr>
<td><strong>Number of classrooms</strong></td>
<td>38</td>
<td>33</td>
</tr>
<tr>
<td><strong>Number of students</strong></td>
<td>386</td>
<td>747</td>
</tr>
<tr>
<td><strong>Building density (enrollment divided by no. of classrooms)</strong></td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td><strong>African-American and Latino students</strong></td>
<td>70%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Economically disadvantaged students</strong></td>
<td>61%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Third graders meeting reading and writing standards on state tests</strong></td>
<td>12.5%</td>
<td>74.5%</td>
</tr>
</tbody>
</table>

Source: All data from ODE for 2016-17, except state test data for 2017-18.

The district has opened two new middle schools, replacing low-enrollment middle grades at some high-poverty K-8s, to try to improve course offerings. It has also changed some school attendance boundaries, and plans to undertake another boundary review to balance enrollment and better utilize buildings. However, these changes have not yet gone far enough to balance enrollment, private fundraising, and student opportunities — factors that contribute to inequities, according to a report on the 2018-19 budget by PPS’s Community Budget Review Committee.

“The continued unwillingness by the district to systematically resolve the enrollment and balancing issues demonstrates a continued preference for affluent, white, focus-option (magnet school) constituencies,” the committee’s report said.

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13 PPS calculates a school’s building density by dividing October enrollment by the number of classrooms. A result below 15 may indicate excess capacity; greater than 20 means there is little or no room for growth.
“Change Saturation” at Rigler Elementary

A few years ago, PPS administrators created a heat index to quantify the “change saturation” that schools and students faced. This index included the number of programs and initiatives at the school, its concentration of poverty and historically underserved students, and the amount of staff turnover.

Rigler Elementary, a high-poverty, Title I school in Northeast Portland, had the highest change saturation total in 2015, closely followed by many of PPS’s other Title I schools. The schools with the lowest totals, including nearby Alameda Elementary, tended to be in wealthier neighborhoods and enroll few African-American and Latino students.

According to parent leaders, teachers, and administrators at Rigler, all that change is hindering student performance.

Rigler has had four principals in the last five years, including one the district pulled in September 2017 with no advance notice to address the sudden departure of a principal at another school. His replacement at Rigler left after one year.

By the beginning of the 2018-19 school year, Rigler had not lost any teachers. However, in the previous two years, 28 teachers left, 41% of the total teacher workforce. Like other Title I schools, Rigler has more new teachers, some still in school themselves. New teachers require more training, which means more substitute teachers.

The result, parents said, is less rigor in classrooms where students are already falling behind. In the latest state assessment tests, in 2017-18, Rigler students scored 15th lowest on English Language Arts and 28th lowest in math out of roughly 1,100 schools. By the time students advance to Beaumont Middle School, the academic gap between Rigler students and neighboring Alameda becomes clear. The difference is “astounding,” one parent said.

“We hear about ‘equity for everybody,’ and our kids are smart and they can be at the same level,” another parent leader told us. “Unfortunately, because we live in this area, we don’t get what our kids need.”

The problem is not class sizes. Rigler and other Title I schools have more teachers per student, and the school’s class sizes are in the 15- to 20-student range.

Instead, the high pace of change and instability takes its toll, contributing to student conduct issues and frequent classroom disruptions. Class sizes may be small, parents said, but the classroom disruptions make class management tougher. This is especially challenging for new teachers, who are still learning how to teach. Teachers said they think the school is getting a better handle on classroom management, but they agreed that Title I schools are a tough place for new teachers to start.

Instability is not new for Rigler students and parents, or for many students in higher-poverty neighborhoods in North and Northeast Portland. Rising housing prices have forced families in the area to move. District decisions have also played a part. Since the closing of Whitaker Middle school due to toxic mold in the 2000-01 school year, many students have been shuffled from school to school, part of what parent leaders see as a long-running pattern of segregation of students of color in PPS.

Students at Rigler lack band, choir, or a computer lab, parents noted, and the fundraising and school board lobbying power of wealthier schools. The district has also been slow to respond to safety concerns, including broken classroom windows and missing door locks.

“I wish that PPS central office staff would sit in the classroom for a day and understand the impact of their policies,” a parent leader told us. “Then they would do something.”
Compared to its peers, PPS falls short mostly in African-American and Latino student performance

In recent years, PPS has seen substantial improvement in graduation rates and a reduction in student discipline incidents. The district still lags its own goals, however, most dramatically in reading and writing scores of African-American and Latino third-graders.

In comparisons with peer districts, PPS has done relatively well with white students who are not classified as economically disadvantaged. However, it has done relatively poorly with African-American and Latino students classified as economically disadvantaged, despite the district’s higher level of funding than many of its peers.

**PPS student performance has bright spots but lags behind its own goals**

In recent years, PPS has focused on improving graduation rates, increasing third-grade reading scores, and reducing disproportionate discipline. The work has led to some substantial improvements, including increased graduation rates in all demographic categories and an initial sharp drop in discipline rates. Overall results in these areas are mixed, however.

- Although graduation rates have improved across all groups since 2009, PPS is still behind most national comparison districts. Substantial achievement gaps based on race and economic status remain.
- Third-grade reading and writing test scores have improved slightly in the last four years. Yet the results for African-American/Black and economically disadvantaged students have fallen, and the percent of PPS’s African-American/Black and Hispanic/Latino third graders meeting or exceeding standards remains alarmingly low, at 19% and 34%, respectively.
- The percentage of students expelled or given out-of-school suspensions dropped substantially across racial groups until 2014-15, but there has been very little change since then. White students continue to be disciplined at significantly lower rates than African-American, Latino, and American Indian/Alaska Native students, and the disparity grew in 2017-18.

Many of PPS’s high-poverty schools, including schools served by the federal Title I program, struggle with low performance. In 2017-18, the lowest 50 schools statewide in English Language Arts assessment results included eight of Portland’s high-poverty, Title I schools. In math assessments, the lowest 50 included 10 of Portland’s Title I schools.

Because of these results, we focused much of our work on the district’s performance management of its high-poverty schools, many with high enrollment of African-American and Latino students.

**Compared to its peers, PPS falls short — mostly in the performance of African-American and Latino students**

We compared PPS student performance to students in state and in national peer districts. Within Oregon, PPS has done relatively well with white students who are not classified as economically disadvantaged. However, it has done relatively poorly with African-American and Latino students classified as economically disadvantaged, despite the district’s higher level of funding. Similarly, when comparing to national peer districts, PPS has been relatively strong in white student performance but less strong in the performance of African-American and Latino students.
We analyzed PPS performance compared to 14 comparison districts in Oregon, including the state's largest districts and smaller districts located near PPS. We examined six metrics, including four-year graduation rates and Smarter Balanced achievement scores.\textsuperscript{14} For in-state comparisons, we found:

- PPS performed best with white students not classified as economically disadvantaged, outperforming all 14 comparison districts. PPS also substantially outperformed comparison districts with students with disabilities.
- PPS performed worse than 11 of 14 other districts with economically disadvantaged Latino students.
- PPS performed worse than five of nine districts with enough economically disadvantaged African-American students for valid comparison. It did not perform better than any other districts.

\textbf{Figure 9: PPS struggles with economically disadvantaged students relative to comparison districts}

<table>
<thead>
<tr>
<th>Subgroup</th>
<th>Districts clearly outperforming PPS</th>
<th>Districts PPS clearly outperforms</th>
<th>Districts with similar performance</th>
<th>Districts with too few students to compare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Economically Disadvantaged</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>0</td>
<td>14</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>African-American/Black</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>0</td>
<td>7</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Disabled/Special Education</td>
<td>0</td>
<td>12</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Economically Disadvantaged</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>African-American/Black</td>
<td>5</td>
<td>0</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>11</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Disabled/Special Education</td>
<td>1</td>
<td>9</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: OAD analysis of ODE student performance data.

Beaverton was the only district that consistently scored higher than PPS in every economically disadvantaged subgroup; Reynolds was the only district that consistently scored lower than PPS in all of them.

We also compared PPS's graduation rates and achievement test score results against two groups of out-of-state peer districts. For out-of-state comparisons, we found:

- For white students, PPS ranked relatively high compared to national peers on achievement test scores.
- In contrast, the district performed worse on achievement test scores than the majority of peer districts for black and Hispanic students.

\textsuperscript{14} For any given subgroup comparison, we concluded that a district outperformed another only if the district performed better on at least 60\% of the data points used for the comparison. See Appendix A for more details on both the in-state and out-of-state performance comparisons.
The district performed worse on graduation rates than at least 74% of the districts for economically disadvantaged, Hispanic/Latino, and black students.\textsuperscript{15}

Our analysis also indicated that higher performance did not always stem from higher levels of spending. Districts that performed better than PPS in key areas ranged from districts with much more money to spend, such as Boston and New York City, to districts with less, including Charlotte-Mecklenburg in North Carolina, Austin, and the Cherry Creek district outside Denver. Seattle, which spent at similar levels to PPS, performed better in some key areas. This pattern held true among in-state districts, as well, with lower-spending districts such as Beaverton, Salem-Keizer, and North Clackamas all outperforming PPS in key areas.

We spoke with leaders in three Oregon districts and three national districts to identify the practices they found most successful. In addition to hiring and developing top quality teachers, district leaders emphasized:

\textbf{A clear strategy that extends across the district, with quantifiable results.}\ Beaverton reviews its strategic plan annually, and evaluates return on investment on new initiatives. Seattle has developed key performance indicators to cover the full system, including third-grade reading, fifth-grade math, eighth-grade algebra, credits attained in ninth grade, and state assessments in high school. PPS does not have a strategic plan, but is working on one.

\textbf{Uniform student assessments and a consistent, rigorous curriculum.}\ Conducting consistent formative assessments and implementing a consistent curriculum across schools helps teachers and districts set expectations and pinpoint problems. Consistent curriculum and teaching materials improve equity for students who move between schools. A districtwide curriculum also leaves schools less reliant on teachers to develop their own approaches. PPS has begun implementing a consistent curriculum.

\textbf{Strong, stable principal leadership.}\ The Cherry Creek School District near Denver prioritizes reducing principal turnover at its 11 Title I schools in particular, which leaders said helps maintain critical connections between principals, teachers, and the community. Seattle has cut its principal (and teacher) turnover rate by providing confidential peer coaches and training designed specifically for new, second-year, and third-year principals. Beaverton emphasizes terms of five to seven years, allowing principals more freedom if they show results. As noted above, PPS has not focused on principal stability at Title I schools.

\textbf{PPS leadership needs to improve key administrative functions to support higher student achievement}\ District leadership report they are developing a strong common curriculum and a strategic plan for the district that carries down to schools. However, we found three other administrative issues that need to be fixed to support student achievement:

- PPS’s principals have not received adequate support from district headquarters.
- The district’s performance evaluations, particularly evaluations of teachers and principals, vary widely in quality and may lack impact.
- Performance management of contracts that directly affect students is erratic and lacks depth in key cases.

\textsuperscript{15} Throughout the report, when referring to specific sources of data, we use the names for student subgroups included in the source data sets in order to maintain consistency with those sources.
PPS administrative support for schools and principals has been inadequate

Our discussions with principals and a spring 2018 survey of school administrators showed widespread concerns about district support. We also found high turnover among the district’s principal supervisors, principal evaluations of varying depth and quality, and cultural issues that can impede effective collaboration.

Overall, the survey respondents reported satisfaction with their jobs — but not with the central office, with 68% responding unfavorably. Their concerns ranged from staffing problems to poor and disorganized district communications to distrust of the central office. Specifically, 39 respondents said they feared retribution from the district for carrying out their responsibilities; 62% said they have felt “thrown under the bus” by central office administrators; 79% said they were concerned about central office retaliation if they were open with their school community about district decisions.

Survey results indicated that school staffing problems were widespread. Some respondents felt decisions about staffing were made in isolation and did not make sense for their schools’ needs. Others noted that the district does not communicate its decisions well or consult administrators enough on staffing plans, and the timeline for transferring and hiring staff was chaotic.

Many agreed that they had trouble getting a clear and correct answer on a specific topic, attributing it partly to high turnover in the central office and a disconnect between district administrators and schools.

One principal we spoke with, who left a Title I school this year to work in another district, arrived at the school in summer 2017 and found the conditions were poor and the disconnect with the district was extreme. It was common for children to wipe rat feces off their desks in the morning, the principal said. Teachers did not know how to get supplies. Copy machines were broken. Vents were non-functional. The principal talked to the district about the problems, but the problems persisted.

Several principals told us they felt they were largely on their own when it came to improving school performance. Principals have seen high turnover among their own supervisors, contributing to the disconnect between school and district leaders. District support administrators appear at the beginning of the school year and the end, with little support in between, one principal told us. Another said principals do not want a completely top-down approach, but could use help deciding on the right programs to pursue among the many presented to them.

The district’s culture of independent schools also contributes to administrative shortfalls. Schools have set their own curriculum, evaluation depth, and assessment protocols. Regarding varying curricula, one principal told us teachers are “pulling materials off the internet left and right,” particularly to supplement the district’s outdated math curriculum. Interim assessments of student skills are limited and variable, making it much harder to evaluate student progress within and across schools.

“In the past, it has been every school for itself. That makes it less efficient – you’re shot-gunning problems and wasting money. It makes results at a school more based on the personality of principals.”
- A Title I school principal

16 The survey, conducted by the Portland Association of Public School Administrators, included 58 administrators, among them 39 principals and 15 vice-principals. This represented roughly half of the district’s principals and nearly 20% of its vice principals.
The varied approaches among PPS schools can reflect strong principal and staff leadership. However, they can also make it more difficult to oversee these schools, and harder to identify and correct performance problems.

PPS has spent more on executive and business administration over time, but central office turnover has been high, decreasing the district’s ability to address these problems. PPS’s new leadership said they and other central administrators are getting into schools more to better understand the on-the-ground challenges principals face. The district also plans to make its staffing and budgeting process more collaborative.

**Educator performance evaluations vary widely in depth and quality and may have little impact**

We reviewed principal and teacher evaluations from 2016-17 and found inconsistent evaluations at both levels.

**Principal Performance Evaluations.** Principals are evaluated on six standards, including “visionary leadership” and instructional improvement. However, evaluations varied in thoroughness. Some had detailed comments to explain their ratings, and others did not. Some areas, notably those meant to detail potential improvements, were left blank. Overall, out of 83 principal evaluations conducted over two years, three included unsatisfactory ratings.

Principals are also rated on student growth and instructional leadership goals. Yet the ratings do not appear to have much weight. There were no comments to explain the ratings, and whether principals achieved the goals did not weigh into their overall evaluation score.

**Teacher Performance Evaluations.** The teachers’ union and district officials have worked together in recent years to improve teacher evaluations. Probationary teachers receive more frequent and intensive evaluation. All teachers are evaluated at least once every two years. District officials said they are working on an “overhaul” of the performance management system.

Similar to the principal evaluations, our review of individual teacher evaluations found wide disparities in depth and quality. For example, on several evaluations, principals wrote detailed accounts of classroom observations, including direct quotes and feedback. Other evaluators provided only very high-level, generalized comments with no feedback or ways to improve.

The district uses two of its four evaluation categories — developing and unsatisfactory — to indicate that teachers need significant improvement. In 2017, principals reviewed 1,689 teachers. About 160 were rated as developing, and 11 as unsatisfactory, the district’s lowest level. Four teachers resigned or did not receive an extension or renewal as a result of their evaluation, PPS officials said. That equates to a 0.2% rate among the teachers evaluated in 2017. The latest comprehensive national comparison, in 2011, estimated the national average of teacher dismissals at 1.9% a year.

In part, PPS’s low rate appears to stem from the extremely poor performance required to receive an unsatisfactory rating. For example, the evaluation form deems teacher knowledge of student skills and language proficiency unsatisfactory only if the teacher displays little or no knowledge of those skills and “does not indicate that such knowledge is valuable.”

PPS also needs to finish responding to recommendations from the 2017-18 school board-commissioned investigation into a teacher facing allegations of sexual misconduct against students over many years. The teacher resigned in 2015 and had his teacher’s license permanently revoked after the allegations became known.
Among other issues, the investigators found that letters of expectation for improved performance and other materials are removed from teachers’ building personnel files when principals or teachers are transferred, based on a teachers’ contract provision. Investigators concluded that provision, and others that purge records at an educator’s request after three years, protect educators and not students, noting that the accused teacher’s file had no documentation of allegedly inappropriate behavior despite years of concerns.

The investigation also found that the district gave principals wide discretion on how to handle issues brought to their attention. This led to significantly less discipline and less documentation than warranted. Principals told investigators the administrative burden of pursuing a complaint, especially one of sexual misconduct, prevented them from pursuing it further. The investigators concluded that avoiding dealing with the teachers union on a complaint “appears to be a major factor in under-reporting misconduct.”

District officials and the board have begun acting on many of the report’s recommendations. The district has added training, posted positions for a Title IX coordinator and a coordinator of sexual incident reports, and developed a proposed policy on staff boundaries with students that emphasizes the duty to report possible violations. Still outstanding are recommendations to change union contract language related to personnel records and the administrative burden of filing a complaint.

**PPS needs to more effectively manage contractors whose work directly affects students**

The district’s approach to contract performance management has been highly decentralized. A central purchasing department reviews and signs contracts on the front end and aids in contract changes and amendments. Yet the most crucial aspect for students — setting contract performance requirements and managing the performance of contractors who provide key services — is the responsibility of more than 120 managers at individual departments and schools. See Figure 10 for process details.

**Figure 10: PPS’s contracting process is decentralized**

- **Department/School**
  - Identifies Contract Need and Funding
  - Completes Contract
  - Manages Contract

- **Informal solicitation or direct negotiation**
  - (Department/School)

- **Formal solicitation-RFP process**
  - (Purchasing)

- **Negotiates scope**
  - (Department/School)

- **Contract templates**
  - (Purchasing provides)

- **Revises, if necessary, and signs contract**

- **Review focuses on legal requirements and procurement compliance**

- **Reviews reporting and contractor performance**

- **Regularly communicates with contractor**

*Source: OAD created using PPS procedure documentation.*
PPS spent roughly $160 million on contracts in fiscal year 2017-18, with more than half of that spending on construction. As of June 2018, the district had more than 1,300 active contracts, and the number and value of contracts reviewed by the purchasing department has grown substantially in the last three fiscal years (2015-16 through 2017-18).

Many of these contracts are crucial for student outcomes, particularly for students struggling in school. For example, the district contracts out many of its alternative education services for students who struggle in traditional high schools, with about 75% of its dropouts coming from contracted alternative programs in 2015-16, one of the highest totals in the state. A contractor works with Jefferson High School students to build relationships with students and families and improve the school's graduation rates. PPS contractors run after-school programs, train teachers, try to interest students in careers, help build ties between parents and schools, and provide tutoring and other services to struggling students.

District guidelines identify some contract manager responsibilities for managing performance. A recent summary of the district contract procedures said an effective contract manager “will be able to report in detail on the contractor’s performance and the contract outcomes.” The district has also developed a more detailed mandatory training for contract managers that includes some discussion of performance management, such as including measurable deliverables in the scope of work and detailing how performance will be measured.

The State of Oregon’s procurement manual provides more detail than PPS’s guidance. The state emphasizes a plan that includes how the agency will document, monitor, and control contract performance. The contract manager’s primary role, state guidelines say, is to monitor performance throughout the life of the contract, including contractor progress reports, appropriate on-site reviews, and written surveys of clients.

We reviewed contracts active as of April 2018, focusing on contractors who provided important services to students, often the district’s most vulnerable students. We selected 18 contracts across nine departments to evaluate contract performance management in more detail by examining documents and talking with contract managers.

We found some instances of proactive contract performance monitoring. For example, the district has developed alternative school “report cards” for contracted alternative schools that detail important aspects of student performance, including skill and attendance growth. One manager of a $1.7 million contract to better prepare families and students for college meets once every two weeks with the many parties involved and stays in daily contact. The contractor sends detailed information about its activities, and program staff track specific outcomes under the contract. Similarly, another contract manager has developed a form for surveys of contractors and school principals that works across the various contracts she administers.

However, both of those instances involved managers making improvements on their own initiative. Both managers said they could have used more support from the district on contract management, such as more targeted assistance on scope of work documents and more specific guidance on managing performance.

Overall, 11 of the contracts we reviewed did not clearly establish performance metrics in either the contract itself or the scope of work. For 14 contracts, we had difficulty documenting that a district contract manager evaluated or worked to improve the contractor’s performance, including a manager of contracts governing third-grade reading improvement, one of the district’s top goals.
Those overall shortfalls are significant. As noted below, we also found more specific performance management issues in our reviews and in discussions with contractors and contract managers.

**Poor oversight of alternative education contracts.** We reviewed two large, long-term contracts with private alternative education providers who play a significant role with the district's struggling students. In both cases, the only thorough site visit documentation the district could provide dated to 2014. The documentation for the largest provider, now receiving about $3.4 million a year, included a sparse school improvement plan and a site visit checkbox review by the district that checked yes for two contract requirements that did not appear to have been fulfilled. The district also could not provide documentation that it followed up on the significant recommendations made in an outside review of the school, including that the school provide more engaging lessons and institute a formal teacher evaluation system.

**Limited board oversight.** The school board has increased contract oversight, subjecting select contracts to public scrutiny and, in fall 2018, asking administrators to provide contractor performance reports when student-centered multi-year contracts that were not competitively bid are up for extension. Gaps remain, however. Contracts over $150,000 are placed on the school board’s consent agenda, but that covers only a small number of contracts — 111 out of 1,658 in 2017-18. Furthermore, placement on the consent agenda does not guarantee the board will pull important contracts for public discussion. The district’s lack of clear and consistent performance metrics for contracts also hinders board oversight. The board cannot scrutinize every contract. However, it could prioritize for public reporting and discussion with project managers and contractors a much smaller number of key contracts that affect students. Making regular public review of these contracts and their results a part of formal board operating protocols could reinforce the importance of improving contractor performance and ensure a fair process that does not single out contractors in particular departments or service areas.

**Limited scrutiny of non-competitive personal service contracts.** Under PPS policy, personal service contracts17 above $50,000 require a justification if the contract manager does not want to solicit three quotes, and contracts above $150,000 require a formal request for proposal and board approval. However, PPS policy allows exceptions and “direct negotiation” instead of competition when contract managers certify that the contractor has unique knowledge or expertise in a specialized area. These exceptions can include large contracts. Our review included three contracts greater than $1 million entered through direct negotiation, with no competition. Personal service contracts of $50,000 or less do not require competitive bids or any justification for not bidding, leaving room for a lack of competition in a large number of personal services contracts. In total, PPS has $20 million in active non-competitive contracts, including more than $15 million in personal service contracts. Contracts greater than $150,000, including non-competitive contracts, are presented to the board and public, but non-competitive contracts under $150,000 are not singled out for board review. Non-competitive contracts save time, but pose risks that the district will pay more than necessary or not get top quality work. Going forward, managers of operations departments should improve oversight of non-competitive contracts in their areas, and the board should consider whether its review procedures are adequate.

**PPS is relying on contractors’ self-reported performance outcomes.** Contractors report on their own performance, a particular problem because the quality of contractor performance reporting varies widely. For example, we reviewed three reports from contractors struggling to

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17 Personal services are services requiring specialized technical, creative, professional, or communication skills or talents, unique and specialized knowledge, or the exercise of discretionary judgement skills.
increase student and family attendance, including two with very large contracts. One contractor’s report provided detailed analysis of the problem, discussing reasons for low attendance, efforts to improve it, and data showing that attendance had increased but still fell short of intended targets. The two other contractors’ performance reports were notably shallow, with one including pro forma updates that changed little from report to report.

Other potential improvements include:

- More consistent and independent use of student and parent surveys. For eight of the contracts, we found no evidence that contractors’ clients were surveyed to determine needed improvements.
- More district analysis of contractor performance. The district often relies on contractors to provide data on student performance, instead of independently evaluating contractor performance using the district’s own data. Contractors told us that getting data from the district to help them see how students are doing is often difficult.
- More performance management support. Some contract managers told us they felt largely on their own in managing contract performance. The district’s training should elaborate further on outcome or performance measurement, and the purchasing department’s contract review form should include a review of the sufficiency of performance management requirements.

PPS has implemented some sound contract administration controls. For example, the purchasing and contracting department has developed mandatory training and contract templates and guides to help contract managers as they initiate and manage contracts.

PPS departments also appear to be scrutinizing their own contracts more closely in some cases. The new leader of the Office of Teaching and Learning decided not to renew two of the contracts we reviewed after finding “soft” metrics and a lack of alignment with the department’s mission. To ensure better contract oversight, the Office of Teaching and Learning is also centralizing contract management under one manager.

PPS administrators told us the district is asking department directors and managers to spell out planned contracts in the budget process, which should lead to more discussion of contract performance and need. District officials also say they will purchase new software that allows contract managers to more easily track contracts and see how much a contractor has been paid to date.

Despite these improvements, as noted earlier, the district has 1,300 active contracts and the number has grown over the last three years. That volume makes oversight more difficult, particularly given a contracting staff of seven and high turnover among contract managers in recent years. For a fifth of the contracts we selected, the contract managers were no longer at the district, requiring a different manager to oversee the contract. That turnover increases the importance of strong contract management policies and targeted oversight procedures that can outlast a particular contract manager or department director.

**ODE must do more to ensure that districts improve student performance, particularly at struggling schools**

Oregon has a long and uneven history of school improvement efforts, including several abandoned after substantial time and work. The state has lacked a sustained, coherent strategy for education improvement generally and low-performing schools and populations in particular.

ODE is embarking on a new federally driven system focused on improving district accountability, particularly for high-poverty schools. ODE’s ability to execute its new plan is still
unclear, and the state is taking a collaborative approach with no consequences yet defined for districts that do not improve or decline to cooperate. This uncertainty increases the risk that more years could go by without an effective statewide system to improve results.

The department’s efforts to improve high-poverty schools under its school improvement program have received relatively little public exposure, evaluation, or staffing. Federal Title I efforts, which drive improvement for students in poverty, are not mentioned in ODE’s annual report card, and ODE’s school improvement unit has only 10 staff.

Performance management of federal and state education grants that run through ODE, an important part of the state’s school improvement effort, can also be better coordinated and improved.

Oregon’s education improvement efforts are splintered and lack a coherent strategy

Over the years, Oregon has begun and abandoned some substantial K-12 improvement efforts. In 1991, the Legislature passed the Oregon Educational Act for the 21st Century, a major overhaul of the education system that included state assessment tests and school report cards. Its most direct school improvement provisions were CIM and CAM — certificates of initial and advanced mastery — that were intended to drive classroom rigor. They were never required for graduation, despite much discussion, and the Legislature abolished them in 2007.

In 2011, the Legislature created an Oregon Education Investment Board to oversee a unified education system from early childhood through post-secondary education. The board developed strategic initiatives programs to spur improvement and the Network for Quality Teaching and Learning to coordinate professional development. It also required districts to sign “achievement compacts” as part of the budgeting process.

By 2015, the investment board and the achievement compacts were gone, and by 2017 many of the initial programs established by the strategic initiatives and network grants were changed, eliminated, or replaced, with limited analysis of lessons learned. The Legislature replaced the investment board with a Chief Education Office under the Governor and charged it with building a unified education system, a major undertaking. In 2015, the Legislature set a June 2019 sunset date for that office, with most of its functions related to strategic investment and educator training due to transfer to ODE.

Disparate sources of funding also splinter school improvement efforts, particularly for struggling students. Oregon’s State School Fund formula sends more dollars to districts for students in poverty, English language learners, and special education or disabled students, among others. However, it does not require that the money be spent on those students. The state has separate plans and grants aimed at English language learners, American Indian/Alaska Native students, and African-American students, as well as plans for students in poverty, reducing chronic absenteeism, and boosting high school success. In addition to those efforts, ODE administers about 80 separate state and federal grants, many aimed at the state’s most vulnerable students. These sources typically have separate requirements and timelines.

Perhaps not surprisingly, ODE struggles with internal coordination. The agency has separate teams working on many grants and plans, and our office’s prior audit on Oregon graduation rates found a lack of communication and coordination between teams within the agency. A key ODE official told us the agency has limited input on how legislative initiatives can fit into its existing structure. For several recent initiatives, including efforts to address chronic

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18 ODE puts out report cards for each school and district annually. It also puts out a statewide report card that details statewide performance data and trends.
absenteeism, high school success, and English language learning, ODE set up new teams to manage them, increasing the potential for duplication and isolation. The agency has also struggled internally to mesh different personnel working with the same school districts.

Oregon does not have an overall strategic plan for education, but in August 2018, the Governor’s Office released an education policy agenda that focused on the big picture. It called for seven specific improvements, among them expanding preschool access, reducing K-3 class size, requiring a 180-day school year, and investing in counselors, mental health services, and other wrap-around supports in schools.

The seventh step addressed accountability. It would have the state “ensure strategic decision making at the school district level that is student-centered, equity focused, and ensures processes and practices are in place to drive learning and outcomes.” That step dovetails with the federal government’s new Every Student Succeeds Act (ESSA). ESSA replaced the controversial No Child Left Behind Act and aims key state improvement efforts at school districts rather than individual schools.

ESSA, the recent change to Oregon’s improvement system, drives accountability for federal grants and the K-12 education system as a whole, including state tests, reporting of school and district performance, and school improvement efforts. Implementing it successfully is crucial.

The state’s new school accountability efforts lack key specifics and are at risk of delays

ESSA, unlike its federal predecessors, focuses on building capacity at districts to improve individual school performance, a shift that ODE staff expect to lead to more lasting change.
Oregon’s plan is to take a collaborative tack with districts, favoring support and partnership instead of compliance with standards.

The new plan has promise. However, we identified several red flags that increase the risk of more years going by without an effective statewide system to help improve student results, particularly for students of color and students in poverty.

- Oregon’s ESSA approach will continue to rely on “Continuous Improvement Plans,” that districts have said have limited value.
- An ESSA pilot project has been well received by districts, but got off to a slow start that raises questions about ODE’s ability to execute the program statewide.
- The plan relies on a major and difficult step — “braiding” funds from different federal and state funding sources to achieve specific outcomes.
- The state has not spelled out consequences if districts decline to cooperate with state improvement efforts or do not improve student performance.
- The state’s enforcement of its own regulations on school district standards is limited, in part by concerns about infringing on local control of districts and schools.

Oregon, like other states, does not tie school funding to results. Instead, funding is based on total student enrollment and student demographics, and the primary consequence for low performance in Oregon’s system is low student achievement numbers on a public report card prepared by the state. That approach puts a premium on school improvement efforts to help generate student achievement gains.

**Continuous improvement plans** must be improved. Under ESSA, much of Oregon’s improvement effort will focus on district-prepared Continuous Improvement Plans.

ODE is trying to streamline these plans and make them more useful. The plans emphasize leading indicators of success, such as credits earned as a freshman and improved attendance, with regular check-ins on those indicators. ODE will provide state-funded liaisons to monitor improvements for the 25 or so districts that the department’s school improvement team chooses to prioritize. The agency wants Continuous Improvement Plans to replace the numerous other plans that districts have to prepare under state and federal programs.

The Secretary of State’s 2017 graduation rate audit documented concerns district leaders had with the improvement plans. ODE suspended these plans until June 2019 to try to make fixes and prepare them for ESSA standards, but our discussions with officials from the seven districts that participated in ODE’s ESSA pilot program during 2017-18 indicate concerns remain. Some district leaders told us they remain concerned about ODE’s ability to eliminate repetitive plans. The pilot program also got off to a late start, with some districts still in the early stages as of summer 2018, despite ODE’s intention to begin in winter 2017. ODE officials are not sure how they will thoroughly review all Continuous Improvement Plans for all districts in the state.

It is also unclear whether districts will step up the quality of their Continuous Improvement Plans and their follow-up on plan goals. PPS’s latest plan, developed in 2013 and last updated in 2017, documented that the district had limited coordination of achievement goals across schools and unclear priorities, with many programs and initiatives vying for attention. The plan included 35 “indicators of success.” Four years later, only nine indicators had specific improvement goals and only four had actions associated with them. If the plans fail to work, ODE has not yet decided what to do if districts do not improve student performance at struggling schools or decline to cooperate with state improvement efforts.

**Consequences for continued low performance** must be clarified. If struggling schools in a targeted district do not show improvement by year one, ODE will start more “rigorous
interventions,” according to the state’s ESSA plan. However, the interventions appear relatively mild. The most rigorous intervention is directing district funding to particular spots. Another is “requiring participation in collaborative problem solving.” An Oregon official said joint collaboration has a better chance of succeeding than harsher measures such as the state taking money away from the district.

Several states take a more direct approach, such as accrediting districts to identify problems. For example, Colorado signs accreditation contracts with districts. If the district falls short of performance goals, potential consequences include district reorganization, district consolidation, or takeover of district management by a public or private organization.

Oregon is trying a somewhat stricter approach, initiated by House Bill 3499 in 2015, with English language learner programs. The plan includes the state setting performance growth targets, putting in more resources to help struggling districts achieve those outcomes, and giving ODE a progressively more hands-on role if English language learner student performance fails to improve.

An ODE school improvement leader said they are trying to authentically engage with school districts. Focusing on districts instead of schools under ESSA should also ensure superintendent involvement and help districts tie the improvement plans to their own strategic plans, which should increase local accountability for improvement efforts.

Other steps that could help include:

- Having district officials report quarterly to their boards on school improvement progress;
- Having the Legislature align their K-12 requirements with school improvement work under ESSA; and
- Having ODE regularly report to the Legislature on school improvement progress and, particularly, school improvement challenges.

**ODE’s enforcement of the state’s education regulations is limited**

The other avenue for state oversight of districts comes through ODE’s “Division 22” administrative regulations, designed to tie specific requirements to laws passed by the Legislature. The Division 22 rules cover some important district operations, among them: diploma requirements, common district curriculum, academic content standards, and evaluations.

ODE could use those regulations, which the State Board of Education approves and enforces, to help improve struggling districts. However, we found a number of issues with the existing regulations and their enforcement.

**The regulations lack clarity and enforceability.** In key areas, the regulations are not clear, nor is the ability to enforce them. For example, the regulations call for rigorous instruction aligned with state academic standards, but the definition of rigorous is vague. The regulations require reporting of performance, but set no performance standards. They require districts to maintain class sizes and teacher assignments that promote effective practices, but provide no specifics.

**ODE enforcement is limited.** Enforcement is largely complaint driven, relying on local stakeholders to file complaints. Districts are also required to publicly report a district-prepared Division 22 compliance form, but it consists of one page of checkboxes. The regulations allow ODE to conduct on-site reviews or desk audits of compliance with the regulations, but ODE

“There is a lot of patience in the system for mediocre performance.”
- An ODE official
leadership told us on-site reviews have not been done for years since specific funding for that function was eliminated. ODE’s Division 22 staff do talk with districts when they report being out of compliance, but have not done desk audits of PPS compliance. In its forms, PPS checked compliance with the state’s core curriculum and academic content standards, even though new district leaders have diagnosed a lack of a rigorous common curriculum between schools aligned with the state’s academic standards, and ODE school improvement officials saw that issue in their own separate visits. A long-time PPS leader said previous district leadership may have focused more on a standards-based common curriculum if ODE had rejected improvement plans without it.

**Local versus central control issues remain unresolved.** With 197 school districts, ranging from remote and rural to dense and urban, thorough oversight of every district is impractical. Courts have interpreted the state Constitution as allowing the state to require “a minimum of educational opportunities” in a district, with local school districts controlling services over the minimum. Yet the definition of “minimum” is not clear, and officials say stronger oversight even of struggling districts requires stronger political support.

A state board member told us that the notion of local control permeates Oregon’s system from the state level down to individual schools resisting district leadership. Extraordinary local leadership can emerge with local control, he said, but poor leadership can as well. That lack of clarity increases the risk that state-level education improvement strategies — most notably, strategies focused on struggling students — will not take hold.

**ODE can improve its management and evaluation of grants designed to benefit vulnerable students**

For the 2017-19 biennium, ODE is scheduled to administer about 80 federal and state grant programs, totaling $1.6 billion in federal grants and another $700 million in state grants. The $2.3 billion total is just a quarter of State School Fund dollars sent to schools, but the grant money can have an outsize influence. The grants are often aimed at improving the performance of historically underserved students and students in poverty, and may be used to try new ways of boosting performance. Grant terms also allow federal and state policymakers to influence local school district spending, even in states such as Oregon that prize local control.

One of the largest state grants — at $170 million for the 2017-19 biennium — comes from Measure 98, a 2016 ballot measure designed to increase graduation rates. The Secretary of State is required to conduct financial and performance audits of the uses of Measure 98 funds no later than December 31, 2020, and every two years thereafter.

For this audit, we selected two federal and two state grant programs for in depth review of performance management, focusing on key grants designed to benefit vulnerable students: Title I, Title III, HB 3499 grants, and African-American/Black Student Success grants.

After examining documents and interviewing grant managers at both ODE and PPS, we concluded that performance management of these crucial grants can be improved to better pinpoint successful practices and ensure effective spending.

That type of improvement is a legislative priority. State statutes put a premium on programs "that can substantiate a claim to prevention and cost-effectiveness,” with the statute adding that money invested in quality programs saves costs in other areas, such as remedial education, corrections, and human services.
Federal grant: Title I

<table>
<thead>
<tr>
<th>2017-19 budget</th>
<th>Purpose in brief</th>
<th>Selection rationale</th>
<th>ODE admin %</th>
<th>PPS admin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$309 million</td>
<td>Improve education for students in poverty.</td>
<td>Drives much of Oregon’s school improvement work, particularly for vulnerable students.</td>
<td>1%</td>
<td>5.2%</td>
</tr>
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</table>

Most federal Title I money filters through ODE to school districts, which determine schools to fund using federal guidelines. Roughly 600 individual high-poverty schools receive Title I funds. A small portion, about $10 million under the latest ESSA plan, is slated for improvement of a much smaller number of low-performing districts and schools that the state identifies, using a federal accountability model. ODE’s school improvement team, funded in part by this grant money, works with districts to try to improve student performance at these low-performing, high-poverty schools. ODE also uses the money to hire Education Northwest, an education research and consulting organization whose coaches and consultants work the districts to support the schools. At the local level, PPS and other districts have their own teams focused on Title I schools.

In the past, ODE provided extra assistance to high-poverty, low-performing schools, not districts. We evaluated ODE and Education Northwest’s performance management of these efforts and found significant shortfalls.

Education Northwest and ODE each conducted just one evaluation in the period from spring 2010 through 2017. Education Northwest’s evaluation, five years after the program started, relied in part on principal surveys that included responses from less than half of the principals with Education Northwest leadership coaches at their schools. It also included surveys of leadership coaches, who were evaluating the impact of their own work, and an assessment score review with only two years of data.

ODE’s evaluation, a year later, showed middling results. Our own analysis found about 60% of the focus and priority schools saw either no growth or reductions in English Language Arts scores. Half saw no growth or reductions in math scores from 2014-15 to 2016-17. About 70% of the schools performed worse than comparable schools on English Language Arts and math assessments in 2016-17.

Title I efforts — high dollar and focused on some of the most vulnerable children in the state — have a low profile at the state level. ODE’s performance evaluation was not released publicly or put on the agency’s website. Title I efforts are not called out as part of the state’s education agenda. They also have not been assessed in ODE budget reports to the Legislature or in the agency’s statewide report card. Among other metrics, the report card does include performance analysis of Talented and Gifted programs, charter schools, and achievement gaps.

Federal grant: Title III

<table>
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<th>2017-19 budget</th>
<th>Purpose in brief</th>
<th>Selection rationale</th>
<th>ODE admin %</th>
<th>PPS admin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14.3 million</td>
<td>Improve education for English language learners.</td>
<td>Vulnerable student population. Theoretically strong accountability system. Ties in with state’s new HB 3499 ELL grants.</td>
<td>5.3%</td>
<td>5.2%</td>
</tr>
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Unlike Title I, federal Title III grants for English language learners showed relatively strong performance management — in theory. In practice, the district did not meet its English learner
performance objectives over five years without imposing the stricter consequences available under the law.

The program, being revamped under ESSA, required each district with English learners to complete English learner plans every two years, including quantitative performance targets and baseline values to gauge improvement. Districts that repeatedly failed to improve performance also had to develop improvement plans with more detailed strategies for making better progress. Under the law, districts that still did not improve could face strict consequences, including withdrawing Title III funding or replacing personnel overseeing English language learner programs.

At PPS, however, the district did not meet its four student performance objectives at various times between 2010 and 2015, and never met one of the objectives. Yet ODE allowed the district to continue to make changes to the program instead of taking stricter steps.

In addition, ODE’s evaluation of PPS’s English learner plans did not provide meaningful feedback from reviewers. ODE personnel did desk audits and site visits as well, but the desk audits mainly consisted of a checkbox-based review for compliance with federal and state rules, not an evaluation of student performance. ODE did not provide documents showing meaningful feedback from site visits, though ODE personnel said they did provide technical assistance.

**State grants: HB 3499**

<table>
<thead>
<tr>
<th>2017-19 budget</th>
<th>Purpose in brief</th>
<th>Selection rationale</th>
<th>ODE admin %</th>
<th>PPS admin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12.5 million</td>
<td>Improve education for English language learners.</td>
<td>Vulnerable student population. Priority in Governor’s education policy agenda. Unique but untested state accountability approach.</td>
<td>4%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

These state-level grants also focus on English language learners, and have a unique accountability system. Under the 2015 bill that gives these grants their name, all districts with English learners must detail how they spend the extra money the state funding formula gives districts for English learner students. ODE analyzes performance data and needs at districts, chooses 40 with relatively high needs and low performance, then sends grants to the districts to help English learners. The districts report on their progress three times a year. ODE officials conduct a minimum of one site visit a year for the 40 districts. If they fail to improve after four years, ODE can direct how they spend the extra money the districts receive for English learner students.

This model holds promise for combining extra funding with extra accountability, though the four-year deadline will not hit until 2020 and the 20% allocation to ODE for administrative costs is high. In the interim, the program’s importance as a potential model makes performance management all the more important. At the ground level, we found room for improvement.

When we evaluated PPS’s HB 3499 plans, we found they listed goals, planned actions and evidence of success, but that evidence generally did not include quantitative measures of student progress. ODE is also maintaining a shared document for districts to record best practices. However, the shared document at this early stage is not rigorous enough to provide evidence of successful practices worth emulating.

Despite long-standing concerns about ODE operating in “silos,” the agency is still trying to figure out how to integrate work on HB 3499 grants with work on Title III. The overlap and potential for duplication is significant. Between the two programs, a district needing extra improvement has to prepare three separate plans as well as progress reports and budgets, all focused on English learners. ODE is also trying to integrate both programs with its overall school
improvement effort, run from the department that administers Title I grants. For example, ODE’s equity office, which administers the two English language learner grants, does not review school or district improvement plans overseen by the school improvement office.

State grants: African-American/Black Student Success

<table>
<thead>
<tr>
<th>2017-19 budget</th>
<th>Purpose in brief</th>
<th>Selection rationale</th>
<th>ODE admin %</th>
<th>PPS admin %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$6.3 million</strong></td>
<td>Improve education for African-American students.</td>
<td>Vulnerable student population. Only state grant program specifically targeting the African-American student achievement gap. Priority in Governor’s education policy agenda.</td>
<td>4.9%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

These grants, first issued in 2016, go from ODE directly to school districts and organizations with ties to African-American communities. Recent examples include grants to mentor at-risk students, provide after-school programs, monitor daily attendance and progress, and help students make academic plans. Though only $6.3 million in total, split in two phases, these grants represent the state’s main financial effort to implement its statewide plan for African-American students who face substantial achievement gaps.

The program’s performance management has flaws. Four Portland-based organizations received the grants in 2016. ODE did not provide the initial plan for one of the four grantees. For the other three, their plans had clear descriptions of work to be performed, and two included strong and specific “deliverables” for students. However, the main report on the grant’s first phase, written by outside consultants, noted few concrete outcomes and found inadequate data for assessment of student needs. The grantees’ latest progress reports, in 2018, did not report on some important deliverables. For example, one contractor did not report on six of eight deliverables, including a goal of having 85% of students in their program participating in at least two hours of after-school activities each week.

The grant agreements do not detail ODE’s responsibilities for monitoring and evaluating performance. ODE administrators told us they plan to make the grant evaluations more quantitative.

**Oregon must address obstacles to strong grant management**

Determining beyond a doubt whether an education program works for students is difficult, both statistically and logistically. The state is trying experiments in this, most notably with trauma-informed education and HB 3499 grants. However, short of that, Oregon can improve grant performance and identify practices that show promise in improving student results. We found five key obstacles to making these improvements:

1. The sheer volume of grants. As mentioned, ODE administers some 80 grants. With 197 school districts, that translates to thousands of grant agreements each year. For districts, the high volume of grants means dozens of disconnected — and often complicated — reporting and compliance requirements.

2. Limited district capacity. Some small districts across the state do not have the staff and time to apply for competitive grants, let alone evaluate results.

3. Unrealistic timelines. Policymakers can require reports on grant performance too early, before the initiative has time to show results. The two-year legislative cycle contributes to this problem.
4. Grant design. Some grants are not designed with performance expectations, baseline measurements, quantitative outcomes, and other best-practice performance elements built in. Federal grants require extensive compliance work, leaving less capacity for performance management. Thin performance requirements may come from a desire to keep administrative costs to a minimum.

5. Short-lived grants. State grants come and go, giving them a "flavor of the month" cast subject to shifts in political priorities. They can be short-lived, leaving inadequate time to gauge results before schools and districts are on to the next initiative. General knowledge among educators is that programs need a five-year life to determine how well they work.

Addressing these issues would help Oregon monitor and increase the return on its substantial education investments. As with the other issues this audit identified, these problems need more attention from education leaders and policymakers.
Recommendations

We made recommendations to ODE and PPS on both spending and performance management to help improve return on education investments.

Spending

ODE should:

1. Evaluate potential K-12 savings areas and spending trends, including an analysis of classroom spending compared to other spending. Share the analysis publicly, and work with the Quality Education Commission to include the analysis in the Commission’s public report.

2. Provide tools and templates to help districts regularly benchmark spending against peers, and provide guidance on best-practice options for directing more money to the classroom.

PPS should:

3. Investigate and report on potential savings areas in depth, including the level of executive administration, use of substitute teachers and educational assistants due to educator absences, health benefits, bus services, legal services, and building utilization.

4. Conduct regular and public peer benchmarking to identify potential savings areas and spending challenges. Identify peer districts using objective criteria, such as enrollment, level of poverty, and other demographic factors.

5. Make its budget more clear and transparent to the public, including staffing and spending by program over time, key performance indicators, and analysis of key initiative outcomes.

6. Improve controls over purchasing card use. Improvements include requiring management review for at least non-standard and high-dollar transactions, and improving policy guidance on appropriate businesses purposes, taxpayer-funded meals, parties, student incentives, gifts, and use of unusual merchants. Also, the district should improve aggregate analysis of card use data to identify spending trends and unusual transactions.

Performance Management

ODE should:

7. Coordinate with the Governor’s Office, the State Board of Education, the Legislature, and districts to develop a plan to align education investments for the long-term. The plan should include steps to reduce and consolidate initiatives, and measure investment results, particularly for state efforts aimed at improving struggling high-poverty schools.

8. Work with the State Board of Education and stakeholders to evaluate Division 22 district standards for clarity and enforceability, and ensure that ODE has adequate resources to review compliance and enforce standards when districts fall short.

9. Thoroughly evaluate Title I school improvement program results annually and include the evaluation and results in ODE’s statewide report card.
10. Annually evaluate and publicly report on the effectiveness of specific ODE interventions for districts that do not improve the performance of their struggling high-poverty schools as part of ESSA efforts.

11. Include a thorough analysis of how ODE is addressing challenges to effective ESSA implementation and the results of those efforts in reports to the public, the State Board of Education, and Legislature. These challenges include: timely implementation; the effectiveness of continuous improvement plans; braiding federal and state funds; and ensuring different ODE departments coordinate to help districts and schools improve. Also report on stakeholders’ views of ODE efforts.

12. Conduct a staffing analysis to determine whether ODE’s current staffing assignments align with and support the state’s education priorities. Discuss results with the Legislature.

13. Report to the public, State Board of Education, and Legislature on how ODE manages grantee performance for key federal and state grants designed to improve student outcomes. Also include in this report administrative funding provided for these grants and whether ODE has adequate resources to conduct performance management.

14. For key grants, incorporate best-practice performance management, including setting quantitative and qualitative performance expectations in contracts, establishing baseline measurements, and providing timely and constructive feedback to grantees.

15. Provide consistent oversight and support for grant managers, including training on how to evaluate grant performance and collaboration tools such as performance evaluation templates.

PPS should:

16. In developing a common core curriculum for schools, ensure adequate training for teachers — particularly new or inexperienced teachers.

17. Develop a strategic plan that sets concrete performance measures for improved student outcomes and discusses in depth the staffing, resources, interim steps, and improvements to the district’s operations and organizational culture needed to reach those outcomes.

18. Maintain a consistent feedback loop with teachers, educational assistants, parents, and other stakeholders regarding student conduct issues, particularly as they affect Title I schools and other high-poverty schools. Address teacher concerns about lack of clarity in school policies and lack of consistent behavior standards.

19. Prioritize development and stability of effective principals by providing incentives and additional support, particularly at high-poverty schools. Supports include reducing turnover of principal supervisors, stabilizing district leadership, improving collaboration between principals and central administrators, improving hiring practices, streamlining initiatives, increasing collaboration between central office departments, and evaluating initiative results.

20. Work with union officials to address transfer and hiring issues that promote high turnover and lower teacher experience at high-poverty schools. Also address remaining contract issues raised in the recent investigation of teacher misconduct, including retention of educator records and reducing administrative obstacles to filing a complaint.
21. While working to improve instructional quality, address other obstacles that create inequities at high-poverty schools. Strategies include changes to attendance rules, boundary changes, and practices that could encourage retention of high-quality principals and teachers at high-poverty schools, such as additional pay, enhanced training, and additional classroom support.

22. Ensure consistent performance evaluation depth and quality by training administrators to set high expectations and improve the depth of reviews. Periodically review evaluations for quality.

23. Regularly track teacher and principal turnover and the number of initiatives at schools and publicly report on it, with a particular focus on high-poverty schools.

24. Adopt policies and practices that ensure strong management of contract and grant performance, particularly for non-competitive contracts and initiatives directly serving students, including consolidating contract management responsibilities.

25. Use the strategic planning process to evaluate the most effective and efficient use of contracts designed to increase student performance.

**The PPS Board should:**

26. Ensure that district administrators prioritize key steps to improve the efficiency and effectiveness of district operations, including:

   a. Building an effective common core curriculum based on state standards and ensuring adequate school support and accountability for performance.

   b. Developing a strategic plan that focuses on long-term investment and measurement of results. The plan should also address the district’s organizational culture, including improving the district’s feedback loops and trust between central administrators, principals and teachers.

   c. Addressing inequities at high-poverty schools, such as high turnover, low teacher experience, and initiative overload.

   d. Improving the transparency and impact of the district’s budget, including objective peer comparisons, analysis of results, and analysis of potential savings areas.

   e. Tracking and addressing teacher and principal issues with student discipline practices and priorities.

   f. Improving control of purchasing card transactions, contract performance management, and the oversight of key contracts.
Appendix A: Methods for Comparing PPS to In-State and Out-of-State Peer Districts

In-state performance comparisons

To compare PPS performance with that of other districts in Oregon, we used data obtained from ODE on six metrics:

- Regular attender rates (for the 2012-13 through 2016-17 school years);
- Freshmen on-track rates (for the 2013-14 through 2016-17 school years);
- Four-year graduation rates (for the 2012-13 through 2016-17 school years);
- Five-year completer rates (for the 2012-13 through 2016-17 school years);
- Post-secondary enrollment rates (for the 2011-12 through 2014-15 school years); and
- Smarter Balanced achievement scores by grade and subject (for the 2013-14 through 2016-17 school years).

For all metrics, ODE provided data for the most recent three to five years available, depending on the comparability between years. Data were disaggregated by specific student subgroups to help make the results more comparable, first into African-American/Black, Hispanic/Latino, white, ever English learner, and disabled or special education subgroups, and then further disaggregated by a student’s status as either economically disadvantaged (ECD) or not (non-ECD).

We compared PPS performance to the other 12 districts in the state with more than 10,000 students enrolled and to two smaller Multnomah County districts, Centennial and Parkrose. When comparing results between districts on a particular metric, we looked at three statistics derived from the data: the result in the most recent year evaluated, the average result over time (i.e., three to five years), and the growth between the earliest comparable year and the most recent year. We tallied results for the different statistics overall and within the demographic subgroups.

An overall comparison between districts included up to 195 data points, and comparisons between district subgroups included up to 39 data points.

We made three adjustments to help ensure that comparisons were reasonable. We only considered a data point to be valid if it was based on results from at least 10 students in both PPS and the comparison district. For district-to-district comparisons, we eliminated any comparison if less than half the data points were valid under this criteria. For any given subgroup comparison, we concluded that a district outperformed another only if the district performed better on at least 60% of the data points used for the comparison.

For example, we used 39 total data points to compare overall performance of Hispanic/Latino, non-economically disadvantaged students at PPS with each of the 14 comparison districts. This total of 39 data points is a consequence of the 24 data points based on Smarter Balanced

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19 In this appendix and throughout the report, when referring to specific sources of data, we use the names for student subgroups included in the source data sets in order to maintain consistency with those sources.
achievement scores\textsuperscript{20} plus 15 data points based on the other performance statistics.\textsuperscript{21} For each of those 39 points that were based on measurements from at least 10 students at PPS and at the comparison district, we included them in a tally. If at least 50% of the 39 data points (i.e., 20) were so included, then we considered that overall comparison between PPS and the given district to be valid. Finally, if PPS outperformed the comparison district for more than 60% of the data points included in the tally, we determined that PPS outperformed the comparison district for Hispanic/Latino, non-ECD students.

### Out-of-state performance comparisons

For out-of-state performance comparisons, we used the National Center for Education Statistics (NCES) Peer Search Tool to identify the top 30 comparable peer districts for PPS from across the United States. The NCES Peer Search algorithm takes into account variables — including total enrollment, student to teacher ratio, and the percentage of students in poverty — when identifying meaningful comparison districts. We also compared PPS to 66 of the 70 members of the the Council of the Great City Schools, a nationwide group of large urban school districts.\textsuperscript{22}

We compared PPS to the NCES and Great City Schools districts in two main areas: graduation rates and student achievement data. For graduation rate comparisons, we obtained the most recent adjusted cohort graduation rate data from the U.S. Department of Education. These data were for the 2015-16 school year and were disaggregated by the following student subgroups: Black students, Hispanic/Latino students, economically disadvantaged students, and Limited English Proficient students. In this graduation rate analysis, we used the relative ranking of PPS graduation rates for different subgroups as the primary comparison measures.

For student achievement comparisons, we used data from the Stanford Education Data Archive (SEDA) project, which standardized assessment results from the National Assessment of Educational Progress across states in order to facilitate meaningful performance comparisons. We used the most recent version of the SEDA data in which a district’s performance is characterized by a single composite performance score. That score encompasses all years covered by the project (2009-15), all grades (third through eighth), and both standardized assessment subjects (math and English), but is disaggregated by student subgroup (black, Hispanic, and white). We also analyzed SEDA’s accompanying demographic data for each comparison district, which included measurements of poverty and overall socioeconomic characteristics. These SEDA data allowed us to analyze racial subgroups and the relative poverty level of students in a given subgroup between districts, as well as analyze the statistical significance of achievement result comparisons.

To evaluate the statistical significance of a difference in achievement scores between PPS and a comparison district within a subgroup, we employed Welch’s two-tailed t-test for differences in population means with samples of unequal variance and unequal sample sizes. We also corrected for the statistical effects of comparing performance across multiple districts. Additional details on how we conducted this test are available on request.

\textsuperscript{20} The total of 24 is a consequence of our three derived statistics (most recent results, average results, and growth), the four grade levels for which SBAC achievement data are collected (3, 5, 8, 11), and the two subjects covered by SBAC (math, English language arts). That is, $3 \times 4 \times 2 = 24$.  
\textsuperscript{21} The total of 15 is a consequence of our three derived statistics and five metrics other than SBAC scores (regular attender rates, freshmen-on-track rates, four-year graduation rates, five-year completer rates, and post-secondary enrollment rates). That is, $3 \times 5 = 15$.  
\textsuperscript{22} The four districts not considered were Dayton (which had enrollment of less than 20,000), New Orleans (which had enrollment of less than 20,000), Puerto Rico (which was not appropriate for comparison purposes), and Shelby County (which does not appear in the achievement data we employed).
January 3, 2019

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division’s final draft audit report titled “ODE and PPS Must Do More to Monitor Spending and Address Systemic Obstacles to Student Performance, Particularly at Struggling Schools.” Overall Oregon Department of Education (ODE) agrees with the recommendations of this audit and is already fulfilling some of the audit’s recommendations.

This audit reinforces the pathway that ODE began more than two years ago to tighten financial oversight of taxpayer funds, streamline its federal grants and programs, and shift from a shame and blame approach towards schools to a results driven, equity and partnership based plan for serving all Oregon students.

As part of its current strategic planning effort, the ODE is training all contract and grant managers on appropriate grant oversight policy. We are also committed to accelerating the process for providing feedback to grantees and improving existing tools and practices the Department uses such as checklists and templates.

Several of the audit’s recommendations seek to align and evaluate the effectiveness of 80 separate state and federal grants and programs, many of which are aimed at supporting Oregon’s marginalized and underserved students. This streamlining effort, if supported by the Legislature, local school districts, and other state leaders could create a more systemic and effective system for supporting all students on their path to graduation and their future in Oregon’s workforce.

These oversight and streamlining changes are coupled with a shift from outdated shame and blame school improvement models towards local-state partnerships, equity and a well-rounded education under the Every Student Succeeds Act (ESSA). Oregon’s new model, explained in Recommendation 9, focuses on investing in serving all students and working in partnership to close opportunity, belief, and achievement gaps.

The Department recognizes that Oregon has a history of seeking short-term solutions to long standing inequities in the delivery of education services. This short-term approach has provided frequently changing and often inadequate or unmeasured supports to schools and districts that have struggled to serve Oregon’s marginalized and underserved students.

Next are ODE’s detailed responses to each recommendation in the audit.
## RECOMMENDATION 1
Evaluate potential K-12 savings areas and spending trends, including an analysis of classroom spending compared to other spending. Share the analysis publicly, and work with the Quality Education Commission to include the analysis in the Commission’s public report.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>August, 2020 Date of next Quality Education Commission Report</td>
<td>Brian Reeder Assistant Superintendent of the Office of Research, Analysis, and Accountability 503-947-5670</td>
</tr>
</tbody>
</table>

### Narrative for Recommendation 1
ODE agrees that the analysis proposed by the recommendation will provide valuable information. ODE in consultation with the Quality Education Commission, will evaluate trends in school district spending by spending category, building on the work that ODE did in response to the requirements of Senate Bill 1541 (2016). As part of this evaluation, ODE, in consultation with the Quality Education Commission, will evaluate the factors (e.g., district and school size, staff salary levels, student characteristics, etc.) that influence the share of district spending that goes to classroom spending compared to other categories of spending. Using the findings of this evaluation, ODE and the Quality Education Commission will identify areas of potential savings for school districts. ODE will request that the Quality Education Commission include the results of this evaluation in its biennial reports, starting with the 2020 report.

## RECOMMENDATION 2
Provide tools and templates to help districts regularly benchmark spending against peers, and provide guidance on best-practice options for directing more money to the classroom.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>August, 2020 Date of completion for Recommendation 1</td>
<td>Brian Reeder Assistant Superintendent of the Office of Research, Analysis, and Accountability 503-947-5670</td>
</tr>
</tbody>
</table>

### Narrative for Recommendation 2
ODE agrees that the recommendation will assist districts in finding best practices for directing more resources to the classroom. Based on the findings from the work related to Recommendation 1, ODE will develop a set of tools and templates to assist districts in evaluating its spending patterns relative to their peer districts, where “peer districts” are defined as those that are similar in the factors identified in the analysis for Recommendation 1, and that influence district spending in various spending categories. The
purpose of these tools and templates is to assist districts in finding ways to direct more resources to the classroom, which research shows contributes to high student achievement.

**RECOMMENDATION 7**
Coordinate with the Governor’s Office, the State Board of Education, the Legislature, and districts to develop a plan to align education investments for the long-term. The plan should include steps to reduce and consolidate initiatives and measure investment results, particularly for state efforts aimed at improving struggling high-poverty schools.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>September, 2019</td>
<td>Carmen Xiomara Urbina Deputy Director 503-947-5841</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 7**
ODE agrees that the recommendation could help to align and consolidate initiatives designed to serve students who have been and are currently marginalized and underserved by Oregon’s schools. This audit identified 80 separate state and federal grants, many aimed to serving students who have been and are currently marginalized and underserved by Oregon’s schools. ODE will coordinate with the Governor’s Office, the State Board of Education, the Legislature, students, families, districts, and other partners to develop a plan that (1) employs an equity stance to preserve programs aimed at serving marginalized and underserved students, (2) identifies the initiatives, (3) recommends options for evaluating the initiatives, (4) proposes targets for alignment and/or consolidation, (5) outlines steps that could be taken to simplify access to resources, and (6) possibly identifies needs for further investment to support students who continue to be marginalized and underserved in Oregon.

**RECOMMENDATION 8**
Work with the State Board of Education and stakeholders to evaluate Division 22 district standards for clarity and enforceability, and ensure that ODE has adequate resources to review compliance and enforce standards when districts fall short.

<table>
<thead>
<tr>
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<th>Name and phone number of specific point of contact for implementation</th>
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</thead>
<tbody>
<tr>
<td>Agree</td>
<td>July, 2021</td>
<td>Emily Nazarov Government and Legal Affairs Manager 503-947-5637</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 8**
ODE agrees with this recommendation. The Department will continue to review the standards set out in Division 22 and bring recommendations for revisions to the State Board of Education. The review will focus on whether the current standards are still appropriately placed within Division 22, whether
additional standards should be included, and whether the standards can be made more specific and enforceable in areas such as instructional rigor, curriculum standards, and performance standards. This review will be completed within the 2019-21 biennium. The Department will also review the Division 22 assurances process and make suggestions for improvement. This work will also be completed in the 2019-21 biennium. Any decisions to alter or improve Division 22 will necessarily engage district, stakeholder and community partners.

Background Information. Division 22 includes multiple regulations across more than 50 separate Oregon Administrative Rules encompassing administrator standards, Dyslexia identification protocols, personnel policies, instructional time, reporting on PE data, comprehensive school counseling guidelines, and more. OAR 581-022-2305(1) states that “Districts must comply with the state standards set forth in OAR chapter 581, Division 22.” Further, “(2) Districts must maintain evidence of compliance with the state standards and make such evidence available upon request. (3) Districts must report compliance with all state standards set forth in OAR chapter 581, Division 22: (a) To the school board of the district in a public meeting by February 1 of each school year and the school board must acknowledge receipt of the report prior to submission of the report to the Department of Education; and (b) To the Department by February 15 on a form to be provided by the Department of Education. (4) A district must post the report on compliance with state standards on the district’s web page by February 1 of each school year.”

As per OAR 581-022-2305, all 197 school districts are required to complete the publicly reported Division 22 assurance process. In 2018, the Department accepted four appeals on Division 22 complaints. In other words, 2% of Oregon school districts were impacted by the appeals process, while 100% of districts were impacted by the public assurances process.

Under OAR 581-022-2305, districts are required to report compliance with all Division 22 standards to their respective communities in a public meeting no later than February 1 of each school year. The local school board must acknowledge receipt of the report. In Oregon (ORS 332.072) local school boards have control of the district schools and are responsible for educating children residing in the district. Local boards have the authority and ongoing oversight function to review and enforce Division 22 standards at the district level. Districts must also post the assurances on the district’s website by February 1 of each school year. This reporting structure is an important aspect of public accountability, especially in light of the fact that Oregon is a local control state. Under Oregon’s local control structure, the local school boards are charged with district oversight and local school board members are well versed in district business and in a good position to question the assurances offered by a superintendent and other district staff. Further local school boards can direct the superintendent to provide additional information or evidence of compliance and can direct the superintendent to take further action to meet all Division 22 standards.
### RECOMMENDATION 9

Thoroughly evaluate Title I school improvement program results annually and include the evaluation and results in ODE’s statewide report card.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
</table>
| Agree                                 | December, 2019                                                                         | Jennifer Patterson  
Assistant Superintendent of the Office of Teaching, Learning, and Assessment  
503-947-5663  
Brian Reeder  
Assistant Superintendent of the Office of Research, Analysis, and Accountability  
503-947-5670 |

**Narrative for Recommendation 9**

In general, ODE agrees that ongoing evaluation of Title I school improvement efforts can serve to improve outcomes for students. The Oregon Statewide Report Card is an annual publication required by law (ORS 329.115), which reports on the state of public schools and their progress towards the goals of the Oregon Educational Act for the 21st Century. A report on overall program shifts and results can be included in future statewide report cards.

**Background Information.** Oregon is shifting from punitive shame and blame systems of school improvement that existed under No Child Left Behind (NCLB) and the Elementary and Secondary Education Act (ESEA) Flexibility Waiver process to one focused on local-state partnerships, equity, and a well-rounded education under the Every Student Succeeds Act (ESSA).

Oregon’s new model focuses on a far more comprehensive diagnostic approach to school improvement. The process begins with an in-depth needs assessment that reviews state and local data; is informed by local educators and community; and identifies student needs, district and community assets, and areas for growth. Once this process is complete, the state acts as a partner with the district to design and track the implementation of interventions to meet the needs of students in the local community. With this shift comes opportunity to evaluate a new approach to district and school improvement.

Past models that focused on punitive, one-size-fits all interventions for districts and schools failed to produce significant and sustained improvement for districts across the US. To date, the most common, high-stakes lever in this area was school “takeovers” or “restructuring” efforts. Both of these approaches are not viable courses of action in Oregon, given statewide resources, the variety and unique needs of Oregon’s diverse communities, and the publicly held value of local control. Direction of spending is another approach that has a variety of caveats, including minimal resources to begin with and contractual barriers associated with increasing instructional time or time for professional development for teachers. Even when written into federal plans (ESEA Flexibility Waiver), these steps were rarely seen as viable options and weren’t widely supported in the state. An additional compounding challenge is the high rate
of turnover among principals in identified schools. This creates a “moving target” when looking to improve leadership or governance structures.

Oregon’s new approach is rooted in two shifts that anticipate these challenges. First, Oregon’s needs-assessment process is expected to do a better job of assessing systemic needs and opportunities. Second, Oregon will take a more timely approach to monitoring implementation of improvement efforts and the measured impact to increase the effectiveness of interventions and supports for currently underserved students.

<table>
<thead>
<tr>
<th>RECOMMENDATION 10</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
</table>
| Agree or Disagree with Recommendation | December, 2019 | Jennifer Patterson  
Assistant Superintendent of the Office of Teaching, Learning, and Assessment  
503-947-5663  
Brian Reeder  
Assistant Superintendent of the Office of Research, Analysis, and Accountability  
503-947-5670 |

Narrative for Recommendation 10
ODE agrees that ongoing evaluation of school and district improvement efforts can serve to improve outcomes for students. This is especially true as Oregon begins to implement new supports and partnerships with local school districts under ESSA. ODE can develop additional metrics and analysis of overall school performance by disaggregating state-level data. An initial review of this analysis would be relatively straightforward. However, it is important to recognize that only a portion of change in outcomes (increases or decreases in student performance) can be directly attributed to the effectiveness of specific ODE interventions. Identified and supported districts and schools will be implementing multiple efforts to improve outcomes but will do so without comparison districts and schools to serve as control groups that did not receive interventions. It should also be noted that the federal and state investments in supporting improvements at these specific schools and districts is minimal (for example in the 2017-19 biennium the investment in these schools was less than one-quarter of one percent of the state school fund investment). However, ODE staff are looking for ways to capture and disseminate effective practices in improving student outcomes in low-performing schools.
RECOMMENDATION 11
Include a thorough analysis of how ODE is addressing challenges to effective ESSA implementation and the results of those efforts in reports to the public, the State Board of Education, and Legislature. These challenges include: timely implementation; the effectiveness of continuous improvement plans; braiding federal and state funds; and ensuring different ODE Departments coordinate to help districts and schools improve. Also report on stakeholders’ views of ODE efforts.

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<tr>
<td>Agree</td>
<td>Ongoing</td>
<td>Jennifer Patterson Assistant Superintendent of the Office of Teaching, Learning, and Assessment 503-947-5663</td>
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Narrative for Recommendation 11
ODE agrees that ongoing analysis of challenges to effective ESSA implementation is needed. Since the passage of ESSA, ODE has regularly reported to the State Board of Education and the Legislature on Oregon’s implementation of ESSA. ODE engaged stakeholders in developing Oregon’s plan for implementation of ESSA and will continue to communicate to the public, State Board and Legislature about ESSA implementation highlighting any areas of challenge.

RECOMMENDATION 12
Conduct a staffing analysis to determine whether ODE’s current staffing assignments align with and support the state’s education priorities. Discuss results with the Legislature.

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<td>Agree</td>
<td>April 1, 2019</td>
<td>Jennifer Patterson Assistant Superintendent of the Office of Teaching, Learning, and Assessment 503-947-5663</td>
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Narrative for Recommendation 12
In the context of Recommendations #9, #10 and #11 ODE is interpreting this recommendation to be focused on ODE staffing for school improvement efforts, which is a Department priority.

ODE agrees that ODE staff deficits related to school improvement efforts should be identified and addressed. In anticipation of the increased number of schools and districts in need of support under ESSA, ODE authored a Policy Option Package (P.O.P.) to increase staffing to support school improvement. This
POP was incorporated into the Governor’s recommended budget. Additional staff would offer immediate and increased capacity to support districts and schools. ODE will discuss staffing support for school improvement as part of its budget presentation to the Legislature during the 2019 session.

**RECOMMENDATION 13**
Report to the public, State Board of Education, and Legislature on how ODE manages grantee performance for key federal and state grants designed to improve student outcomes. Also include administrative funding for these grants and the capacity of the Department to conduct adequate performance management.

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<tr>
<td>Agree</td>
<td>April, 2019</td>
<td>Stephanie Tyrer, <a href="mailto:Stephanie.Tyrer@state.or.us">Stephanie.Tyrer@state.or.us</a></td>
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**Narrative for Recommendation 13**
Through its current processes of reporting publicly to the State Board of Education and Legislature, ODE will report how key federal and state grants are structured by the Department to achieve optimum outcomes for students. As part of this reporting, ODE will include information on the administrative funding needed to effectively conduct performance management for all key federal and state grants. The proposed 2019-21 budget lacks the resources necessary to fully implement adequate performance management models. Therefore, ODE plans to identify these deficits during the Department’s presentation to the Legislature, noting the findings of this audit and the need for additional resources to fully address these recommendations. As it relates to future enhancements or additions to key federal and state programs, ODE will propose appropriate funding to ensure adequate performance management systems for all its fiscal impact statements.

**RECOMMENDATION 14**
For key grants, incorporate best-practice performance management, including setting quantitative and qualitative performance expectations in contracts, establishing baseline measurements, and providing timely and constructive feedback to grantees.

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<tr>
<td>Agree</td>
<td>July, 2021</td>
<td>Stephanie Tyrer, <a href="mailto:Stephanie.Tyrer@state.or.us">Stephanie.Tyrer@state.or.us</a></td>
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**Narrative for Recommendation 14**
As part of its current strategic planning effort, ODE has been designing a new legal and contractual framework that will aid in developing quantitative performance expectations and baseline measurements. Additionally, the Department will be implementing policies and procedures to improve grant processes for program offices to deliver timely and constructive feedback to grantees. However, to both identify and implement quantitative performance outcomes and expectations that are measurable and are based on best practices.
practices, additional work and resources will be required. A performance measurement system will need to be developed and implemented to provide indicators that successfully measure the progress in meeting these performance outcomes and expectations. This work will take time to fully develop and implement and will likely require additional resources. These resource needs will be identified in ODE reports as outlined in recommendation #13.

**RECOMMENDATION 15**
Provide consistent oversight and support for grant managers, including training on how to evaluate grant performance and collaboration tools such as performance evaluation templates.

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</table>
| Agree                                 | July, 2021                                                                      | Stephanie Tyrer  
  Stephanie.Tyrer@state.or.us                                                              |

**Narrative for Recommendation 15**
As stated in recommendation 14, the ODE is already working on implementing policies and procedures around improved grants processes. This work also includes training for contract and grant managers. As of December 31, 2018, all current ODE grant and contract administrators have completed contract administrator trainings, or their responsibilities have been delegated to individuals who are authorized to administer grants and contracts. As new grant and contract administrators come on board, a process will be in place to ensure they are certified prior to administering a grant or contract.

In addition, beginning in July 2019, ODE will be providing new tools for guiding and assisting grant managers in the consistent development of expectations of our recipients in our grant and contract agreements, as well as the evaluations of progress within the grant timelines. Training will be developed and implemented for grant managers on basic grant management, the use of management tools, and guidance on adherence to all Department policies and procedures around best-practice performance management.

This work, while critical, will only respond to a portion of Recommendation 15. To fully implement the recommendation, it will require more in depth training on developing performance expectations that can be measured successfully and consistently to demonstrate progress towards desired outcomes. ODE plans to enhance tools and resources, as well as training to maintain consistent oversight and support for grant managers, if sufficient capacity is funded by the Legislature as presented in the previous recommendations. As with recommendations #13 and #14, the Department plans to investigate whether additional resources will be needed to accomplish this recommendation to the full potential of intent.

Please contact Terri Ward at 503-931-0259 with any questions.
Sincerely,

Colt Gill, Director
Oregon Department of Education

cc:
Lindsey Capps, Chief Education Officer and Education Policy Advisor to Governor Brown
Guadalupe Guerrero, Superintendent, Portland Public Schools
January 3, 2019

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott,

This letter and accompanying response are the written response to the Audits Division’s final draft report of the recent Portland Public Schools (PPS) and the Oregon Department of Education (ODE) audit.

We understand that this audit of PPS was a specific political request by the Secretary of State, and we want to be clear that it is additive to other performance and financial auditing the District has already conducted and that is planned for the future.

We welcome this audit and appreciate the audit team’s diligence in critically examining the past practices and present work in Portland Public Schools. The team’s recommendations will contribute to our continuous improvement and commitment to improving student outcomes. As indicated in our responses, we intend to implement the audit recommendations, including continuing work that is already underway. There may be cases where the implementation is contingent on third-party action (e.g. the Legislature or labor bargaining units) or additional financial resources.

The audit team’s acknowledgment that, under new PPS leadership, many of the reforms outlined in the recommendations are already underway, is also appreciated. The Board of Education, which has experienced a complete turnover in membership since 2015, hired a new Superintendent who started in October 2017, and together we have embarked on significant, comprehensive, and transformative work, including organizational restructuring, vision and strategic plan development, differentiated school improvement and interventions, academic and behavioral professional learning and coaching, and work to strengthen core functions in human resources, budget, finance, and other areas.

While the audit makes a passing reference to some improvements at PPS over the past two years, it reaches back 20 years to reference a 1998 audit and does not fully recognize the many operational and systemic improvements that the new leadership has already made or plans to make in our efforts to rebuild PPS as a high-functioning school district.
As is captured in the recent audit, for many years, PPS was a system adrift both operationally and educationally. The list of challenges, exacerbated by multiple interim superintendents from mid-2016 through September 2017, included a lack of an aligned or up-to-date curriculum; turnover of senior staff; significant physical plant challenges in PPS’s aging buildings and other health and safety issues; stalled union contract negotiations; broken, non-compliant complaint and public records policies; and the persistence of vast disparities in educational opportunities offered to students, particularly middle-grade students in historically underserved neighborhoods, among other issues.

Members of the Board of Education were committed to transforming PPS and Superintendent Guerrero was hired in 2017 to bring educational expertise and leadership precisely to address these legacy issues. Many reforms are already underway and significant systems and operational practices are being developed using the principles of continuous process improvement. In just the last two years, efforts by the members of the Board of Education, the new Superintendent, and senior staff, have resulted in the following:

### Leadership

- The Board of Education completed a successful, national superintendent recruitment on an accelerated schedule to hire before the start of the 2017-18 school year.
- The Superintendent recruited and hired a diverse, experienced team of academic and operational leaders to drive and support school improvements and systemic change.
- Comprehensive work plans have guided the board and staff work starting in July 2017 and a District visioning and strategic planning initiative was launched in the fall of 2018.
- Long-delayed negotiations were completed and contracts approved for all our represented employee bargaining units.

### Systemic educational improvements

- Planned and successfully opened two new middle schools, Roseway Heights Middle School and Harriet Tubman Middle School, to provide more equitable and rigorous middle grades programs for more than 1,000 students in historically underserved neighborhoods; PPS invested more than $20M to prepare these schools to be reopened.
- Developed a coherent and aligned PK-12, standards-based instructional framework, and a comprehensive student assessment system.
- Enhanced central leadership capacity in curriculum and instruction, and improved teacher and principal development and professional learning through both District-wide and site-based training.
- Created and began implementation of a framework for a multi-tiered system of support (MTSS), including professional development for principals and educators, along with school climate teachers on special assignment for in-school guidance, support, and coaching.
- Staffed a Rapid Response Team to assist with urgent student behavior needs to provide immediate, short-term assistance with additional staff, coaching, classroom management guidance, and development of behavior support plans.
Rebuilding our School Facilities; Modernization, Health, Safety, and Accessibility

a. Won strong community support for a $790M capital bond in May 2017 to address health, safety, and accessibility issues and to modernize crumbling schools; masterplans for Kellogg Middle School, Madison High School, Lincoln High School, and Benson High School have been approved.

b. Opened three newly rebuilt schools funded by the 2012 bond in the fall of 2017 on time and on budget – Franklin High School, Roosevelt High School, and Faubion K-8; a fourth school, Grant High School, is scheduled to open on schedule in August 2019.

c. Initiated health and safety improvements in all schools to address lead, radon, asbestos, air pollution, and other hazards.

Focus on Accountability and Transparency

a. The Board has adopted a substantial body of new and revised policies, many of which elevate accountability, transparency, and student safety. Major revisions and new policies recently approved by the Board of Education include: the Formal Complaint Policy; Anti-Harassment and Nondiscrimination Policy; Public Access to District Records Policy; Teen Dating Violence Policy; Preservation, Maintenance, and Disposition of District Property Policy; and a Conflict of Interest-Nepotism Policy.

b. The Board commissioned an independent, comprehensive investigation into a significant staff misconduct case; implementation of the report recommendations with a focus on improved student safety are underway. Comprehensive staff training has occurred, and two policies have been drafted and are on track for adoption: professional conduct between staff and students (Professional Conduct Policy) and staff conduct related to field trips (Field Trip, Foreign Travel, and Other Off Campus Activities).

c. The Board and current Interim General Counsel completed the transition from a single, primary firm to a diversification of legal providers and have been clearing and resolving the backlog of prior litigation, while actively monitoring costs.

D. PPS Purchasing & Contracting staff and the Board have worked diligently over the last several years to strengthen contracting processes, improve District-wide compliance with public contracting rules and best practices, require performance metrics, increase transparency, and enhance Board review of contractor performance for large, direct negotiation contracts.

Enhanced Oversight and Performance Auditing

a. The Board added funding for two internal performance audit positions to the 2018-19 PPS budget, more internal auditors than any other district in the state. The positions have been posted and the candidate selection process is underway.

b. The Board has updated the PPS Policy on Internal Performance Auditor contracting, Internal Performance Auditing; this provides a framework for the work of the new performance auditors.

c. The Board has appointed an Audit Committee to work with the Deputy Superintendent for Business and Operations to hire the new performance auditors and create and oversee the District’s Audit Plan. This will build on the audits commissioned by the 2015-17 PPS Audit Committee, including audits on contracts and administrative pay, which led to substantial changes in district practices.

d. The Board approved a resolution requiring the hiring of a performance auditor to review the 2017 bond cost estimates, provide findings and recommendations relating to the
causes of the bond budget gap, and report to the Board by March 31, 2019. PPS has already hired the auditing firm and the audit is in progress.

The leadership of Portland Public Schools is actively driving and supporting efforts to ensure access to equitable educational opportunities for all students and to refresh and implement the District’s racial educational equity policy.

The District is committed to correcting past deficient practices and launching new efforts that will position the District to be a strong school system that demonstrates a commitment to equity, accountability, and excellence for all students.

On the following pages, please find the District’s detailed response to each recommendation pertaining to PPS in the audit (recommendations 3-6, and 16-26). All other recommendations are related to the Oregon Department of Education (ODE).

The District will continue to address audit recommendations in its efforts of continuous improvement, strategic planning, and resource realignment for the core purpose of equitable outcomes for all students. Please contact Claire Hertz, Deputy Superintendent of Business & Operations at (503) 916-3376 or chertz@pps.net with any questions.

Sincerely,

Guadalupe Guerrero
Superintendent

Rita Moore
Board Chair

Julie Esparza Brown
Board Vice Chair

Julia Brim-Edwards
Audit Committee Chair

Cc: PPS Board of Education, Colt Gill, Director Oregon Department of Education
**District Responses to Recommendations**

<table>
<thead>
<tr>
<th>RECOMMENDATION 3</th>
<th>Investigate and report on potential savings areas in depth, including the level of executive administration, use of substitute teachers and educational assistants due to educator absences, health benefits, bus services, legal services, and building utilization.</th>
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</table>
| Agree | June 2019 | Guadalupe Guerrero  
Claire Hertz  
Yvonne Curtis  
Liz Large  
(503) 916-3200 |

**Narrative for Recommendation 3**

Over the past year, PPS began to assess resources and identify savings across the District with the specific purpose of increasing staff and supports in service to improving student outcomes. Through the implementation of a new school-site staffing model and a reorganization of the District’s central office, roughly $20 million was transferred in staffing and other resources to classrooms. In accordance with Recommendation 3, PPS will continue to evaluate and refine resources and systems assigned to and supporting executive administration, substitute teachers and educational assistants, employee health benefits, transportation and legal services and facilities usage. Specific plans and actions are outlined below.

**Executive administration:**

PPS will continue to examine its organizational structure to ensure the necessary balance of effective leadership capacity required to lead reform efforts while attaining an efficient streamlining of core District functions. A key component to the restructuring efforts accomplished in the past year is the addition of a new team of principal supervisors, enabling greater oversight and supervision of school improvement efforts.

In 2005, the Board approved a policy limiting excessive employee benefits for central office administrators which the Superintendent and Chief of Human Resources will continue to follow. There are PPS salary schedules and the Superintendent or staff hiring manager make the decision and are accountable for the placement of a new hire on a salary schedule. The Board reviewed the Office of the Superintendent’s budget during the 2018-19 budget process, including at several public meetings, and will continue to evaluate central office expenditures in the annual budget process.

In 2019-20, all non-represented central office employees will have an evaluation prior to final decisions relating to potential cost of living adjustments (COLA) and salary step increases. The Board’s approval of the FY 2018-19 COLA was contingent upon evaluations for all central office non-represented staff and implementation of a Human Resources protocol that designates when an employee is “too new to evaluate and receive standard step and COLAs.” The District
will be doing a pay equity review, and will determine the process for determining step increases for new non-represented employees during this process.

**Teacher absenteeism and use of paraeducators:**
The Superintendent had already identified this as an issue of concern. PPS will take a critical look at the factors that contribute to teacher absenteeism and high substitute teacher costs. The expansion of professional development opportunities for principals and educators to support their work of addressing the needs of diverse learners will not only benefit students directly, but also may alleviate some concerns contributing to educator burn-out. PPS will continue to focus and invest in positive behavior intervention systems (PBIS) and multi-tiered systems of support (MTSS) services in schools and bolster the direct student behavioral and rapid response support services (as agreed upon in recent collective bargaining) in an effort to minimize reliance on paraeducators.

**Transportation services:**
In FY 2017-18, PPS, through its national transportation services consultant, Transpar, conducted a comprehensive review of District transportation services and provided recommendations for system efficiencies and service improvements. Through the contractual partnership with First Student, PPS’s main provider of transportation services to students, processes were put into place to begin to address inefficiencies. Examples include the bolstering of call center staffing and the use of route planning software. In addition, contract obligations that had been previously overlooked were addressed through the negotiation of a one-year extension with First Student. PPS will begin implementing the remaining suggested recommendations to diversify its providers, ensure system stability, and create cost efficiencies.

**Legal services:**
The PPS Office of General Counsel is clearing legacy legal cases resulting in an increase in legal costs compared to previous years. In addition to identifying factual discrepancies in the historical legal department budget numbers cited in the audit, the following information was shared with the principal auditor about the legal expenses: The cost and effectiveness of the Office of General Counsel and outside counsel has been a priority for the Board. Since July 2017, the Board and current Interim General Counsel, who arrived in November of 2017, have been focused on clearing the backlog of prior litigation, actively monitoring costs, and diversifying the corps of providers for outside legal counsel. The Board has scrutinized legal services contracts and provided direction to support both active management of costs/services and the completed transition from a single, primary firm to a diversification of legal providers.

Under the leadership of the new Interim General Counsel and the Board, the district has set high standards for legal representation and has implemented best practices on the following:
- Establishing a regular cadence of Board review of all current tort claims, lawsuits, BOLI complaints, USDOJ OCR complaints, etc., through a combination of quarterly Board executive sessions and detailed written monthly reporting;
- Supporting policies and practices that reduce legal risk to the district;
- Revising outdated Board policies to reflect current needs and practices;
- Pursuing root-cause analysis to understand and reduce drivers of legal expense;
- Resolving long-standing legacy cases; and
- Diversifying the use of external legal representation and pursuing, when applicable, competitive fixed-fee agreements and other cost-reducing efforts.
The Office of General Counsel is now highly accountable, provides outstanding legal advice and representation, and prioritizes quality and efficiency while always pursuing cost-effective representation. While continuously focused on cost-saving opportunities to reduce legal expenses, the PPS legal budget is consistent with budgets from legal departments at commensurately sized districts such as Seattle and Atlanta.

It is worth noting that the Board and Superintendent have also set a higher bar for staff performance and employee conduct resulting in some additional litigation and expense relating to employment claims and terminations. In those cases where litigation can’t be avoided, the District seeks the highest quality, most cost-effective representation.

**Facilities Usage:**
The efficient and sustainable use of school facilities is necessary to increase student outcomes equitably across the district. In FY 2017-18 the Board approved plans to begin to address inequities among facilities and programs available to students by directing staff to open two new middle schools. This entailed a significant amount of both facilities work and boundary redesign for those schools that would now be feeding into the middle schools, including nine K-8 schools that were reconfigured into K-5 elementary schools.

The Board and Superintendent prioritized continuation of this work in the FY 2018-19 budget. This fall, PPS issued a request for proposals (RFP) to seek contracted support to examine school building utilization and a District-wide boundary/school assignment review. Combined with the District facilities conditions assessment (FCA) currently underway that will outline necessary physical and safety improvements, PPS is demonstrating efforts to systemically optimize building use to support equitable access to educational opportunities and improve student outcomes.

**RECOMMENDATION 4**
Conduct regular and public peer benchmarking to identify potential savings areas and spending challenges. Identify peer districts using objective criteria, such as enrollment, level of poverty, and other demographic factors.

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<tr>
<td>Agree</td>
<td>June 2019</td>
<td>Claire Hertz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cynthia Le (503) 916-3376</td>
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**Narrative for Recommendation 4**
The District will use benchmarking to identify areas for potential redirection of resources to support the new vision and strategic plan. For state level benchmarking, a tool that is being implemented across all Oregon school districts, Forecast 5, is being implemented by PPS budget
and accounting staff. At the national level, as a member of the Council of Great City Schools (CGCS), PPS will submit key performance indicators (KPI) in the academic and business areas of the District in the spring of 2019 for comparison to urban districts across the country. The CGCS report will be published in the fall of 2020 and inform organizational, operational, and instructional decisions in the future.

It is important to note that accurately comparing PPS operating expenditures to other school districts in Oregon is challenging because the vast majority of PPS facilities are aged (many over 100 years old) and built on small urban lots with little or no room for expansion. The administrative costs to support many, smaller schools is significantly higher than in other districts with newer, larger schools that provide economies of scale and benefit from being centrally located to student population centers.

As part of the District’s Audit Action plan, regular benchmarking reporting will be presented to the Board Audit Committee and reported to the full Board during the budget development process. In addition, the Board is in the process of hiring two internal performance auditors who will assist in identifying potential savings areas and spending challenges to improve the effectiveness of the District’s operations.

### RECOMMENDATION 5

Make its budget more clear and transparent to the public, including staffing and spending by program over time, key performance indicators, and analysis of key initiative outcomes.

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<tr>
<td>Agree</td>
<td>August 2019</td>
<td>Claire Hertz Cynthia Le (503) 916-3376</td>
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**Narrative for Recommendation 5**

The District is committed to establishing a clear and transparent budget development process so that staffing decisions, program evaluations, and policy decisions are easily understood by the public. In the summer and fall of 2018, PPS hired two financial leaders with decades of Oregon K-12 experience to establish and lead the budget process for 2019-20. The Deputy Superintendent of Business and Operations has led national training for the Government Finance Officers Association (GFOA) [Best Practices in School District Budgeting](https://www.gfoa.org/pubs/best-practices-school-budgeting) and the new Chief Financial Officer (CFO) has been trained in these research-based practices.

Despite vacancies in key positions, including the CFO, Chief Operating Officer, and Budget Director during FY 2017-18, a review of the agendas for the 2017-18 board and committee meetings provides evidence that the Board and Superintendent started its engagement in the
budget process much earlier in the year than was usual and discussed it on a regular basis through the end of the fiscal year.

In FY 2017-18, PPS instituted a new school staffing formula to more equitably distribute FTE to schools. School staffing represents a significant portion of the budget, so the Board made it a priority to discuss data, process, and implications at many of its meetings, starting in late summer 2017. Board members and the general public submitted many questions about the 2018-19 budget regarding contracts, substitutes, custodians, audits, central office staff evaluations, and academic supports. These issues were discussed in numerous public meetings, including committee meetings, regular Board meetings, and budget hearings, and are captured in this comprehensive list of questions and answers, which was provided to the public.

In addition to benchmarking and other recommendations in the Secretary of State’s audit, the Board has adopted a budget calendar that will allow for adequate opportunities for questions and discussion in the 2019-20 budget process. A schedule is being developed for specific due dates to submit questions and responses to be published. The first round of Board questions will be submitted after the budget framework is released in March; the second round will be as the proposed budget is released; and a third round of questions will be responded to as the approval of the budget is requested. A final round of questions will be scheduled prior to the final adoption of the budget.

The district will develop a strategic plan with specific investments to support the plan, metrics for measuring the performance of the investments and analysis of academic return on investments. In the fall of 2019, PPS will develop its first multi-year finance plan to be updated annually, and used to guide future annual budget processes.

An issue to be addressed this year is the challenge that the Multnomah County Tax Supervising & Conservation Commission (TSCC) calendar presents for Board review and budget transparency with the community. The TSCC process provides minimal additional value given the external financial auditing PPS conducts, yet compresses the PPS budget calendar, limits reviews, and appears to be a one-off mandate that does not apply to most other school districts in the state. For the 2019-20 budget process, TSCC deadlines require the district to approve a budget before the May Oregon Economic Forecast is released which will preclude our ability to update revenue projections based on the forecast and make any necessary adjustments to the district budget.

In March 2016, the district adopted Budget Principles as one of the first steps in school budgeting best practices and those principles will continue to guide the budget development process for FY 2019-20, including eight public budget hearings and work sessions. The PPS Community Budget Review Committee (CBRC) is an important, community member validator in the process. Their monthly public meetings began in September 2018 and their final report will be presented to the Board in May 2019.
The district intends to submit its 2019-20 Adopted Budget document for peer review by the Association of School Business Officials (ASBO) in application for their Meritorious Budget Awards. Accordingly, the PPS budget document will be built to incorporate their “excellence in school budget presentation standards” for transparent budget development. This will include staffing and spending by program over time and key performance indicators.

**RECOMMENDATION 6**
Improving controls over purchasing card use. Improvements include requiring management review for at least non-standard and high-dollar transactions, and improving policy guidance on appropriate business purposes, taxpayer-funded meals, parties, student incentives, gifts, and use of unusual merchants. Also, the district should improve aggregate analysis of card use data to identify spending trends and unusual transactions.

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| Agree                                 | June 2019                                                                                  | Cynthia Le
                                          |                                                                           | Emily Courtnage
                                          |                                                                           | (503) 916-3376
                                          |                                                                           | Board of Education |

**Narrative for Recommendation 6**

Purchasing cards provide an efficient and cost-effective method for purchasing basic goods, including school supplies and books, and simple services that do not require competition or extensive specifications. They also allow schools and departments to take advantage of online ordering and quick delivery, including through PPS’s e-commerce site that provides access to competitively solicited price agreements. Purchasing cards reduce the number of purchase orders and contracts for simple purchases, and minimize administrative costs associated with voucher creation and check processing. Finally, the use of purchasing cards, through the rebate program, generates revenue for the district. For all of these reasons, PPS will continue to encourage purchasing card use in appropriate circumstances, but will also continue to improve purchasing card controls.

Specifically, PPS will:
- Re-institute the manager approval process in Bank of America Works for all transactions under the manager’s supervision;
- Finalize and implement an updated infraction table detailing specific steps and remedies for different types of infractions (e.g., failure to attach receipts, accidental use) and earlier supervisor and second-level supervisor notice of infractions;
- Implement additional trainings and reminders regarding permitted and prohibited use of cards; and
- Implement additional internal review (audit) functions to help detect fraud, misuse, or abuse.
The Board will review and update policies regarding appropriate use of District funds, including for meals, celebrations, and student incentives. Staff will also review the accompanying Administrative Directives and guidance.

As part of the district’s Audit Action plan, PPS staff will establish a schedule to provide regular implementation updates to the Board Audit Committee and semi-annual updates to the full Board until all recommendations are implemented.

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<tr>
<th>RECOMMENDATION 16</th>
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<tr>
<td>In developing a common core curriculum for schools, ensure adequate training for teachers — particularly new or inexperienced teachers.</td>
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<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
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<tr>
<td>Agree</td>
<td>In Progress</td>
<td>Dr. Luis Valentino (503) 916-3200</td>
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**Narrative for Recommendation 16**

As a key priority, PPS has begun to develop a comprehensive standards-based core curriculum across the system and across content areas, PreK - 12. The implementation of the core curriculum will include a comprehensive professional development plan that will develop school site and central office leadership capacity, teacher professional learning, and resource allocation.

Under new District leadership, professional development for the 2018-19 school year was significantly more intensive and guided by the Office of School Performance, with a coherent schedule of site-based work to proceed throughout the school year. Preserving adequate time for high quality professional development was a high priority for both the District and the Portland Association of Teachers (PAT) during contract negotiations.

A critical component to implement PPS’ core curriculum is the application of cycles of continuous inquiry and improvement. Our model, Improvement Science (IS), will allow for the provision of a systematic approach to learn from, and improve on, our developing practices to implement a core curriculum across the district. The Improvement Science model will inform our progress and growth over time, and will improve our decision making by facilitating normalization, data-gathering, and resource allocation.

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<tr>
<th>RECOMMENDATION 17</th>
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<tr>
<td>Develop a strategic plan that sets concrete performance measures for improved student outcomes and discusses in depth the staffing, resources, interim steps, and improvements to the district’s operations and organizational culture needed to reach those outcomes.</td>
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Narrative for Recommendation 17

In the 2018-19 budget, PPS prioritized funding to develop a District vision and accompanying strategic plan. This effort commenced with a broad, community-wide visioning process to construct a long-term and collective aspiration for graduates of the school system. This process will define a north star to guide the District’s strategic plan.

In the absence of a District-wide strategic plan in FY 2017-18, the Board developed and implemented a comprehensive work plan and year end summary for FY 2017-18 which provided transparency to the community about the Board’s goals, priorities, and progress. This work plan and scorecard were provided to the principal auditor.

For FY 2018-19, senior leadership, in collaboration with the Board, outlined a unified, high-level work plan articulating a coherent set of priorities that will lead to an initial draft of a multi-year strategic plan for PPS with concrete performance metrics. This first edition of a more formal strategic plan will clearly lay out a systemic theory of action, core beliefs, and high-leverage action steps aimed at improving conditions and capacity in school communities that will accelerate improved and more equitable outcomes for all students.

The FY 2018-19 work plan includes priorities such as creating a differentiated school support and supervision plan to strategically address the needs of underserved school communities, including schools identified by the federal Every Student Succeeds Act (ESSA); align specific efforts aimed at creating more safe and supportive learning environments (e.g. behavioral supports, policy work on student and adult conduct); and document emerging metrics to monitor student success indicators as part of the District’s continuous improvement efforts. School site improvement plans and efforts are undergoing close examination to ensure identified interventions address underperforming student subgroups and maximize available resources towards identified performance goals. PPS will continue to emphasize improved staffing levels and supports, including discretionary equity funds, to address performance gaps at underserved and ESSA-identified schools.

**RECOMMENDATION 18**

Maintain a consistent feedback loop with teachers, educational assistants, parents, and other stakeholders regarding student conduct issues, particularly as they affect Title I schools and other high-poverty schools. Address teacher concerns about lack of clarity in school policies and lack of consistent behavior standards.
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<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
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</thead>
</table>
| Agree                                | See dates below                                                                | Brenda Martinek  
Kregg Cuellar  
(503) 916-3200                                                   |

Narrative for Recommendation 18:
The district is focused on providing a clear, consistent and systematic process that promotes academic achievement, behavioral supports, and protocols for accessing higher levels of behavioral resources quickly. This includes supports for students with substance use disorder and mental health challenges. PPS is also actively pursuing a variety of strategies to promote social-emotional wellness across the District, including the development of a PK-12 social-emotional curriculum for students. All of this work is based on data, national trends, best practices, staff concerns and increased needs across the district.

New MTSS Department added:
In September 2018, a new multi-tiered system of support (MTSS) department was established. MTSS is a systemic, continuous improvement framework in which data-based problem solving and decision making is practiced across all levels of the educational system for supporting students across academics, behavior, and social-emotional wellness. The District contracted with a company that specializes in helping districts with coaching and professional development through an MTSS roll out. They will provide ongoing professional development for educators this year. Title I schools are the primary focus for year one of our four-year roll out. The roll out will reinforce the coaching and support provided through the MTSS system for building administrators, teachers, and paraeducators. School climate and MTSS teachers on special assignment (TOSAs), are deployed to sites for in-school guidance support and coaching.

- MTSS department website for more information: [https://www.pps.net/mtss](https://www.pps.net/mtss)
- Timeline for completion: ongoing.

Data tracking tool and coaching:
The District submitted a proposal to purchase a data tracking tool in order to collect academic and behavioral data to monitor students’ progress and supports provided. The tool will be chosen and used in collaboration with the Office of School Performance, the Office of Teaching and Learning and the System Planning and Performance department. This collaborative work will align progress monitoring for academics and behavior across all departments. Title I schools have been prioritized to receive coaching and professional development support in the first cohort of schools, as described in the paragraph above. The MTSS supports and coaching will assist in aligning supports for students at any tier (level of need) in academics, behavior, and social emotional support. It is designed as a four-year roll out of coaching and supports to all schools in the district. The reason that it will take four years is due to the size and needs of the District and the necessity to implement with fidelity within our staffing bandwidth.

- Timeline for completion: June 2019 for data tracking tool.

Supports for students with substance use disorder and mental health challenges:
Like other school districts, PPS has seen a dramatic increase in the need for mental health supports in most of our schools and all of our high schools. Teachers, building administrators, and parents have asked for more mental health supports for their students. PPS has increased investments in qualified mental health providers (QMHPs) to help students return to school with a transition and recovery plan aligned to their treatment plan. Additional investments in mental health contracts with our community providers are helping to serve students regardless of their ability to pay or insurance status. New partnerships with community agencies and private funders are helping to supplement the costs of curriculum and training for all staff in drug and alcohol prevention, mental health awareness, and suicide prevention.

To serve students struggling with substance use disorder and mental health issues, PPS recently launched a five year implementation plan for the Recovery, Education and Action for Healthy Living (REAHL) continuum of care on 11/1/2018. The culmination of this five-year initiative will be to open a recovery high school for students re-entering the school system after substance use disorder and/or mental health treatment.

In 2017-2018 the District:

- Provided supports to over 183 students who participated in our Insights Program, which is a delayed expulsion program for students with their first drug/alcohol level 1 offense.
- Provided services to over 110 students in our Student Success Center, an alternative program to expulsion for level 1/2 offenses with drugs/alcohol.
- Last year 72 students had level 2/3 expulsion hearings for drugs/alcohol.

If you would like to hear more about the REAHL continuum of care, we would be happy to meet with you.

- Brochure that discusses our continuum of care: REAHL Information Pamphlet
- FAQ: REAHL Frequently Asked Questions
- Powerpoint: REAHL Proposal and Strategic Plan 2018-19
- Timeline for completion: Fall 2024.

Supports for students with immediate behavioral challenges:
As a result of the 2016-19 contractual agreement with the Portland Association of Teachers (PAT), the district has invested in staffing to support a “Rapid Response Team” concept to assist with urgent behavioral needs that teachers and administrators identify. This team provides immediate, short-term assistance with additional staff, coaching, classroom management guidance, and the development of behavior support plans (BSPs) for students. The team collaborates with the Area Assistant Superintendents, special education (when appropriate), MTSS, and student success departments to ensure all of the necessary wrap around supports are provided for the student and family. Communication with the teacher and building administration is crucial for the success of the student.

- Last year we served over 67 students through the Rapid Response Team. To date, we have served 39 students in the first four months of this school year.
- Rapid Response Team website information: https://www.pps.net/Page/10113

The PPS Office of Student Support Services (OSSS) now meets regularly with PAT leaders to problem solve so that issues are communicated and resolved before they become untenable for staff. A new Behavior Collaboration Team (BCT) comprised of PPS and PAT staff focuses on
historically underserved students and families and addresses issues such as discipline support, classroom management support, and other behavior related items.

- Timeline for completion: Ongoing for Rapid Response Team and for next 6-12 months for the BCT with PAT.

**Student Threat Assessment Team:**
The district has now fully implemented the Student Threat Assessment Team (STAT) process, based on the nationally-recognized model developed by the Salem-Keizer School District. As a result, PPS dedicated centralized staff to support each school site’s multidisciplinary team (referred to as a “level one team,”) to address low- to mid-level threats. Student threat is defined as any communication or action intended to inflict pain, injury, damage or other hostile action on someone, either physically or psychologically. In these incidences, the central office supports school sites by helping to identify threats of harm, and, if needed, facilitating a “level two team,” which is a community staffed team (including the school counselor, school resource officer, principal, and teacher) that meets weekly to review and assist with potential threats and supports available for the classroom teacher and administration.

- From September to date, we have had 66 student threat assessments submitted to our department.
  - Break down by level of assessment:
    - Level 0 (threat screening): 42, 63.6%
    - Level 1: 17, 25.7%
    - Level 2: 7, 10.6%
  - By Race:
    - White: 62.1%
    - Asian American: 3%
    - Black/African: 18.3%
    - Multiple races: 16.6%

- Out of the 66 students who have been involved in a threat assessment, only 3 students have been expelled, the rest have been able to receive services within district/school with support of a safety plan and wrap around supports.
  - Of the 3 students expelled, one student is Asian, one student is white and one student is African American.
- Timeline for completion: November of 2018.

**Discipline referral form and process:**
The district enhanced the discipline referral reporting format to include additional information, including the disposition, plan for a student’s return, and any additional details for consideration. A streamlined reporting process allows any staff member to fill out an online referral form in the District’s student information database, Synergy.

- Timeline for completion: September 2018.

**Review of Board policies and student rights and responsibilities handbook:**
Key policies and processes related to expectations of student conduct will be updated over the next eighteen months. PPS will work with key stakeholders, including students, families and representatives from PAT, the Portland Federation of School Professionals (PFSP), and Portland Association of Principals and School Administrators (PAPSA), to review and recommend
amendments to the PPS Student Rights and Responsibilities Handbook, the Student Conduct and Discipline policy (4.30.010-P) and the district’s Program for Disruptive Students policy (4.30.030-P). Recommendations are anticipated to be presented to the Board in late spring of 2019. The Board will follow its policy development process that includes a policy review, public comment period, and formal adoption of the recommendations, potentially with amendments. PPS will provide in-depth training to school-based administrators with a specific focus on those schools reporting high discipline rates among African American male students.


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<th>RECOMMENDATION 19</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
<th>Name and phone number of specific point of contact for implementation</th>
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<tr>
<td>Agree or Disagree with Recommendation</td>
<td>Agree</td>
<td>June 2019</td>
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Narrative for Recommendation 19

In FY 2018-19, PPS restructured the central office to better support schools and communities. Under the direction of the Office of School Performance (OSP), each regional school cluster has an experienced Area Assistant Superintendent and Area Senior Director overseeing a specific group of schools (ranging from nine to 21 sites) and spending most of their time supporting school-site administrators with enhanced coaching and embedding practices of instructional excellence.

The newly designed structure aims at increasing the amount of school visits and principal mentorship by more than 50% in comparison to the old support structure. Under the old organizational structure, there were 10 senior directors who each supervised and supported a unique cluster of schools. Not only did the senior directors support principals, but they also were tasked with performing a multitude of operational duties that included budget, supporting with operations and transportation, human resource management, investigations, formal complaints, amongst other things. Because of all of the operational duties the senior directors were tasked with, it limited the amount of school visits and development opportunities with their school based leaders.

The new model shifts the operational management duties to the Area Assistant Superintendent thus freeing up the Area Senior Director to have more time and focused responsibility on supporting schools and leaders. A Monday – Friday schedule now allows for intensive
differentiated school support which includes visibility in schools, focused one-on-one check-ins, and increased amount of collaboration assisting leaders with their own self-development while providing continual learning opportunities with a growth mindset. As part of their role in supporting school leaders, this set of principal supervisors are deployed in the field to: help leaders facilitate continuous improvement work, coach through site leaders’ decision-making processes, and encourage principals’ reflection of their leadership practice in order to drive improved outcomes for all students.

The new OSP team now comprises many leaders who are nationally-recognized as proven school turnaround experts.

The core purpose of the central office reorganization is to:

- Accelerate and improve student achievement District-wide;
- Redesign the central office to support, scale, and sustain school improvement and academic efforts;
- Create greater coherence and alignment in and among departments within the central office to better support schools;
- Increase central office collaboration and customer service, ensuring that all activities are student-centered and results-oriented;
- Establish shared accountability, of school and district leadership, for student and school success by clearly articulating the roles and functions of each leadership support member; and
- Enable school-support teams to identify and address instructional and behavioral gaps throughout feeder patterns while connecting communities with needed resources and central office services.

The Office of School Performance (OSP), the Office of Teaching and Learning (OTL), and the Office of Student Support Services (OSSS) provide concentrated and streamlined supports at all schools, specifically for the lowest tiered schools identified as in need of additional support. Departmental goals are in place to hold the central team accountable in ensuring system-wide academic gains and ensure that all school improvement goals are achieved. This central office team has created a differentiated tier support plan to better leverage resources and serve the most historically underserved schools. Its core aim is to close the achievement gap by providing a targeted and intensive level of support.

In addition, PPS is working with local higher education partners to develop a strong and diverse pipeline of future administrators who are well-trained to lift student achievement, particularly for historically underserved students.

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<th>RECOMMENDATION 20</th>
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<tr>
<td>Work with union officials to address transfer and hiring issues that promote high turnover and lower teacher experience at high-poverty schools. Also address remaining contract issues raised in the recent investigation of teacher misconduct, including retention of educator records and reducing administrative obstacles to filing a complaint.</td>
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Narrative for Recommendation 20

PPS is committed to reducing teacher turnover and improving supports to enhance teachers’ work experience. In December 2018, in advance of teacher hiring and placements for the 2019-20 school year, the district engaged PAT leaders in early discussions to accomplish this through staffing assignments and the delivery of school-based supports by the Office of Student Support Services.

A separate discussion between PPS and PAT will begin in early 2019 to specifically address recommendations from the Board-commissioned investigation into previous staff sexual misconduct. The current collective bargaining agreement is set to expire June 30, 2019.

Independent of contract restrictions, PPS maintains investigation files on allegations of sexual misconduct and a cross-functional team has been established to enhance and streamline internal standards for and processes of reviewing allegations, investigations, and maintenance of related records.

RECOMMENDATION 21

While working to improve instructional quality, address other obstacles that create inequities at high-poverty schools. Strategies include changes to attendance rules, boundary changes, and practices that could encourage retention of high-quality principals and teachers at high-poverty schools, such as additional pay, enhanced training, and additional classroom support.

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<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
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</table>
| Agree                                 | Various (see below)                                                                    | Kregg Cuellar  
Dr. Luis Valentino  
Claire Hertz  
Sharon Reese  
(503) 916-3200 |

Narrative for Recommendation 21

Performance evaluation and coaching of administrators will be enhanced to include feedback, ideas, and tools to more effectively address the challenges they face in supporting all students, in particular, those in high poverty schools.

Areas of enhanced district support includes sustained professional development through the multi-tiered system of supports (MTSS) program, articulated in recommendation 18, and the
new comprehensive district standards-based curriculum, articulated in recommendation 16 and student assessment framework.

High-poverty schools have been prioritized to receive these supports, including coaching and professional development, in the first cohort of schools. As mentioned in the response to recommendation 18, this is a four-year roll out of coaching and supports to all schools in the district. The reason that it will take four years is due to the size and needs of the District and the necessity to implement with fidelity within our staffing bandwidth.

Evaluation of the first cohort will assist in aligning tiered supports for students at any tier in behavior, social emotional support, and academics throughout the district. The development of and collaboration among the Offices of School Performance, Teaching and Learning, and Student Support Services allows for a tightly coupled support model aimed at increasing the individualization of professional development, services and resources.

This work builds upon the site support instructors (SSI) model, which was first funded by the Board in FY 2016-17 budget. These are full-time employees assigned to high poverty schools who act as floating substitutes. High teacher absenteeism is a persistent problem in high poverty schools and SSIs provide significant reliability and stability for students.

Last spring, the Board allocated funds to address enrollment imbalances and facilities utilization that are contributing to inequitable access to educational opportunities. The new staffing formula implemented for 2018-19 guarantees that every school will have sufficient staff to provide all students with a core curriculum, regardless of the enrollment. For longer term solutions to persistent enrollment imbalances, the District has contracted with an external consultant to assess, review, and make recommendations for potential future changes by January 2020 for implementation in the fall of 2020.

Compensation for teachers is directly tied to contract negotiations with PAT, per Oregon law. The current contract is set to expire on June 30, 2019.

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<th>RECOMMENDATION 22</th>
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<tr>
<td>Ensure consistent performance evaluation depth and quality by training administrators to set high expectations and improve the depth of reviews. Periodically review evaluations for quality.</td>
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<tr>
<td>Agree</td>
<td>In process</td>
<td>Kregg Cuellar Sharon Reese (503) 916-3200</td>
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**Narrative for Recommendation 22**

PPS central leadership has created a structure for high expectations for all teacher evaluators. Professional development is designed and implementation has begun to improve the depth and quality of all performance evaluations.
These professional development opportunities are designed to increase the instructional capacity of all school site evaluators, thus accelerating and improving student achievement.

This work is already underway as central teams are providing meaningful feedback through instructional walks, frequent informal school and classroom visits, leadership mentoring, coaching, and customized support for principals and leadership teams across all school sites.

A cross-functional OSP and HR team has begun a quality review and coaching process for evaluations.

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**RECOMMENDATION 23**
Regularly track teacher and principal turnover and the number of initiatives at schools and publicly report on it, with a particular focus on high-poverty schools.

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<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
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</table>
| Agree                                | Fall 2019                                     | Kregg Cuellar  
Luis Valentino  
Brenda Martinek  
(503) 916-3200 |

**Narrative for Recommendation 23**
The District’s new strategic plan will help to address initiative overload sited in the audit. This articulated process of collaboration and engagement will lead to common vision development and greater clarity to District goals and priorities, strategies, and tactics. Clear expectations will result in the ability to focus on specific, measurable initiatives and practices that will best address the District’s most important and emerging priorities.

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**RECOMMENDATION 24**
Adopt policies and practices that ensure strong management of contract and grant performance, particularly for non-competitive contracts and initiatives directly serving students, including consolidating contract management responsibilities.

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<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 6 months)</th>
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</table>
| Agree                                | August 2019                                   | Claire Hertz  
Cynthia Le  
Emily Courtnage  
(503) 916-3200 |

**Narrative for Recommendation 24**
This audit focused on a category of contracts that is not representative of the District’s contracting activity as a whole. Most of the District’s contracts are not student services contracts and the vast majority are not directly negotiated. Of all contracts signed in 2017-18 fiscal year, 233 were in construction, architecture, engineering, related services, and maintenance services. Software and digital resources (60), goods (38), legal services (44), and intergovernmental agreements (119) are among the other categories of contracts. Of the District’s personal services contracts, 544 were under $5,000, most of these originating in schools for field trips, presentations, speakers, theater set builders, piano accompanists, and other one-time or short-term services in schools. Only 59 of the District’s FY 2017-18 contracts were personal services contracts over $50,000, and 45 of those were directly negotiated, nine of which were over $150,000 and went to the Board for approval.

The auditors noted that the number of District contracts has steadily increased over the past several years. This increase can be attributed to: (1) The significant number of Bond-related construction, architecture, engineering, related services, and personal services contracts since 2013; (2) the centralization of control of small dollar contracts and removal of the ability of schools to initiate and pay for contracted services by check; and (3) a tightening of contracting controls that included funneling into contracts some work which previously had been done without contract.

PPS Purchasing & Contracting staff, in conjunction with Board members, have worked diligently over the last several years to strengthen contracting processes, conduct more rigorous performance reviews, and improve District-wide compliance with public contracting rules and best practices. Such improvements include:

- Strengthening all contract and scope of work templates to allow more detailed scope descriptions and payment terms;
- Implementing processes to ensure that work will not begin before contracts are vetted, approved, and signed;
- Centralizing contract review and signatory authority for all contracts District-wide;
- Implementing a more thorough review of independent contractor status;
- Requiring mandatory annual contracts training for all staff who work with contracts;
- Publicly posting all contracts on the Board business agenda and providing more detailed information to the Board to increase transparency in contract decisions; and
- Clarifying background check requirements for contractors.

PPS will continue to build on these improvements, with a particular focus on staff contract performance oversight and management. Improvement initiatives currently in process include:

- Implementation of a new cover memo template for instructional and student services contracts to help the Board more easily evaluate contracts on the business agenda;
- Development of a specialized scope of work template for instructional and student services contracts that will help contract managers identify and include appropriate performance measures and reporting requirements tailored to the particular contract; and
- Solicitation and implementation of contract management software that will assist contract managers in tracking contract status, budget to actuals, and deliverables.

RECOMMENDATION 25
Use the strategic planning process to evaluate the most effective and efficient use of contracts designed to increase student performance.

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<tr>
<td>Agree</td>
<td>Fall 2019</td>
<td>Claire Hertz Yvonne Curtis (503) 916-3200</td>
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**Narrative for Recommendation 25**

The District will use the strategic planning process to prioritize research-based instructional strategies to ensure equitable outcomes for all students. The budget process will then align resources to the strategic plan’s priorities.

Addressing and improving the achievement of all students in PPS, in particular those who continue to be underserved, is a key responsibility of the PPS Offices of Teaching and Learning, Student Performance, and Student Support Services, all of which have seen substantial reorganization and leadership changes to enhance their capacity and focus on improving the student experience. In some cases, the District contracts with partners to provide supplemental supports and services around the core content work, school and classroom practices, and the supports students need. Our expectation is that as our internal capacity-building efforts mature in coming years, PPS will have less need for contracted services, but it is likely that there will always be need for some contracts as the most cost-effective mechanism to accomplish some tasks. The visioning, budget and strategic planning processes will help determine priorities for contracts in the future.

The Board has expressed concern about the lack of consistent performance data related to outside contracts and District leaders are committed to improving our contract management. Effective practices in managing these contracts include using a contract management framework to ensure clarity of purpose for these additional supports and services, defining the appropriate scope of work, monitoring the quality of the services provided, and applying the evaluation of the performance tool.

As positively noted in the audit, the PPS Alternative Schools, "Alternative Accountability Report Card" measures student growth in reading, math, attendance, and high school completion annually. This evidence-based practice allows for objective measuring of student outcomes related to our most struggling students. More importantly, the District will evaluate the deliverables against the expected outcomes.

**RECOMMENDATION 26**

The PPS Board should:

Ensure that district administrators prioritize key steps to improve the efficiency and effectiveness of district operations, including:
a. Building an effective common core curriculum based on state standards and ensuring adequate school support and accountability for performance.

b. Developing a strategic plan that focuses on long-term investment and measurement of results. The plan should also address the district’s organizational culture, including improving the district’s feedback loops and trust between central administrators, principals, and teachers.

c. Addressing inequities at high-poverty schools, such as high turnover, low teacher experience, and initiative overload.

d. Improving the transparency and impact of the district’s budget, including objective peer comparisons, analysis of results, and analysis of potential savings areas.

e. Tracking and addressing teacher and principal issues with student discipline practices and priorities.

f. Improving control of purchasing card transactions, contract performance management, and the oversight of key contracts

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<tr>
<td>Agree</td>
<td>Various</td>
<td>School Board and Staff (503) 916-3200</td>
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**Narrative for Recommendation 26:**

Many of the findings and recommendations contained in this audit mirror the focus and work plan currently underway by the Superintendent and Board of Education.

The Board of Education and Superintendent have been intently focused on addressing the kinds of deficits outlined in this audit: lack of effective systems and structures, a dysfunctional organizational culture, weak leadership, low morale, and systemic inequities that have perpetuated poor academic outcomes for students of color, English language learners, students with disabilities, and children living in poverty.

The current PPS leadership - both the new seven-person volunteer School Board and the new District leadership team - have been aggressively pursuing a comprehensive change agenda that is intended to transform PPS into the high-performing school District that students deserve and Portland needs.

Some issues such as improving transparency and financial controls are amenable to quick resolution and changes have already produced substantial improvements in these areas. For example, the District just completed their annual financial report and received a clean audit with no findings and an unqualified opinion, a distinct improvement over recent years.
Other deficits, such as the absence of foundational elements to support student academic achievement, will require multiple years of consistent, focused investments. As the audit itself acknowledges, it can take years before the impact of instructional initiatives can be demonstrated in student outcome data. Therefore, the Board and District leadership are developing a comprehensive set of interim assessment measures consistent with the principles of improvement science to permit effective monitoring of the changes underway and course corrections as needed.

a) As noted in the audit, PPS has lacked a core curriculum for several decades. One of the first steps taken by the new Superintendent upon his arrival in October 2017 was to address this fundamental deficit. He hired new leadership to spearhead an accelerated process to develop a standards-based core curriculum in collaboration with teachers. Over six months, more than 200 teachers contributed to the first draft of the District’s Guaranteed and Viable Curriculum (GVC), a comprehensive, rigorous, supportive, and sustainable, standards-based instructional curriculum, across core content areas, including language arts, math, and science, across PK - 12.

Central office staff, in collaboration with teachers and principals, will continue to refine and implement the GVC. Successful implementation includes comprehensive professional development, site leadership capacity building, teacher professional learning, and the allocation of resources sufficient to support the work, including substantial investments to replace outdated books and materials. In addition, a comprehensive assessment system that measures student growth and progress over time is being implemented. Together, this integrated, data-informed, instructional system will allow for continuous learning and improvement at the classroom, school, and District level and will allow the Board to monitor progress on a regular basis.

In early 2017, at the urging of the Board, the District began developing a new methodology for staffing schools. The FY 2018-19 budget allocated additional funding to implement the new staffing method, resulting in lower staff-to-student ratios in Title I and high poverty schools. As the audit notes, this staffing formula allows for greater individual attention which is a key strategy for improving student performance.

The audit notes, somewhat in passing, that PPS reopened two new middle schools in August 2018. This was a massive undertaking that was successfully completed in an extraordinarily short timeline as part of a broader commitment by the Board to provide equitable educational opportunities to all students. The intention is to move toward re-establishing middle schools as the District model and the opening of several more middle schools is planned over the next three years.

Presently, the District has a number of single strand grades in some elementary schools that have been persistently under-enrolled. The new District leadership has tried to mitigate the negative impact of single strands by providing additional supports (e.g., educational assistants, instructional coaches, etc.) as an interim solution and a District-wide boundary enrollment balancing process and other measures will help create school populations appropriate to the size of the school facilities. The Board allocated significant funds in FY 2018-19 for an external contract to support District staff in developing an actionable plan to redraw boundaries and assist in right-sizing school populations effective by the 2020-21 school year.
Both national research and local experience have convincingly shown that one of the most important factors in the quality of a student’s educational experience is the leadership capacity of the school principal. Unfortunately, as the audit states, for many years, PPS did not follow national best practices in hiring, supporting, and evaluating principals and other administrators.

The Board strongly supports the goal of the Superintendent who has identified this as a major area of focus. The Board agrees the Office of School Performance and Office of Teaching and Learning have a strong mandate to build a robust system of professional development, ongoing coaching, and consistent, rigorous evaluation of principals in every school. The Board has identified school site leadership as a growth area and will be receiving regular progress reports from District staff on changes in hiring, supporting, and evaluating principals.

b) The District has already initiated a broad community-wide process to develop an aspirational vision of the skills and dispositions that PPS graduates will need to thrive in adulthood and how PPS can best deliver the education students will need to prepare for their future. This vision will inform the creation of an actionable strategic plan that will guide the work of Board and District leadership going forward. The strategic plan will be drafted by fall 2019 and will outline a clear theory of action, core beliefs and high-leverage tactics to promote equitable student outcomes and evaluative methodologies to monitor progress. The Board is working with the Superintendent and the senior leadership team to develop not only a short-term budget to support this work in the 2019-20 academic year, but also a longer-range forecast of budgetary priorities for coming years. Board and District leadership feel particular urgency around improving how we serve all students and also understand that the work of rebuilding PPS will require sustained investments over many years and a clear-eyed assessment of the academic return on investments.

As noted earlier, there has been a complete turnover in Board membership since 2015. Current Board members have identified PPS’s organizational culture as a key to student success. Accordingly, a great deal of effort has been made on a number of fronts to promote culture change.

Recognizing that issues of trust with parents, students, employees, and the broader community were fundamental barriers to transforming PPS, the Board initiated a series of deliberate actions to bring a new climate of transparency and accountability. On the theory that culture change begins at the top of any organization, the Board has made a concerted effort to improve its own governance processes and develop a productive relationship with District leadership that balances oversight with support. Board Directors have engaged in quarterly retreats with the Superintendent’s executive leadership team to establish common goals, plan and monitor ongoing work, and clarify working agreements on communication and collaboration with the Superintendent and senior staff. Some of that work, for example, leadership team-building and work plan development, has been facilitated on a pro-bono basis by a nationally recognized external school governance consultant. We will also be taking advantage of Board development opportunities offered by the Council of Great City Schools.

In addition, in the 2016-17 school year the Board contracted an outside review of all of its governance policies and has since begun the process of reviewing and revising all policies. A substantial body of new and revised policies has been adopted by the Board to address long-standing problems around transparency, accountability, stewardship of District resources, and
student safety that have contributed to community distrust. The Board has implemented the following significant policy changes:

- Through a public process that included participation of a wide range of stakeholders over many months, the policy governing public records requests was thoroughly rewritten to reflect that exemptions will be construed liberally in favor of transparency and disclosure. In addition, resources were allocated and staff was hired to facilitate the timely response to requests for public records, despite the extraordinary volume of requests.

- A similar public process produced a revised complaint policy that established a more efficient and transparent process to resolve parent and community complaints, replacing the previous process that was cumbersome, confusing, time consuming, and out of compliance with state regulations.

- The Board adopted a new facilities policy that enshrines a commitment to proper maintenance and establishes strict criteria governing any sale or lease of PPS properties to protect the District’s ability to carry out its core educational mission over the long term.

- In response to the findings from the investigation of sexual misconduct involving students, the Board has drafted several policies intended to enhance student safety that are nearing completion. One new policy currently under revision establishes guidelines for professional conduct for all employees and contractors who have direct contact with students and stipulates requirements for reporting suspicious behavior. The district’s policy governing out-of-district travel is being substantially revised in the interest of safeguarding students from staff misconduct. Stakeholder feedback is currently being collected and we anticipate the revised policy will be adopted by early spring 2019. In addition, PPS is actively pursuing state legislation to close definitional loopholes and enhance the capacity of the Oregon Teacher Standards and Practice Committee (TSPC) to conduct timely investigations of allegations of misconduct.

In the last twelve months, PPS has concluded long-overdue contracts with all bargaining units and made significant movement toward improving the overall tenor of District-union relationships. In 2017, the PAT and District bargaining teams, including three Board members, invested significant time together in interest-based bargaining practices training. Board and staff leadership will continue to meet regularly with teachers, administrators, and labor leaders to discuss ongoing questions and proactively resolve issues in order to build more collaborative working relationships that will benefit students.

c) Improving the level of achievement by students who need additional support, regardless of what school they attend, is a primary Board objective. Full implementation of a multi-tiered system of supports (MTSS) will contribute to accomplishing this objective. MTSS creates a common framework of tiered strategies for instruction and intervention tailored to meet students’ individual needs. It is supported by a common infrastructure of curriculum, universal screeners, problem solving processes, progress monitoring, communication and collaboration, capacity building methods, training and coaching, and leadership development. This model will ensure the early identification of needs and provide appropriate supports for both academic achievement and the social-emotional well-being of PPS students, provide progress monitoring for student progress and growth, and facilitate in-class interventions and extra supports for students that need them.
As the audit notes, some schools, particularly schools serving students of color and students living in poverty, have unusually high staff turnover and high rates of teacher absenteeism. Reversing this trend and producing increased student outcomes through stabilization of staff is a Board expectation of District staff. The Office of School Performance (OSP) is actively analyzing these issues and there is considerable evidence to suggest that staff turnover may be strongly related to the skills, experience, and longevity of principals. As noted above, until recently, PPS had very weak practices in hiring, coaching, and monitoring principals. In addition, there seemed to be a common past practice of regularly rotating principals in Title I schools, interfering with their ability to form relationships and establish a strong and supportive school climate. The OSP has created a more effective system for coaching and monitoring principals and, through collaboration with the Office of Teaching and Learning, is in the process of developing ongoing professional learning opportunities. The Board supports these efforts to stabilize the teaching corps, improve the climate in struggling schools, and benefit students, and will be receiving regular reports from District staff on progress being made or remaining challenges.

The new structure of principal and school supervision in OSP, along with the strategic plan, will help address initiative overload by re-establishing central guidance in determining when and where to apply high leverage, evidence-based strategies and practices. This articulated process of collaboration and engagement will lead to common vision development and strategic plan ownership, resulting in greater clarity of District goals and priorities at every level. The strategic plan will guide both Board and staff actions to achieve measurable outcomes and objectives, and will inform the Board’s budgetary decision making.

As PPS works to recruit new educators, in particular, educators of color and those who teach in languages other than English, the chronically underfunded condition of Oregon’s TSPC poses a significant barrier. The TSPC’s inability to work with teacher applicants with credentials from outside the United States leads to significant delays in hiring and contributes to the severe shortage of bilingual and bicultural educators. PPS is updating its internal processes to employ additional research-based best practices on teacher recruitment and hiring as it engages with the Oregon Department of Education and local higher education partners to urgently diversify the District’s qualified teacher workforce.

The District’s Audit Action Plan will include a schedule for staff reporting to the Board on all the above-described initiatives, critical milestones, and a student-centered scorecard. The Board Audit Committee, in consultation with staff, will define its role related to oversight, accountability, budget support and policy development in these initiatives.

d) Transparency of the district budget

In March 8, 2016, the School Board adopted a set of budgetary principles (Resolution 5229) based on the Government Finance Officers Association (GFOA) best practices budget framework stipulating that budgetary decisions should be grounded in the following principles:

- Providing students with an exceptional educational experience and ensuring their academic success should drive the budget process
- Decisions should be driven by data
- Base resourcing decisions on cost-effectiveness
- Prioritize the core program in all schools
- Critically re-examine patterns of spending
● Provide every student with equitable access
● Take a long-term perspective
● Be transparent

While there is still room for improvement in fully implementing these principles, initial progress has been made toward improving the intentionality, management, oversight, and transparency of the District’s investments.

The audit rightly notes that PPS budgets have not been particularly transparent, lacking sufficient detail to permit a full understanding of how the District is investing its resources, tracking spending over time, or evaluating the impact of investments. The opacity of the budget book, whose format conforms to statutory requirements, has been a source of frustration for both Board members and community members for many years and will be substantially improved for this next budget cycle. It is inaccurate, however, to suggest that the Board did not exercise appropriate oversight during the development of the FY 2018-19 budget. A review of agendas for the FY 2017-18 board meetings and committees demonstrates that engagement in the budget process began much earlier than in previous years and that various components of the budget were discussed in public meetings on a regular basis through the end of the budget year. The new school staffing formula, which has major implications for schools and accounts for a significant portion of the budget, was closely monitored by the Board in numerous public meetings starting in the summer of 2017 (and by some Board members at least six months prior to that) and continuing through the adoption of the final budget in June 2018. In addition to verbal discussion at regular Board and committee meetings, the Board submitted many written questions about the 2018-19 budget touching on many issues, including contracts, substitutes, custodians, audits, central office staff evaluations, and academic supports. A comprehensive list of questions asked of the Superintendent and staff and the answers provided to the Board was publicly posted.

The new finance team is committed to implementing best practices for school budgeting developed by the Government Finance Officers Association and has taken a number of concrete steps to enhance the capacity of the District to exercise good fiscal stewardship and permit appropriate Board oversight:

1. Significant improvements have been made to address the issue of weak fiscal controls that were identified in this and other audits. PPS’s Comprehensive Annual Financial Report (CAFR) completed by a respected external auditing firm (TKW) in December 2018 had no negative findings. The CAFR audit was reviewed and discussed at the Board’s December 17, 2018 Audit Committee meeting and the December 18, 2018 PPS Board of Education meeting.

2. In the last budget cycle, the Board approved the purchase of new budgeting software to replace the antiquated method of spreadsheets that have been used in recent years. This will give the finance team the ability to build a budget more accurately and fluidly, exercise real-time monitoring of budgets to actual spending, and track spending patterns over time.

3. The new financial leadership team has already established a schedule of regular reports to the Board to ensure budgetary oversight occurs throughout the year and not just during the spring budget cycle. For the upcoming budget cycle, in addition to the roll up budget information that has traditionally been made available to Board members, the
Board will have ready access to program budgets and school-based budgets as well as timely responses to requests for information from Board members.

4. The format of the budget book for the 2019-20 school year will be considerably different and more transparent. In addition to the mandated revenue-focused budget information, in conformance with new ESSA requirements, the PPS budget book will now include school-based budgets which will allow for more accurate comparisons of total expenditures across schools and programs. This will help identify any inequities in resource allocations that might be contributing to the persistent disparities in student outcomes.

5. Beginning with the FY 2019-20 budget, PPS will be actively benchmarking its budget against comparable districts, both regionally and nationally. During the last budget cycle, the Board authorized the adoption of Forecast 5 that will allow comparisons with comparator districts in Oregon like Salem and Beaverton. It also provides enhanced capabilities to develop dashboards and other visual displays that should make data more accessible to both decision makers and the public. In addition, PPS will be comparing its budget with members of the Council of Great City Schools and will participate more actively in the GFOA project on improving school district fiscal practices that PPS joined in 2016.

6. PPS has already published a budget calendar for the FY 2019-20 budget that includes multiple meetings at which the public will have opportunities to learn about and weigh in on budget priorities.

The Board and the new administration are focused on efficiently and effectively using limited resources to improve academic outcomes for students. The Superintendent has identified areas of highest need and will be providing the Board with a prioritized set of investments in evidence-based practices for raising achievement.

1. In hopes that some additional funding might be forthcoming from the State for the 2019-21 biennium, Board members have asked for “deltas” for major expenditures — options for how the District could best invest an additional $1 million or, conversely, mitigate the negative effects of less funding — to help both the Board and the public better understand the inevitable tradeoffs.

2. As the audit rightly points out, PPS currently has few performance measures identified to evaluate the impact of programmatic spending on student outcomes. The strategic plan that will be drafted by early fall will include concrete steps to rebuild the District’s data analysis and evaluation capacity, establish standardized processes for program evaluation, and develop key performance indicators (KPIs) as well as programmatic process and outcome measures that can be used to guide budgetary decision making in the future.

3. Since building that evaluative capacity will take some time, in the last budget cycle the Board allocated funding to hire two internal performance auditors in the interim. The auditors will be hired within the next month and they will work with the Board’s Audit Committee to identify areas of focus.

e) The Board understands the importance of a well-implemented, overarching multi-tiered systems of support (MTSS) framework to support the academic and social emotional success for all students. It includes a strong core curriculum for all students, interventions matched to the intensity of students’ needs, data-based decision-making, and progress monitoring for both academics and behavior. To support the development of this critical framework and
professional development for school teams, the Board supported the Superintendent’s budget request for expanding MTSS in the FY 2018-19 budget.

Per recommendation #18 the Board will review and amend, as needed, the Student Conduct and Discipline policy. The first reading of the draft policy revision will be no later than May 31st which will then open a 21 day public comment period. There is the possibility that additional implementation time may be needed if contract language needs to be amended in an employee association agreement. This policy review is expected to be completed by August 2019 with a comprehensive systematic review including communication process, transparency with discipline dispositions, restorative alternatives to suspension and expulsion, and a clear referral process for students and staff.

The Board will be receiving a staff report on the implementation and impact of the new Behavior Collaboration Team no later than June, 2019.

f) The draft audit recommends PPS “Adopt policies and practices that ensure strong management of contract and grant performance, particularly for non-competitive contracts and initiatives directly serving students, including consolidating contract management responsibilities.” The Board will review the Public Contracting Rules which act as the public contracting policies as well as board procedures, practices and protocols relating to review and oversight.

One specific area that a policy revision may be warranted relates to expenditure types using district funds. As stated earlier, the Board will review and update policies regarding appropriate use of District funds, including for meals, celebrations, and student incentives. Staff will also review the accompanying Administrative Directives and guidance. Staff have continued to strengthen internal controls around purchasing practices in general and purchasing cards in particular. The Board’s Audit Committee will ask internal and external auditors on a regular basis to test for compliance with policy and practices.

Over the past year, the Board and staff have instituted an improved contract approval process, including the following steps:

1. The week before the Board meeting at which a contract will be considered, it is sent to the board by the Purchasing & Contracting director. Each instructional or student services contract has a cover template with essential information on the contract. The Purchasing & Contracting Office has been responsive and transparent in its interactions with Board members and their requests for information about individual contracts.
2. Board members have an opportunity to review and submit questions to staff prior to the Board meeting about any contract. If there are significant issues with a contract or it needs to be modified, it is removed from the meeting’s agenda until Board member questions or concerns are addressed (either through providing more information or modifying contract language).
3. Staff managing the contract under consideration are required to attend the Board meeting and be available to answer any questions.
4. At the beginning of the meeting or at the start of the business agenda, the chair asks if any Board member has an item on the business agenda that they want to pull out for a separate discussion. Requests have always been granted since 2017.

5. When the Board considers its business agenda, Board members can still ask for a discussion, ask questions about a contract or for a delay, and then can vote no on contracts.

6. Multi-year, direct-negotiation contracts impacting students are reviewed annually by the Board. The Board this past year has had the opportunity to review prior year outcomes of the multi-year contracts impacting students.

In response to Board inquiries in FY 2015-16, the number of employees with authority to contract for services was significantly restricted and new accounting protocols established. However, Board requests to review contract evaluation reports in FY 2017-18 revealed that there were still many cases of contracts that did not clearly identify expected deliverables or articulate criteria to evaluate contractor performance. Even when those are present, as the audit notes, contract evaluation practices on the program side remain weak. The Board requested specific contract process improvements and additional accountability measures, and the new Superintendent has clearly identified contract management, particularly performance evaluation, as a growth area for staff. The Board will continue to work with the Superintendent to ensure that rigorous contract management practices through the entire life-cycle of a contract -- from identification of need to performance evaluation -- are universally understood and consistently followed. The Board has requested that contract evaluation reports have a standard format, that reports are collected and evaluated on a regular and timely basis, that there is clarity around what constitutes adequate performance metrics, and that there is clarity on how performance reports are used by staff in reporting to the Board and recommendations on contract renewals.

As part of this audit, the auditors hand-picked contracts for review versus randomly selecting contracts, so the observations and recommendations are not necessarily applicable to all of the other PPS contracts. At least half the contracts selected for review by the auditors were contracts that the Superintendent and staff reviewed and approved, but did not meet the current monetary threshold criterion for Board review. Over the past three years, the Board has greatly increased the rigor of review of the largest dollar contracts the district enters into and that staff recommends to the Board for approval. The PPS Audit Committee welcomes the opportunity to further refine the review process to ensure cost effective contracting that optimizes resources in support of students.

Other contract process modifications that have been made in the last three years, many of which were initiated by the board include:
1. Contracts must be formally approved by the Board prior to work beginning, even for the extension of existing contracts.
2. All instructional services contracts must contain a clear scope of work, performance measures, and quarterly to annual reports.
3. The Board requested a cover template for each contract that includes essential information about the contract.
4. The Board requested that the contracts be shared earlier in the week prior so that questions can be asked during the work week (versus having them arrive for staff responses during the weekend).

5. Contracts advanced contrary to Board direction have been removed from the agenda (e.g. legal firm contracts in 2017).

Multi-year contracts impacting student achievement that have been directly negotiated are reviewed by the Board annually by evaluating prior year outcomes. Building the District’s capacity to track student outcome data will improve the Board’s ability to evaluate and compare the “effectiveness of directly negotiated contracts. The Board has requested more consistent templates and metrics for all directly negotiated contracts.

Potential changes that will be considered are enhanced oversight of personal services contracts and particularly those directly negotiated (non-competitive) under PPS 46-0525(3) or (4). Potential actions that could be taken include, revising the dollar threshold amounts, requiring more rigorous staff pre-evaluation of contracts, lowering the threshold for review on non-competitive personal service contracts between $50,000 and $150,000, receiving regular updates from staff on non-competitive contracts, requiring regular management reports at public meetings on contact management and performance, and undertaking a broad overview of the role of contractors in providing student services.

As part of the Audit Action plan, the Audit Committee will work with the Office of Purchasing and Contracting and other relevant staff to address these outstanding issues, the audit recommendations, and informal suggestions from the Audit team.

The FY 2018-19 budget includes an allocation for acquisition of an Enterprise Contract Management (ECM) system.
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