

EDUCATION

PROGRAM AREA

DEPARTMENT OF EDUCATION

Analyst: Wilson

Agency Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	571,910,203	825,289,988	1,013,230,556	899,275,407
Lottery Funds	1,434,923	651,225	692,870	692,870
Other Funds	129,285,726	482,142,998	611,937,136	1,517,507,009
Other Funds (NL)	139,400,800	120,364,721	120,364,721	120,364,721
Federal Funds	852,293,108	1,069,793,915	1,090,210,472	1,109,446,757
Federal Funds (NL)	402,949,244	388,007,727	407,115,946	407,115,946
Total Funds	\$2,097,274,004	\$2,886,250,574	\$3,243,551,701	\$4,054,402,710
Positions	556	584	548	639
FTE	523.14	550.43	535.78	618.34

The figures above do not include the State School Fund resources which are part of the overall budget for the Department of Education (ODE), but for the purposes of the budget process are appropriated in a separate bill and are included as a separate section in this publication.

Overview

The Oregon Constitution directs the Legislature to “provide by law for the establishment of a uniform and general system of common schools.” The State Board of Education and the State Superintendent of Public Instruction are responsible for adopting rules for the general governance of public schools; implementing statewide standards for public schools; and making distributions from the State School Fund to districts that meet all legal requirements. Under changes made in 2011, the separately elected State Superintendent position was eliminated and the Governor became the Superintendent of Public Instruction. The Governor appoints a Deputy Superintendent who acts as the agency head for Oregon Department of Education (ODE). In 2013, the Legislature passed legislation that moved the administration of programs under the Early Learning Council and the Youth Development Council to ODE. The Councils remain the policy boards for these programs.

ODE supports the State Board and the Deputy Superintendent in carrying out their responsibilities, as well as for the early learning programs and youth development related programs. ODE has been responsible, under federal and state laws, for administering special education programs, including services to disabled children from birth through age 21; the Oregon Pre-Kindergarten programs; compensatory education programs; vocational education programs; and school nutrition programs. ODE’s role, generally, is to provide curriculum content standards, technical assistance, monitoring, accountability, contract and grant administration, and statewide leadership on a variety of education issues. Department staff provide direct educational services at the School for the Deaf.

The 2019-21 legislatively adopted budget of \$900 million General Fund and Lottery Funds is \$74 million, or 9%, greater than the 2017-19 legislatively approved budget. The total funds budget of \$4.054 billion is 40.5% greater than the 2019-21 amount, primarily due to the almost 215%, or \$1.035 billion, increase in Other Funds (limited) as the result of new spending from the new Fund for Student Success. More detail on these and other changes in the ODE budget are included in the following sections.

Operations and Educator Advancement Council

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	68,741,204	79,544,114	89,125,313	97,139,952
Other Funds	32,507,575	41,044,386	43,886,621	104,800,773
Other Funds (NL)	2,821,551	4,104,452	4,104,452	4,104,452
Federal Funds	69,943,229	82,130,678	81,666,552	91,950,178
Total Funds	\$174,013,559	\$206,823,630	\$218,782,938	\$297,995,355
Positions	470	502	466	611
FTE	443.37	474.66	460.01	577.28

Program Description

Department Operations includes the responsibilities and activities of the State Board and the Deputy Superintendent, staffing and administration of most ODE programs, and assistance to and review of local school districts. The Board adopts academic standards for public schools and is the policy-making body. The Superintendent (Governor) and Deputy Superintendent exercise general policy direction, monitoring, and oversight of public schools.

The Department organization is comprised of the following units, which include the staff and related administrative costs for the various grant-in-aid and other programs in the ODE budget:

- Office of the Director (Deputy Superintendent) – Provides the overall leadership and management of the agency. This office also includes government and legal affairs functions, the State Board of Education administrator, internal audit function, human resources staff, Office of Indian Education, and communications.
- Office of Teaching, Learning and Assessment – Includes the primary K-12 related staff and is charged with grant administration and support for Career and Technical Education (CTE), school improvement, chronic absenteeism, federal Every Student Succeeds Act, and Measure 98 programs.
- Office of Research and Data Analysis – Includes staff for analyzing and coordinating research across the agency, staffs the Quality Education Commission, and is responsible for federal reporting requirements.
- Office of Student Services – Includes staff for administering, monitoring, and providing support for programs and grants relating to special education, Early Childhood Special Education, child nutrition, long-term care/hospital and youth corrections/juvenile detention, transportation, and the Oregon School for the Deaf.
- Office of Equity, Diversity and Inclusion – Responsibility for activities related to closing the achievement gap, migrant education, civil rights, African American statewide education plan, and English Language Learners support and monitoring.
- Early Learning Division – Administers programs and grants including Oregon Pre-Kindergarten (OPK), Early Head Start, Healthy Families Oregon, Relief Nurseries, Preschool Promise, and child care provider licensing, subsidies, and training. The Division has many positions distributed across the state inspecting and monitoring the child care system.
- Youth Development Division – Administers programs and grants that support youth that are at risk of, or have, dropped out of school and/or the workforce.
- Educator Advancement – Supports the new Educator Advancement Council which will provide grants to regional entities who are responsible for funding and supporting professional development and other support for educators in the early learning through K-12 systems. The amounts above include \$35.8 million Other Funds for grants to these regional entities.
- Office of Finance and Information Technology – Provides fiscal and administrative services, such as accounting, budgeting, payroll, information systems support, and procurement. This office also is responsible for the calculation and distribution of State School Fund payments to school districts and education service districts (ESDs). Also included in this Office is the unit charged with administering the Oregon School Capital Improvement Matching (OSCIM) program.

With the passage of the Student Success Act in 2019 (HB 3427 and HB 5047), 72 positions were added. Many of those positions will be added to existing offices (e.g., Early Learning Division or Office of Finance and Information Technology). A new Office of Education Innovation and Improvement will be established for most of the new student success programs. As ODE sorts out these programs, some existing programs and staff of the Office of Teaching and Learning may become part of this new Office.

Revenue Sources and Relationships

Other Funds revenues include indirect cost recovery from federal programs based on cost allocation plans, fees for fingerprinting and background checks, funds from the Department of Human Services and Oregon Health Authority for health-related and other programs, funds from the Higher Education Coordinating Commission for professional/technical education services and administration, textbook review fees, and miscellaneous fees, contracts, and grants. “Carve-out” funds from the State School Fund are also treated as Other Funds and are used for staff and other costs associated with the Educator Advancement Council, OSCIM program, African American Education Plan, and the English Language Learners initiative. New for 2019-21 are almost \$21.9 million in Fund for Student Success resources (Other Funds) for staff and program supports.

Major federal revenue sources include the Individuals with Disabilities Education Act (IDEA), the National School Lunch Program, assessment funds, Child Care related funds, Title XX funds, and programs associated with the Every Student Succeeds Act or ESSA (formerly No Child Left Behind).

Budget Environment

Over the past biennia, ODE staff resources have moved from being funded with almost 50% General Fund (a more flexible funding source) in 2007-09 to just over 38% in 2019-21. Federal Funds account for 37% of expenditures and are tied to specific programs and functions, such as oversight and monitoring, as required by federal law. Other Funds has grown with the adoption of HB 3427 and the new Fund for Student Success.

The agency has undergone a few reorganizations in the past few biennia. These include the incorporation of two new major program areas – early learning and youth development. The staff for the traditional K-12 functions have also been reorganized, in part because of changing agency leadership. Staff for individual Grant-in-Aid programs continue to change as several K-12 grant-in-aid programs have started and then been terminated after one or two biennia as the priorities of the executive and legislative branches have changed. This has also contributed to the “ongoing” reorganization of the agency and its staff. New for 2019-21 are 72 positions supporting the various Fund for Student Success initiatives and four positions for supporting the new Educator Advancement Council.

Funding to support the new Educator Advancement Council and its grants to regional entities comes from the former Network for Quality Teaching and Learning (NQTL) which sunset June 30, 2019. These repurposed NQTL funds, which formally supported programs such as Mentoring, School District Collaboration, dyslexia related training, Low Performing Schools grants, and School District Turnaround grants will be distributed to these regional entities through a formula. The formula is based on factors including number of licensed educators, teacher attrition rates, student and teacher racial diversity, and number of new teachers. It is expected that the estimated \$35.8 million Other Funds for grants will be used for regional capacity and start-up grants (\$4.1 million), distribution through the EAC formula (\$29.4 million), transfer to the Higher Education Coordinating Commission for the Oregon Teachers Scholars program (\$1 million), and technical assistance (\$1 million). Potentially available in the second year of the biennium from the Fund for Student Success is \$15 million for K-12 educators and \$12.5 million for the early learning workforce. The Executive Branch is required to make recommendations for the use of these funds to the 2020 Legislature.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget for Operations and the Educator Advancement Council of \$97.1 million General Fund (\$298 million total funds) reflects an increase of \$17.6 million, or 22.1%, from the 2017-19 legislatively approved budget for General Fund, and a \$91.2 million, or 44.1%, increase in total funds over the

same period. The total funds growth is primarily due to three factors – the staffing and support for the programs funded through the new Fund for Student Success, significant increase in early learning staff, and the new Educator Advancement programs. Major increases in this budget area include:

- The Fund for Student Success (FSS) legislation (HB 3427 and its budget bill HR 5047) resulted in 72 new positions (51.95 FTE) for ODE including: (1) 11 Early Learning Division positions for administering the new or expanded programs; (2) four Youth Development Division positions to develop and administer the new Youth Re-engagement program; (3) 17 positions to administer a variety of K-12 new or expanded programs; (4) seven positions for assisting lower performing school districts through student success or coaching efforts; (5) 22 positions for the grant management and monitoring of the \$472.7 million in Student Investment grants to school districts; (6) five positions for increasing district fiscal transparency; and (7) ten positions for support services and agency infrastructure. While a few of the positions will be filled early in the 2019-21 biennium, most are budgeted to be filled later in the first year since most of the programs are not funded with these resources until the second year of the biennium.
- A total of 42 positions (39.05 FTE) are established in the Early Learning Division at a cost of \$310,844 General Fund and \$8.9 million total funds. To strengthen the agency's efforts regarding licensing, compliance, investigations, and assistance to child care providers, 35 positions, most of which are inspection/compliance staff which will reduce the caseloads of existing staff. Another four positions are for administering grants, legislative and rule coordination, family engagement activities, and managing evaluations of Division programs. Finally, three limited duration positions are continued for the Baby Promise pilot project. These positions are funded with additional revenues available through the Child Care Development Block Grant. Many of the positions (23) were established as limited duration in 2017-19 and continued as permanent positions for 2019-21.
- Five positions (4.34 FTE) are established to staff the Educator Advancement Council and its programs. The program had been part of the Chief Education Office which sunset on June 30, 2019. Funding of \$2.1 million Other Funds from a "carve-out" from the State School Fund will fund the positions. Similar to the funding for grants described above, this funding used to be part of the Network for Quality Teaching and Learning.
- Ten positions (9.92 FTE) to address the needs of the agency's business operations and infrastructure are established for the Office of Finance and Information Technology. These permanent positions will provide greater capacity in project management, information systems, procurement, financial services, and personnel (now part of the Office of the Director). During 2017-19, the Emergency Board approved five of these positions while a combination of temporary employees, retirees, and job rotations had performed the responsibilities of the other five positions. The \$1.8 million Other Funds cost of these positions will be paid with federal indirect revenues authorized in an agreement between ODE and the federal government.
- Five positions (\$1.6 million General Fund) are established to address three civil rights issues for ODE. One Civil Rights Appeals Coordinator (0.92 FTE) was created in the Director's Office to coordinate the increasing number of complaints, one positions (0.92 FTE) will provide technical assistance to meet the requirements of federal Title IX, and three positions (2.34 FTE) will address federal requirement around monitoring and professional development for CTE programs.
- Other budget actions for this area include: (1) six new permanent positions (4.22 FTE and \$1.5 million General Fund) to address the new responsibilities under SB 155 relating to abuse investigations; (2) one position (0.5 FTE) for additional work under the Farm-to-School program; (3) resources for positions to coordinate vision screening and foster care transportation programs (\$160,309 total funds); (4) \$200,000 General Fund for the annual Civics Day at the Capitol for educator training; (5) \$1.1 million Other Funds for the issuance costs of Article XI-P bonds; and (6) savings of \$78,883 General Fund and \$715,471 total funds for adjustments to debt service costs and statewide assessments common to all state agencies.

Oregon School for the Deaf

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	11,911,005	12,426,256	12,644,963	12,598,687
Other Funds	5,539,875	6,075,390	6,319,376	6,274,535
Federal Funds	293,216	259,078	247,179	246,647
Total Funds	\$17,744,096	\$18,760,724	\$19,211,518	\$19,119,869
Positions	84	82	82	82
FTE	77.77	75.77	75.77	76.02

Program Description

The Oregon School for the Deaf (OSD) is a residential/day program located in Salem that serves students who are hearing-impaired. OSD provides academic and career education, living skills development, athletics, and leadership training. At the beginning of the 2018-19 school year, OSD was serving 117 students with 62, or 53%, of the students in the day program and the remaining 55 students residing on the campus during the school year. As of October 2018, 41% of the students were in high school, 32% in middle school (grades 5 to 8), 15% in elementary school, and the remaining 11% in an adult transition program.

Revenue Sources and Relationships

Other Funds revenues reflect receipts from special education billings, State School Fund distributions, donations, Medicaid reimbursements, fees from local school districts for services provided to their students, nutrition reimbursements, property rental income, and other sources. Federal revenues are generally special education related funding.

Budget Environment

The OSD facilities are aging and have significant deferred maintenance needs. A report from five years ago identified deferred maintenance projects that needed to be addressed. Projects completed so far include roof replacement/repair on some of the buildings, upgrading an elevator, refinishing the gym floor, and installation of a new HVAC system to replace the boiler system. HB 3687 (2010) directed the Department of Administrative Services (DAS) to transfer 50% of the net proceeds from the sale of the Oregon School for the Blind (OSB) to ODE for improvements, repairs, and maintenance costs benefitting the health, safety, and housing of the students of OSD. DAS transferred approximately \$2.6 million for this purpose. These funds have been totally used or committed. ODE has had to issue Article XI-Q bonds or relied on other revenues to continue the necessary work.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget of \$12.6 million General Fund is \$172,431, or 1.4%, greater than the 2017-19 legislatively approved budget. The total funds budget of \$19.1 million is \$359,145 more than the 2017-19 amount. Position related changes due to the changing nature of the responsibilities of facilities staff with installation of a new Heating and Ventilation and Cooling System (HVAC) result in savings of \$89 General Fund, \$37,772 Other Funds and an increase of 0.25 FTE. Net changes to statewide assessments common to all agency budgets saved \$46,187 General Fund and \$53,877 total funds.

K-12 Grant-in-Aid and Youth Corrections Education Program

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	258,340,727	454,059,489	608,016,099	487,353,636
Other Funds	76,818,559	273,506,378	413,190,095	997,889,976
Federal Funds	669,120,834	851,958,120	881,883,384	846,883,384
Federal Funds (NL)	402,949,244	388,007,727	407,115,946	407,115,946
Total Funds	\$1,407,229,364	\$2,310,205,524	\$2,310,205,524	\$2,739,242,942
Positions	2			
FTE	2.00			

The positions and FTE in 2015-17 are for the Youth Corrections Education programs which were transitioned to be totally Grant-in-Aid program starting in 2017-19. Prior to that a decreasing number of state staff for these programs were used. The significant changes in the General Fund amounts are driven in part by the funding mix of the High School Success program (Ballot Measure 98). The significant increase in General Fund for the 2019-21 legislatively adopted budget is primarily due to the new Student Success Act funding available in the second year of the biennium.

Program Description

The majority of the Department's Grant-in-Aid programs are for the purchase of educational services for students with specific educational needs. In this budget unit, the Grant-in-Aid programs are primarily directed to K-12 students and are administered by school districts, Educational Service Districts (ESDs), or entities other than state government. Grants are made for special student services, such as compensatory education, physical education, and child nutrition services. They also are made for special education services provided by regional programs, Early Intervention/Early Childhood Special Education (ESDs), educational services for children in day treatment and hospital programs, and programs through private agencies. Other programs include vocational and workforce development, school reform implementation, transition efforts between secondary and post-secondary schools, STEM/CTE programs, and training of teachers and other education professionals. In 2013, the Legislature approved several new programs including the Network for Quality Teaching and Learning (NQTL) and several "strategic" investments directed at key program areas, but these are largely gone now. For example, the NQTL funding is now the Educator Advancement Council funding in the Operations budget unit of this agency. This budget unit also includes the funding of grants to school districts under Ballot Measure 98 which established the High School Success Grant program.

For 2019-21, the largest change in this budget area is the Student Success Act. There are over \$751.5 million Other Funds of new resources for a variety of programs. The funding generally becomes available in the second year of the biennium and will roll-up to two-year funding for 2021-23. The largest programs funded are the Student Investment Grants (\$472.7 million) which are distributed to school districts based on a formula and additional funding over 2017-19 levels for the High School Success grants (Ballot Measure 98). More detail on the new Student Success funding is found below.

ODE is responsible for ensuring that educational services are provided to children in the Oregon Youth Authority's (OYA) close custody facilities and county detention centers through the Youth Corrections Education Program. The Department contracts with local education agencies (e.g., educational service districts) to provide such services.

Revenue Sources and Relationships

Other Funds revenues represent receipts from special education billings, state tobacco tax funds from the Public Health Division of the Oregon Health Authority for physical education programs, and miscellaneous grants. There are also distributions, or "carve-outs," from the State School Fund which are treated as Other Funds in this budget unit for a variety of programs including the Long-Term Care program, English Language Learners program, and a portion of the nutrition or school lunch program. As noted above there is also over \$751.5 million Other Funds in new resources generated from the new corporate activities tax scheduled for implementation in 2020.

The Department receives substantial Federal Funds for this program unit, mainly from the U.S. Department of Education for programs (e.g., Title I) connected to the Every Student Succeeds Act or ESSA (formerly the No Child Left Behind Act), special education through the federal Individual with Disabilities Education Act (IDEA), and teacher quality programs; and from the U.S. Department of Agriculture for nutrition programs. Most of the funding is passed through to local school districts, ESDs, or contractors.

Funding for the Youth Corrections Education Program also comes from the State School Fund and is reflected as Other Funds. The program is treated as a separate school district with per student revenues distributed through the school revenue distribution formula. Federal Funds are from the Title I Neglected and Delinquent Program and IDEA.

Budget Environment

The EI/ECSE program serves children with disabilities and their families to improve developmental status and increase school readiness for each child. The EI portion of the program serves children from birth through age 2 and is statutorily required. The ECSE component serves children from age 3 until the age at which schooling begins (usually age 5) and is federally mandated. The Department generally contracts with Education Service Districts (ESDs) to provide the services. Within the statewide budget development process, EI/ECSE falls under mandated caseload and receives funding adjustments based on caseload count plus inflation. Even with these mandated increases, the service level for the program still lags actual need given the cost factors are similar to those facing the general education systems including teacher compensation and benefits. With the amount provided in the legislatively adopted budget it is estimated that funding will meet roughly 81% of the recommended service level as determined by ODE staff. With the additional \$37.5 million from the Fund for Student Success (FSS), the program should meet almost 100% of the calculated need.

Over the past few biennia, several new “strategic investments” were created, as well as the Network for Quality Teaching and Learning (NQTL). These programs provided targeted investments or grants to school districts and other entities. These were outside the school funding formula (State School Fund) and were generally awarded as competitive grants. Many of the programs only lasted one biennium as executive and legislative branch priorities changed. Programs related to reading and literacy and STEM lab schools were discontinued. At the same time, new programs were created (or significantly expanded) specifically in the areas of Career and Technical Education (CTE) and Science, Technology, Engineering and Mathematics (STEM), and programs designed to close the achievement gaps for specific populations including African Americans and Native Americans.

Professional development and educator effectiveness (funded through the NQTL and General Fund) followed a similar pattern as many programs established in 2013 were not continued in 2015 or were replaced with other programs. Under SB 182 (2017), the NQTL sunset at the end of 2019-21 to be replaced with the Educator Advancement Council system where specific programs will be developed through local networks of districts and a statewide council. This trend of program change continues as the new Student Success Act is implemented in 2019-21 and more new programs (e.g., Summer Learning programs and Student Investment grants) are started. This “churning” of programs challenges the agency and school districts since new rules and standards for the new programs must be developed and implemented and the older programs phased-out. Education advocates and districts have complained that there are too many programs and funding is spread too thin across districts limiting their effectiveness. The Budget Report for HB 5015 included a budget note requiring ODE to study the various Grant-in-Aid programs and to determine if further programs can be combined or eliminated and report back in the 2020 legislative session.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget of \$2.739 billion total funds is \$771.7 million, or 39.2%, greater than the 2017-19 legislatively approved budget, while the General Fund budget of \$487.4 million is \$33.3 million, or 7.38%, greater over the same period. A detailed listing by major program is outlined on the table found on the next page including a column under the 2019-21 legislatively approved budget for those programs funded from the new Fund for Student Success (FSS). Most of the General Fund growth is due to mandated caseload growth in the Early

Childhood Special Education program and inflation. Total funds growth is primarily due to the new resources from the Fund for Student Success (FSS).

The new source of funding from the FSS provides \$751.5 million in Other Funds resources, generally for the second year of the biennium, for many new and existing programs including:

- \$472.7 million Other Funds for the new formula-driven Student Investment grants available to all school districts. The formula is based on the general school revenue formula except at double the weighting for poverty. These grants must be used to increase instructional time, address students' health and safety needs, reduce class sizes or staff caseloads, and broaden curricular opportunities. Districts must have approved plans and metrics to spend grant funds. For districts that lag in student performance, \$12 million is available for further technical services and supports.
- \$24 million to Educational Service Districts (ESDs) to assist school districts prepare the required plans to receive the Student Investment grant.
- \$2.8 million to assist districts in establishing early warning systems to identify students who are at-risk of falling behind in achievement and progress to graduation.
- \$1.7 million for grants to ESDs for activities relating to school safety and prevention, youth suicide prevention, and student threat assessment training.
- \$40.4 million for school nutrition programs to increase the number of students receiving free and reduced breakfasts and lunches.
- \$1.2 million in one-time funding for equipment grants to schools to expand "breakfast after the bell" programs.
- \$3 million for Summer Learning grants for Title I schools for increasing instructional time for students falling behind in their academic progress.
- \$3.8 million for expanding grants under the existing African American Education program to increase academic achievement of this population.
- \$3.2 million for grants to carry out the newly developed Native American or Alaskan Native Education Plan.
- \$1 million to develop a similarly purposed educational plan for Latino students.
- \$15 million for professional development for K-12 educators. The agency, after working with partners, is to return to the 2020 Legislature with a proposal on how to use this funding.
- \$37.5 million for the existing Early Intervention and Early Childhood Special Education programs which brings the funding in line to meet close to 100% of the calculated need for services under the program.
- \$133.2 million to bring funding for High School Success grants (Ballot Measure 98) to the 2019-21 current service level.

Grant-in-Aid funding formally through the NQTL totaling \$36.2 million is repurposed to fund the programs under the new Educator Advancement Council which will be responsible for coordinating educator professional development through a network of regional entities. This means that programs formally funded through NQTL will not be funded directly but will depend on the priorities set by each regional network. The programs no longer directly funded include Mentoring, School District Collaboration, dyslexia related training, Trauma Informed Practices pilot grants, Low Performing Schools grants, and School District Turnaround grants.

	2017-19 Legislatively Approved Budget		2019-21 Current Service Level (CSL)		2019-21 Legislatively Adopted Budget		
					Millions of Dollars		
	GF	TF	GF	TF	GF	OF-FSS	TF
K-12 GRANT-IN-AID PROGRAMS							
<u>Student Success Grant Programs</u>							
Start Making A Reader Today (SMART)	0.26	0.26	0.27	0.27	0.27	-	0.27
Reach Out to Read Program	0.05	0.05	0.05	0.05	0.08	-	0.08
Supporting Accelerated Learning Opportunities	2.64	2.64	2.74	2.74	2.74	-	2.74
Regional Promise Grants	3.11	3.11	3.23	3.23	3.23	-	3.23
Physical Education Grants	0.95	4.36	0.99	4.53	1.41	-	4.31
Chronic Absenteeism Grants	6.24	6.24	6.47	6.47	6.47	-	6.47
Trauma Informed Grants (NQTL)	-	1.00	-	1.04	-	-	-
High School Success Grants (Measure 98)	170.00	340.00	303.19	606.38	169.99	133.20	473.18
Student Investment Program - Formula Grants	-	-	-	-	-	472.74	472.74
Student Investment Intensive Program: High Need	-	-	-	-	-	12.00	12.00
E-Rate	0.34	0.34	-	-	-	-	-
Interfund Transfers from General Fund	-	-	-	-	-	-	-
Other Federal/Other Funds Grants	-	-	-	-	-	-	-
SUBTOTAL	183.60	393.37	316.95	675.72	184.19	617.94	998.25
<u>District Capacity and Technical Assistance Grant Programs</u>							
ESD Technical Assistance Support Grants	-	-	-	-	-	24.00	24.00
Healthy & Safe School Plan Grants	-	-	-	2.00	-	-	2.00
Statewide School Safety & Prevention Systems	-	-	-	-	-	1.73	1.73
Early Warning System Grants	-	-	-	-	-	1.75	1.75
Electronic Warning System Technical Assistance Grants	-	-	-	-	-	1.00	1.00
Foster Care & Extra Curricular Transportation Grants	0.25	0.75	-	0.52	-	-	2.00
Other District Capacity Grants	-	-	-	-	-	-	-
SUBTOTAL	0.25	0.75	-	2.52	-	28.48	32.48
<u>STEM and CTE Related Programs</u>							
STEM/CTE Regional Network Grants	4.67	4.67	4.84	4.84	4.84	-	4.84
CTE Revitalization Grants	10.33	10.33	10.73	10.73	7.02	-	7.02
STEM/CTE Career Pathway Fund	8.17	8.17	8.48	8.48	8.48	-	8.48
STEM/CTE Innovation Grants	4.43	4.43	4.60	4.60	4.60	-	4.60
Student Leadership Centers	0.70	0.70	0.73	0.73	0.73	-	0.73
Future Farmers of America Association (FAA)	-	-	-	-	1.43	-	1.43
Agricultural Summer Program Grants	-	-	-	-	0.60	-	0.60
For Inspiration & Recognition of Science & Tech (FIRST)	0.47	0.47	0.48	0.48	0.48	-	0.48
CTE Vocational Education Grant: Perkins Grant	-	32.19	-	33.33	-	-	33.33
SUBTOTAL	28.77	60.96	29.86	63.19	28.18	-	61.52
<u>Nutritional Programs</u>							
Federal Reimbursement Programs	-	388.01	-	407.12	-	-	407.12
After School Meal/Snack Program	0.48	0.48	0.50	0.50	0.50	-	0.50
Breakfast & Summer Lunch Programs	1.61	1.61	1.67	1.67	1.01	-	1.01
Breakfast Before the Bell Program	-	-	-	-	-	1.18	1.18
Hunger Free Schools Program Grants	-	-	-	-	-	40.43	40.43
Free Lunch Grant Program (SSF Transfer)	-	2.47	-	2.57	-	-	2.85
Farm to School - Transfer to Dept. of Agriculture	-	-	-	-	0.50	-	0.50
Farm to School Programs	4.50	4.50	4.67	4.67	14.16	-	14.16
SUBTOTAL	6.59	397.07	6.84	416.53	16.17	41.61	467.75
<u>Educator Effectiveness & Professional Development</u>							
Accelerated College Credit Instructor Program	0.26	0.26	0.27	0.27	0.27	-	0.54
Dyslexia Training Grants (NQTL)	-	1.90	-	1.97	-	-	-
Mentoring Grants (NQTL)	-	11.50	-	11.94	-	-	-
School Dist Collaboration Grant (NQTL)	-	13.50	-	14.01	-	-	-
Leadership Training Grants (NQTL)	-	2.50	-	2.60	-	-	-
Educator Professional Development Grants	-	-	-	-	-	15.00	15.00
Interfund Transfers from General Fund	-	-	-	-	-	-	-
Title IIA Teacher and Principal Grant	-	47.85	-	37.67	-	-	37.67
SUBTOTAL	0.26	77.51	0.27	68.45	0.27	15.00	53.21
<u>Closing the Achievement Gap</u>							
African American Education Plan Grants	6.00	6.00	6.23	6.23	6.23	3.81	10.04
Latino State Plan	-	-	-	-	-	1.00	1.00
Native American Education Plan Grants	-	-	-	-	-	3.19	3.19
Tribal Attendance Grants	1.55	1.55	1.61	1.61	1.61	-	1.61
Native American Curriculum Grants	1.80	1.80	-	-	1.80	-	1.80
English Language Learners Grants	-	10.43	-	10.83	-	-	10.00
School & Dist Turnaround Grants (NQTL)	-	2.00	-	2.08	-	-	-
Low Performing Schools Grants (NQTL)	-	2.50	-	2.60	-	-	-
Summer Learning Grants	-	-	-	-	-	3.00	3.00
Low Income: Title I, Part A	-	300.00	-	301.13	-	-	301.13
School Improvement Grants	-	10.00	-	20.38	-	-	20.38
Migrant Education (Title I, Part C) Grants	-	21.53	-	38.00	-	-	38.00
English Language Acquisition (Title III) Grants	-	22.77	-	13.38	-	-	13.38
Title IV-A Student Enrichment Grants (new 2018-19)	-	25.45	-	20.00	-	-	20.00
Title IV-B 21st Century Community Learning Centers	-	18.10	-	18.79	-	-	18.79
SUBTOTAL	9.35	422.13	7.84	435.01	9.64	11.00	442.32
<u>Specialized Student Service Grant Programs</u>							
Vision Screenings Reimbursements	1.00	1.92	1.00	3.00	-	-	1.86
Youth Corrections/Detention (YCEP/JDEP)	-	19.42	-	20.16	-	-	16.74
Transition Network Facilitator Grants (TNFs)	-	-	-	-	1.40	-	1.40
Early Intervention/Early Childhood Educ (EI/ECSE)	175.01	207.26	194.37	227.53	194.37	37.50	265.03
Regional Programs	27.68	60.40	28.73	62.69	28.73	-	62.69
Hospital Programs	1.37	7.05	1.42	6.85	1.37	-	7.57
Long Term Care and Treatment	18.94	44.81	19.66	47.08	16.72	-	41.74
Blind & Visually Impaired	1.00	6.04	1.04	2.68	-	-	1.60
Individuals with Disabilities Act (IDEA) Grants	-	261.60	-	271.53	3.31	-	274.85
Charter School Grants	-	7.00	-	7.27	-	-	7.27
Salem-Keizer Educ. Foundation (one-time for 2017-19)	0.25	0.25	-	-	-	-	-
Interfund Transfers from General Fund	-	-	-	-	3.00	-	3.00
Other Special Education Grants	-	-	-	-	-	-	-
SUBTOTAL	225.25	615.74	246.22	648.79	248.90	37.50	683.74
TOTAL K-12 GRANT-IN-AID PROGRAMS	454.06	1,967.53	607.98	2,310.21	487.36	751.52	2,739.25

Other Grant-in-Aid budget increases include: (1) \$1.8 million General Fund to continue the development of the Native American curriculum for districts; (2) \$423,387 General Fund to backfill lost Master Tobacco Settlement Agreement funds for physical education grants; (3) one-time \$3.3 million General Fund for special education programs; (4) \$952,500 General Fund for vision screening of students; (5) \$10 million General Fund for the existing Farm-to-School program bringing total funding to approximately \$15 million; and (6) \$2 million General Fund for Future Farmers of America (FFA) grant resulting from HB 2444.

Reductions to Grant-in-Aid programs include: (1) \$3.7 million General Fund for CTE Revitalization grants with instructions to prioritize rural districts and underserved populations for the remaining \$7 million for these grants; (2) \$35 million Federal Funds expenditure limitation no longer required; (3) \$661,142 General Fund for the estimated resources no longer required for the Breakfast and Summer Lunch program; and (4) \$3 million General Fund (one-time) freed up by using excess Other Funds balances in the Long Term Care and Treatment, Hospital education, and the Blind and Visually Impaired programs.

Early Learning Division

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	221,352,454	247,940,701	257,314,058	256,948,546
Other Funds	8,365,236	11,580,868	12,020,941	143,462,291
Federal Funds	112,556,223	134,696,039	125,634,857	169,913,048
Total Funds	\$342,273,913	\$394,217,608	\$394,969,856	\$570,323,885

Program Description

In 2013, the Legislature established the Early Learning Division within ODE to consolidate and streamline the various early learning programs across state government. The Grant-in-Aid component of the Division is in this budget unit while the staffing and other costs are part of the Operations section. A primary goal for this consolidation was to create an early learning system which would result in children being ready for Kindergarten and elementary school, both in terms of education readiness and health. Approximately 50% of children enter kindergarten without the early literacy and math skills that align with Oregon's indicators of kindergarten entry. The governing and advisory entity for this new Division is the Early Learning Council and the Division is led by the Early Learning Systems Director. The Division is part of ODE, but the Early Learning Director is appointed by the Governor. The programs that are consolidated into this Division include: (1) the Office of Child Care from the Employment Department and the various programs it administers; (2) Oregon's Pre-Kindergarten (OPK) and Early Head Start programs; and (3) various programs formerly part of the Governor's Office, many of which were previously administered by the Commission on Children and Families (e.g., Healthy Start/Families and Relief Nurseries). The Division and ODE rely on a network of Early Learning Hubs to be a local coordinator of early learning programs, as well as a network of Child Care Resource and Referral (CCR&Rs) agencies to provide training and support to child care providers. New programs since the establishment of the Division in ODE include a new "mixed delivery" preschool program (Preschool Promise), the Kindergarten Readiness and Innovation grants, and the Early Childhood Equity Fund.

Revenue Sources and Relationships

The Early Learning Division receives Medicaid funding from the Oregon Health Authority for The Healthy Families Oregon program and Title IV-B(2) Federal Funds from the Department of Human Services. These funding streams are spent as Other Funds in the Division's budget. Asset Forfeiture funds (Other Funds) are used for Relief Nurseries. Federal child care funding through the Child Care Development Block Grant (CCDBG) is the largest source of Federal Funds and is used for licensing, monitoring, and subsidies for child care. The largest share of these CCDBG funds is transferred to the Department of Human Services for the Employment Related Day Care (ERDC) program.

Budget Environment

The Oregon Pre-Kindergarten (OPK) program, established in 1987 and modeled after the federal Head Start program, serves low-income 3- and 4-year-olds to foster their development and enhance their success in school. State and Federal Funds, as well as services, are coordinated to serve eligible children. Families up to 100% of the federal poverty level (FPL) are eligible for Head Start and OPK. In addition, homeless children and foster families are automatically eligible. With the expansion of the OPK program and the Preschool Promise program, up to 70% of this eligible population will be served by the end of the 2019-21 biennium.

The local system for early learning programs are Early Learning Hubs designated by regional partners such as counties, school districts, ESDs, post-secondary institutions, nonprofit service providers, and others who come together in a region and apply to the Early Learning Council. They were conceptually designed in part to operate in a manner similar to the Coordinated Care Organizations for the Oregon Health Plan. There are 16 approved Hubs covering the entire state. Hubs are primarily planning and coordinating entities and receive funding for their infrastructure. Most program funding does not flow through the Hubs, but increased funding starting in 2015-17 allowed the Hubs to direct some of their funding to “purchase” services based on local priorities. Hub funding is distributed based on the percentage of at-risk children in each Hub service area after a \$200,000 base funding for each Hub is provided.

Child Care Resource and Referral agencies (CCR&Rs) are another local network funded in part through grants from ELD. The 13 CCR&Rs deliver training and technical assistance to child care providers, assist providers in opening child care facilities, determine availability of child care providers, provide input on provider selection, and assist providers through the SPARK Quality Improvement Specialists. The service areas of CCR&Rs and Hubs do not always overlap making coordination more difficult. A budget note was included in HB 5015 instructing ELD to study the feasibility of consolidating them to better align regional entities. A report is required to be presented to the 2020 Legislature.

Major increases in the ELD’s Grant-in-Aid programs were approved by the Emergency Board later in 2017-19 and permanently approved during the 2019 legislative session. These increases, as well as the ELD staff increases detailed in the Operations section above, are the result of an ongoing increase in the federal Child Care Development Block Grant, the major source of federal funding for these programs. Included in these increases is a pilot project for increasing quality day care slots for infant and toddlers through subsidies. This Baby Promise pilot program is operating in three areas of the state – Multnomah County, South Coast, and Central Oregon.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget for the Early Learning Division’s related Grant-in-Aid programs is \$256.9 million General Fund and \$570.3 million total funds. This represents increases of \$9 million General Fund (3.6%) and \$176.1 million total funds (44.7%) over the corresponding 2017-19 legislatively approved budget levels. The large increase in total funds reflects the \$131.6 million increase in Other Funds from the Fund for Student Success investments and the \$41.2 million increased funding through the Child Care Development Block Grant. The Oregon Pre-Kindergarten (OPK) program is by far the largest General Fund program with over 60.8% of the General Fund in this budget area allocated to the program. The program also is to receive an additional \$44.4 million Student Success resources starting in the second year of the biennium. The following table displays the funding for the various Early Learning Grant-in-Aid programs.

	2017-19 Legislatively Approved Budget		2019-21 Current Service Level (CSL)		2019-21 Legislatively Adopted Budget				
	Millions of Dollars								
	GF	TF		GF	TF		GF	OF-FSS	TF
EARLY LEARNING DIVISION									
Oregon Prekindergarten	150.69	150.69		156.42	156.42		156.42	44.40	200.82
Early Head Start	1.65	1.65		1.71	1.71		1.71	22.34	24.05
Preschool Promise	35.73	35.73		37.09	37.09		37.09	30.80	67.88
Healthy Families	24.84	29.50		25.73	30.57		25.73	2.00	32.57
Office of Child Care	2.08	33.14		2.16	29.79		1.83	-	44.58
DHS - Employment Related Day Care (ERDC) & Inclusive Child Care	-	104.69		-	97.45		-	-	117.45
Baby Promise	-	1.01		-	2.69		-	-	8.75
Preschool Development Grant (Birth to 5)	-	-		-	-		-	-	3.10
Early Childhood Equity Fund	-	-		-	-		-	10.00	10.00
Coaching / Professional Development	-	-		-	-		-	14.40	14.40
Relief Nurseries	8.92	10.99		9.26	11.41		9.41	2.80	14.21
Kindergarten Partnerships Initiative	9.07	9.07		9.41	9.41		8.71	-	8.71
Early Learning HUBs	14.97	17.77		15.54	18.44		15.33	2.19	20.42
Race to the Top	-	-		-	-		-	-	-
Other Early Learning Grants	-	-		-	-		0.72	2.67	3.39
TOTAL EARLY LEARNING DIVISION	247.94	394.22		257.31	394.97		256.95	131.59	570.33

Overall, the Early Learning programs will experience significant growth in 2019-21. One issue that will need to be monitored is the ability of the industry and workforce to meet the demand for these services as many new families are able to access the early learning programs. By far, the largest increase of funding is the result of the passage of the Student Success Act; the new commercial activities tax provides \$131.6 million Other Funds for program expansions and new programs, generally in the second year of the biennium. These programs include:

- \$44.4 million to expand the number of full-time and part-time slots for the OPK program, converting existing part-time slots to full-time slots, increasing compensation for early learning educators, and for OPK-related transportation costs.
- \$30.8 million to expand the Preschool Promise program which provides preschool for families above 100% of the federal poverty level (FPL) (OPK and federal Head Start are for up to 100% of FPL). This amount of funding is estimated to provide another 2,565 slots over the current 1,300 slots. A budget note instructs ELD to examine the potential and provide recommendations on whether a co-pay should be implemented.
- \$22.3 million for the Early Head Start program to address the developmental needs of young children (up to age 3) through a variety of services including home visitation and center-based services. This should provide up to another 1,200 slots to the current 2,340 federal and state funded slots.
- \$2.8 million to open new Relief Nurseries and satellite sites and expand the services at the current sites.
- \$10 million for the new Early Learning Equity Fund for grants to organizations to address the early learning needs of traditionally underserved populations to improve kindergarten readiness.
- \$2 million to expand services under the Healthy Families Oregon intensive home visiting program.
- \$1 million for parenting education programs to increase skills and strategies for parenting, strengthening child/parent relationships, and promoting child development.
- \$12.5 million for professional development and education opportunities for the early learning workforce. The ELD is to return to the 2020 Legislature with a plan on how best to use these funds.
- \$5.8 million in the second year of the biennium for local coordination, assessing community early learning needs, professional learning and coaching for providers, monitoring the early learning system, and upgrading facilities. Another \$1 million General Fund is available for the first year of the biennium for some of these activities.

Expanded federal funding under the Child Care Development Block Grant of over \$41 million is incorporated into this budget including:

- \$8.3 million for the continuation of the Baby Promise pilot program started in late 2017-19.

- \$12.9 million to support child care providers generally through the Child Care Resource and Referral programs (CCR&Rs).
- \$20 million for transfer to the Department of Human Services (DHS) for increases in the Employment Related Day Care (ERDC) program.

This additional federal funding generally represents roll-up costs of expansions made in late 2017-19.

Other program changes include \$150,000 General Fund to backfill lost Title XX revenues designated for Relief Nurseries and a \$3.1 million Federal Funds (one-time) increase for the recently awarded Preschool Development Grant Birth to Age 5 grant. General Fund program reductions include \$327,979 to Focused Child Care, \$700,000 to Kindergarten Readiness grants, and \$500,000 to Early Learning Hub funding.

Youth Development Division

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	11,564,813	13,151,091	13,650,833	14,100,833
Other Funds	6,054,481	6,281,409	6,520,103	10,070,103
Federal Funds	379,606	750,000	778,500	453,500
Total Funds	\$17,998,900	\$20,182,500	\$20,949,436	\$24,624,436

Program Description

The Youth Development Division was established in 2013 to provide a focus point for youth-related programs and to insure services provided to youth through 24 years of age are provided in a manner that is integrated, measurable, and accountable to support academic success and reduce criminal involvement. A Youth Development Council provides direction and governance of the Division's program. The Division is led by a Youth Development Director who is appointed by the Governor. The programs transferred into the new Division had generally been part of the former Commission on Children and Families, including the Juvenile Crime Prevention Program, Title XX Youth Investment Program, Community Schools, and the Gang Involved Youth Program. Division staff are included as part of the Operations budget unit.

Revenue Sources and Relationships

The Youth Development Division receives federal Title XX funding from the Department of Human Services for the Youth Investment program which is treated as Other Funds in the Division's budget. Federal Funds are used for the Juvenile Crime Prevention program and gang-related programs.

Budget Environment

Unlike the Early Learning system, the Youth Development Division and Council does not have a formal local system. The Juvenile Crime Prevention grants do flow through the County Juvenile agencies or their designees, but the remainder of the programs are generally administered by Division staff under the Council's direction. Grants are awarded based on need and the ability of the grantee to meet specific deliverables through a set of criteria based on the overall goal of reconnecting the targeted youth with education and careers, as well as addressing youth violence and crime. There are currently five general grant streams as part of this programming – Youth and Community grants, Youth and Innovation grants, Gang Prevention grants, Community Schools, and Juvenile Crime Prevention grants. A new Youth Re-Engagement grant program is established as part of the Student Success Act (described below).

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget for the Youth Development Division's Grant-in-Aid programs is \$14.1 million General Fund and \$24.6 million total funds. This represents changes from 2017-19 funding levels of 7.2% and 22%, respectively. The increase in total funds is generally driven by the new Other Funds resources from the

Student Success Act of \$4 million for the new Youth Re-Engagement grant program. Funds for the various programs in this budget unit are detailed in the following table.

	2017-19 Legislatively Approved Budget			2019-21 Current Service Level (CSL)			2019-21 Legislatively Adopted Budget		
	Millions of Dollars								
	GF	TF		GF	TF		GF	OF-FSS	TF
YOUTH DEVELOPMENT DIVISION									
Juvenile Crime Prevention	5.88	6.63		6.11	6.88		6.11	-	6.56
Gang Prevention & Intervention Grants	0.75	0.75		0.78	0.78		0.78	-	4.78
Youth & Community	3.25	9.47		3.37	9.83		3.82	-	9.83
Youth & Innovation	3.17	3.17		3.29	3.29		3.29	-	3.29
Youth Re-Engagement Grants	-	-		-	-		-	4.00	4.00
Community Schools	0.10	0.16		0.10	0.17		0.10	-	0.17
TOTAL YOUTH DEVELOPMENT DIVISION	13.15	20.18		13.65	20.95		14.10	4.00	28.62

Changes in this budget unit include:

- The establishment of a new \$4 million Other Funds Youth Re-Engagement program to provide grants starting in the second year of the biennium for programs that are designed to reconnect youth aged 14 to 21 who are dropouts or not making sufficient progress toward a high school diploma. Grants are to be made to school districts and other eligible entities for academic instruction, career counseling, and workforce readiness services. Funding for this program is from the Fund for Student Success.
- General Fund (\$450,000) is used to backfill the loss of Title XX funding for youth development related grants.
- As some federal grants have expired or been reduced over the past few biennia, ODE estimated that it had \$325,000 in excess Federal Funds expenditure limitation so it was reduced in this budget.

Debt Service and Bonding

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund		18,168,337	32,479,290	31,133,753
Lottery Funds	1,434,923	651,225	692,870	692,870
Other Funds	--	143,654,567	130,000,000	255,009,331
Total Funds	\$1,434,923	\$162,474,129	\$163,172,160	\$286,835,954

Program Description

This budget area includes debt service and expenditure limitation related to bonds issued by the state on behalf of the agency and school districts. Almost all the General Fund represents the debt service required to pay off the Article XI-P general obligation bonds issued through the Oregon School Capital Improvement Matching program (OSCIM). This program provides matching grants to school districts for capital costs including construction, improvement, remodeling, equipment purchase, maintenance, and repair of facilities. Districts must match the state grants with funds from local voter-approved bonds and grants are capped at \$8 million. Almost all the Other Funds expenditure limitation represents the bond proceeds and are paid out to districts as grants or special payments. These bond proceeds are under a two-year limitation so new expenditure limitation must be approved for any unspent proceeds from a previous biennium. The \$130 million included in the 2019-21 current service level represents the estimated limitation required to spend the proceeds issued in previous biennia. In 2015-17, \$125 million in XI-P bonds was issued and \$100 million was authorized for the 2017-19 biennium. Staffing for this program is through the Office of School Facilities and is part of the Operations budget unit. In addition, \$4.3

million in XI-Q bonds was approved for 2017-19 for deferred maintenance and improvements at the Oregon School for the Deaf. A small portion of the 2019-21 General Fund is for paying off these XI-Q bonds.

The Lottery Funds is the debt service for bonds approved by voters in November 1997 and issued in Spring 1999, as well as \$127 million of bonds approved by the 1999 Legislative Assembly and issued in 1999-2001 for state education projects as defined in HB 2567 (1999). Funds provided to districts from the bond proceeds were intended for the acquisition, construction, remodeling, maintenance, or repair of school facilities. Schools also could use the proceeds for certain operational expenses, such as textbooks, computers, and instructional training. These bonds Should be fully paid off in 2019-21.

Revenue Sources and Relationships

Lottery Funds in this budget unit are interest earnings generated from the Education Stability Fund (ESF). In the past, 75% of these ESF earnings were directed to this purpose, but as the Lottery Bonds have been paid off fewer resources have been required for debt service. Under current law, all other interest earnings are to be directed to the Oregon Opportunity Grant program at the Higher Education Coordinating Commission (HECC).

Legislatively Adopted Budget

The 2019-21 legislatively adopted General Fund budget of \$31.1 million represents the payments required for the Article XI-P bonds for the OSCIM program for Article XI-Q bonds for the School for the Deaf. Lottery Funds expenditure limitation is for repaying Lottery Bonds approved in 1997 and 1999. The budget has been adjusted to reflect the latest projections of interest earnings and biennial payment obligations.

The Other Funds expenditure limitation of \$255 million includes the \$125 million for newly approved XI-P bonds proceeds under the OSCIM program and the estimated \$130 million in grants paid out to school districts from bond proceeds approved in 2015-17 and 2017-19. The remaining \$9,331 Other Funds represents earnings available from bond-related accounts that can be used for debt service.

Common School Fund Distributions

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
Other Funds (NL)	136,579,249	116,260,269	116,260,269	\$116,260,269
Total Funds	\$136,579,249	\$116,260,269	\$116,260,269	\$116,260,269

Program Description

This program reflects the transfer of Common School Fund (CSF) distributions from the Department of State Lands (DSL) to the Oregon Department of Education for distribution to K-12 school districts. Previously, DSL distributed these monies to county treasurers, who in turn made payments to school districts. In 2005, the Superintendent of Public Instruction became responsible for making these distributions to the districts. These distributions are then considered local revenues for the purposes of the school distribution formula. The basis of the distribution to districts is a two-step process – first a distribution on a county level based on the number of persons between the ages of four to twenty, and then among the districts in each county, based on the number of county resident students attending school districts in that county.

Budget Environment

The State Land Board has adopted a policy that the amount of the distribution shall be equal to 4% of the average balance of the preceding 3 years of the Common School Fund if the 3-year rolling average growth is less than 11%. The Land Board can change this policy by a vote – in 2013-15 and 2015-17 the distribution was set at 5%.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget of \$116.3 million Other Funds Nonlimited is based on a 4% distribution. There is no assumption that the distribution will be at a higher rate at this time; the amount may be adjusted later in the biennium as actual amounts are distributed.

State School Fund

Analyst: Wilson

Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	6,904,804,561	7,582,892,067	8,150,549,940	7,718,687,417
Lottery Funds	447,703,907	535,719,907	535,719,907	530,146,857
Other Funds	1,175,156	85,248,393	85,248,393	751,165,726
Total Funds	\$7,353,683,624	\$8,203,860,367	\$8,771,518,240	\$9,000,000,000

Program Description

The Oregon Constitution directs the Legislature to “provide by law for the establishment of a uniform, and general system of common schools.” General state support for K-12 school districts and Education Service Districts (ESDs) is provided through the State School Fund (SSF) and represents the state share of the amount distributed through the school equalization formula. The Oregon Department of Education (ODE) makes distributions of state support to school districts and ESDs that meet all legal requirements.

By far, the largest use of the SSF is for distribution through the equalization formula to 197 school districts (95.5% of the net distribution) and 19 ESDs (4.5% of net distribution). There is also pass-through to charter schools in this process. Prior to this distribution, there are other statutorily defined distributions, or “carve-outs,” from the SSF, including the High Cost Disabilities Account, facilities grants, ESD testing or assessment contract, Talented and Gifted (TAG) programs, funding for speech language pathologists, and Oregon Virtual School District funding. SSF resources are also allocated for educational services for students in Youth Corrections and Juvenile Detention programs, the Oregon School for the Deaf, and long-term care facilities and hospitals.

Allocations to school districts and ESDs are calculated by a statutorily prescribed distribution formula based on number of students, additional weighting reflecting specific education costs (e.g., poverty, special education, and remote schools), teacher experience, and local revenue resources. This formula was designed to equalize allocations to schools based on these factors. Districts may also have local option levies which the state may provide “equalization” assistance with if the district qualifies. The SSF also provides funding for the transportation related grant for districts which is based on a district’s eligible transportation costs and the relative costs compared with other districts. If a district’s costs are ranked in the top 10% of all districts, 90% of the eligible costs are covered; for the next 10% of schools, 80% of costs are covered; and for all other districts, 70% of the costs are covered. While the SSF and related formula distribution provides the largest share of resources for school districts and ESDs, ODE is projected to distribute another approximately \$2.7 billion of federal and state funding through the grant-in-aid programs for purposes such as child nutrition, special education, specialized education initiatives, professional development, and compensatory education. This amount includes the new funding available through the Student Success Act.

Revenue Sources and Relationships

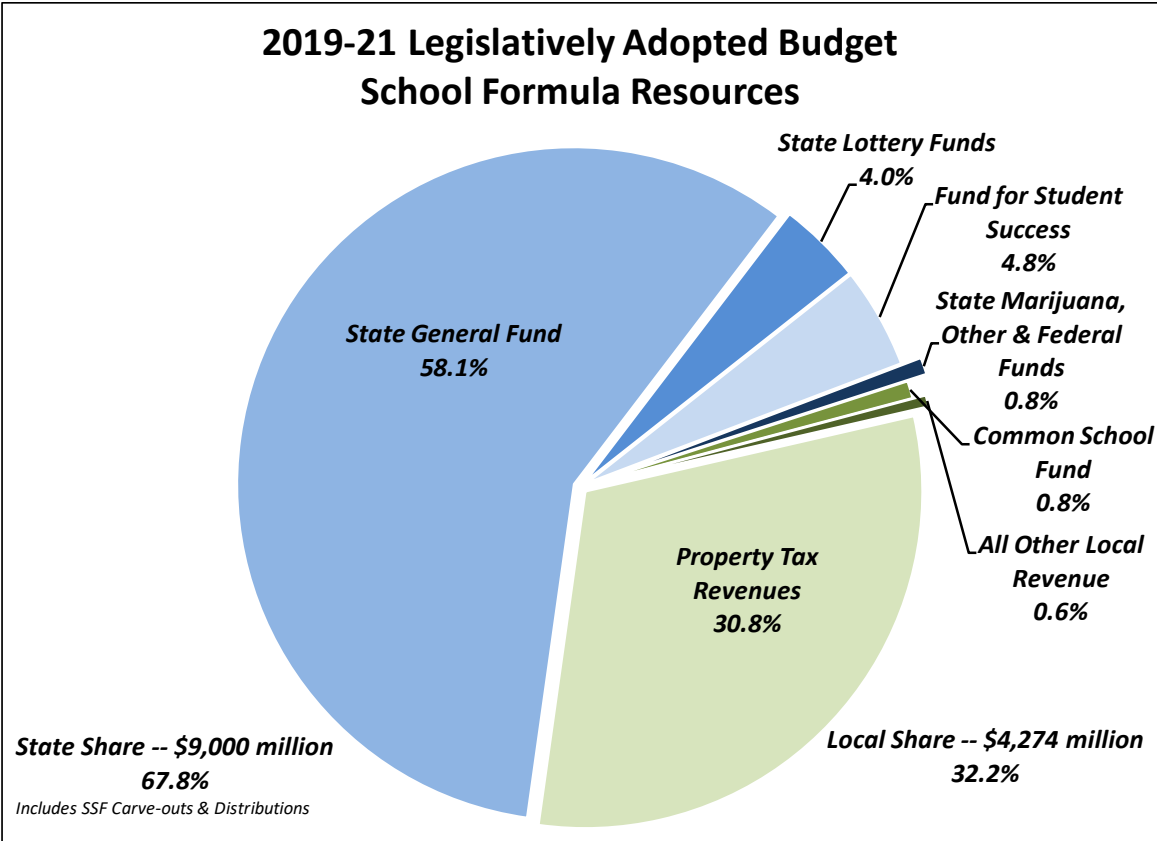
In 1990, voters approved Ballot Measure 5 that altered the state-local finance structure. Measure 5 phased in property tax limits that substantially reduced local property taxes for schools, and the state increased its share of funding and passed a new school equalization formula. By the end of the five-year tax limit phase-in, the state primarily funded the school system and significantly limited local control over school funding levels. For 2019-21, the estimated SSF or state share of the distribution amount through the equalization formula for school districts and ESDs represents 67.8% with various local revenues representing the remaining 32.2%. Prior to Measure 5, the state share was more in the 30% range.

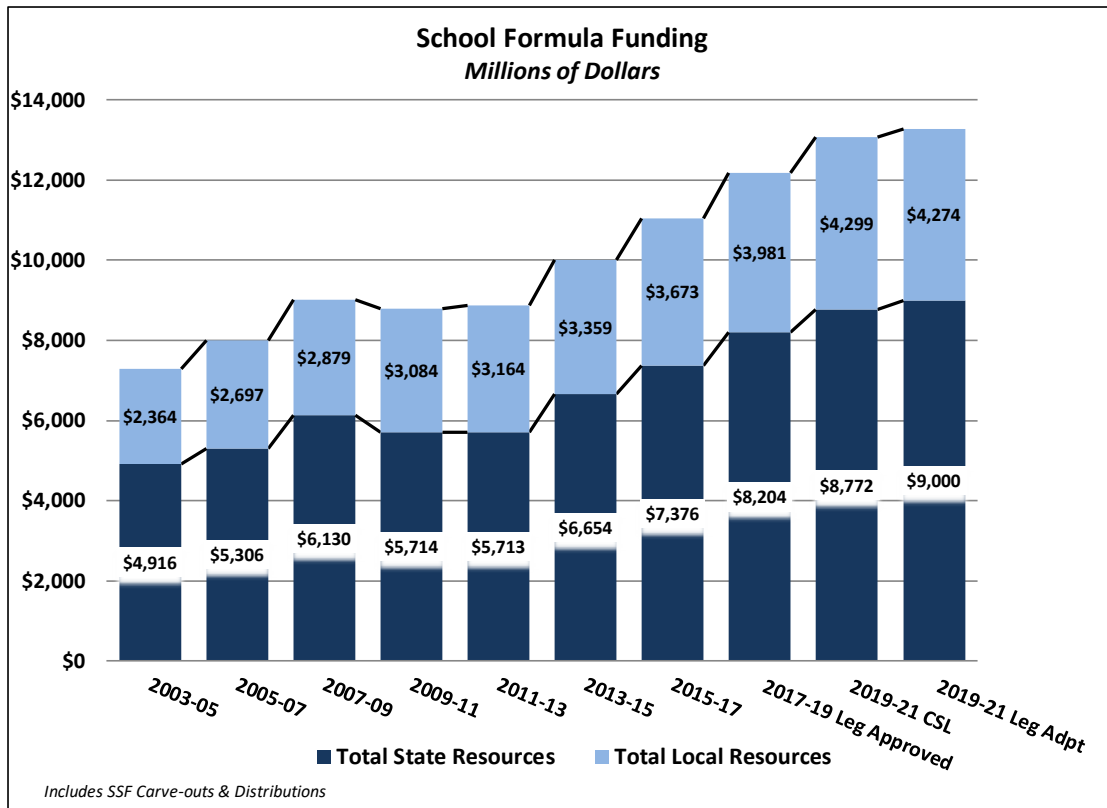
The major fund sources for the SSF budget is General Fund and Lottery Funds. For 2019-21, the Other Funds portion has become more important. It not only reflects receipts from the state timber tax, donations of kicker

rebates, expenditure limitation for Local Option Equalization grants, and Marijuana Tax resources as it had in 2017-19, but the new Fund for Student Success also contributes \$643 million to the total SSF. The largest share of this amount, or \$423 million, represents the amount of General Fund resources lost due to income tax rate reductions and other tax changes included in the Student Success Act (HB 3427). The remaining amounts represent a \$20 million annual increase for the High Cost Disability account (starting in the second year of the biennium) and a one-time \$200 million contribution to the SSF. Marijuana related revenues increase by approximately \$22 million for 2019-21 to \$103.8 million. The following chart demonstrates the various state and local resources that are part of the calculation of the formula distribution for 2019-21 which totals \$13.27 billion. The overall state share increases from 67.3% in 2017-19 to 67.8% for 2019-21.

In a biennium when General Fund and other resources are scarce, there are two other resources that may be accessed. The Education Stability Fund, which originates as Lottery Funds, was accessed for the SSF during the 2007-09, 2009-11, and 2011-13 biennia. The Oregon Rainy Day Fund (General Fund) was used for the SSF in 2009-11. Neither budget stabilization fund has been used recently.

As noted above, the majority of the SSF is distributed to school districts and ESDs through an equalization formula with the SSF representing the state portion combined with a variety of local revenues. These local revenues include local property taxes, local timber tax revenues, revenue from state managed timber, Common School Fund distributions, payments in-lieu of property taxes, and excess local ESD revenues. The first pie chart demonstrates the breakdown between the distribution formula revenue sources for 2019-21 and the second chart provides historical context of the revenue mix.





Budget Environment

Currently, there are 197 elementary and secondary school districts and 19 education service districts, serving about 575,000 students in grades K-12. During the 2017-19 biennium, the estimated growth of the total weighted Average Daily Membership (ADM) was estimated at 0.28% per year between 2015-16 and 2019-20. Overall, weighted ADM or ADMw is estimated at approximately 705,000 for the 2017-18 school year, but that could change by the end of the current school year.

In 2001, the Quality Education Commission (QEC) was established to: (1) determine the amount sufficient to ensure that the state's system of kindergarten through grade 12 public education meets quality goals; (2) identify best practices that lead to high student performance and the costs of implementing those best practices for K-12; and (3) prior to August 1 of each even-numbered year, issue a report to the Governor and the Legislative Assembly. This report identifies: (1) current practices in the state's system of kindergarten through grade 12 public education system, the costs of continuing those practices, and expected student performance under those practices; and (2) best practices for meeting the quality goals, the costs of implementing best practices, and expected student performance under best practices. The QEC's Quality Education Model (QEM) estimates the total resources needed to fully pay for Oregon's educational goals including resources from the State School Fund, local revenues, state and federal grant-in-aid payments and other resources. Based on the QEM, the 2017-19 legislatively adopted budget's SSF amount of \$8.2 billion was \$1.77 billion short of funding Oregon's educational goals. For the 2019-21 biennium, this gap should fall as the new Student Success Act resources are factored into the calculation. Early estimates show the gap falling to just under \$900 million for 2019-21, but the effect of the new Student Success Act resources will not take place until the second year of the biennium. The gap is projected to decrease for 2021-23 as the full impact of the Student Success Act is experienced.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget for the SSF is \$9 billion total funds (\$7.72 billion General Fund, \$530.1 million Lottery Funds, and \$751.2 million Other Funds) which makes up the state portion of the amount distributed to school districts and ESDs through the school funding formula. This 2019-21 SSF budget represents a \$796.1 million (9.7%) increase in total funds over the 2017-19 budgeted amount. An estimated \$4 million of the

SSF is assumed to be the amount needed to cover payments under the Local Option Equalization Grants. The estimated distribution of SSF resources combined with local revenues is outlined in the following table. Some of the items in this table will change during the biennium as more up-to-date information is available.

There were some changes to the school funding formula during the 2019 legislative session including: (1) changing the destination for the former carve-out for a funding stream for the Network on Quality Teaching and Learning to the new Educator Advancement Council (\$39 million); (2) continuing and increasing the carve-outs for school nutrition programs (\$2.9 million); and (3) further reducing the amount designated for School Facilities grants from \$9 million to \$7 million per biennium, and allocating the \$2 million difference to the Healthy School Facilities Fund for grants for environmental testing. The amount to be distributed to the High Cost Disability Account is increased by \$20 million annually starting in the second year of the biennium and is funded with resources transferred from the Fund for Student Success.

2019-21 State School Fund & Local Revenues Distribution		
<i>Millions of Dollars</i>		
State School Fund -- Includes General Fund, Lottery Funds, state timber tax, dedicated Marijuana tax, and transfers from t		9,000.0
Less Selected Set-Asides & Carve-outs & Reserve Accounts		(107.5)
Small School Supplement - 327.008(10)	(5.0)	
Business Audits - 327.008(10)	-	
Talented & Gifted - 327.008(13)	(0.4)	
Speech Pathologist - 327.008(13)	(0.2)	
Virtual School District - 327.008	(1.6)	
Long-term Treatment & OSD - 343.243	(23.0)	
Educator Advancement Council	(6.0)	
Local Option Equalization - 327.339 -- Estimate and may change during biennium	(4.0)	
Pediatric Nursing Facilities	(4.0)	
English Language Learners (ELL)	(12.5)	
Nutrition Related	(2.9)	
Office of Educational Facilities (includes Healthy and Safe Schools)	(8.0)	
Reserve Account (distributed to districts later in biennium)	(40.0)	
Estimated Local Formula Revenues		4,274.3
Net Property Taxes	4,089.8	
Common School Fund	111.4	
County School Fund	21.9	
State Managed Timber	51.2	
All Other	-	
Total Amount to be Distributed to School Districts and ESDs		13,166.8
School District Share (95.50%)	12,546.4	
Education Service Districts (4.5%)	620.4	
School District Distribution		
Total Amount Available	12,546.4	
Less Current High Cost Disability Grants	(70.0)	
Less Additional High Cost Disability from the Fund for Student Succe	(20.0)	
Less Facilities Grants	(7.0)	
Less School District Share of Educator Advancement Council	(17.0)	Grows at rate equal to SSF growth from 17-19
Formula Revenue for Distribution to School Districts	12,432.4	
Education Service District Distribution		
Total Amount Available	620.4	
Less 10th Grade Assessment	(1.0)	
Less ESD share of Educator Advancement Council	(17.0)	Grows at rate equal to SSF growth from 17-19
Formula Revenue for Distribution to ESDs	602.5	

HIGHER EDUCATION COORDINATING COMMISSION

Analyst: Wilson

Agency Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	1,787,610,400	1,954,764,881	2,096,242,800	2,184,067,916
Lottery Funds	55,540,827	96,567,082	128,479,627	144,428,093
Other Funds	690,562,075	584,613,058	60,305,617	193,536,425
Other Funds (NL)	697,430,625	244,022,758	211,422,020	127,560,060
Federal Funds	81,642,393	8118,191,072	127,286,360	211,422,020
Federal Funds (NL)	3,114,849	23,567,281	24,286,877	24,286,877
Total Funds	\$3,315,901,169	\$3,021,726,132	\$2,648,023,301	\$2,885,301,391
Positions	142	134	132	148
FTE	123.63	120.33	122.07	137.37

Includes OHSU resources in the Department of Administrative Services budget for 2015-17 and 2017-19.

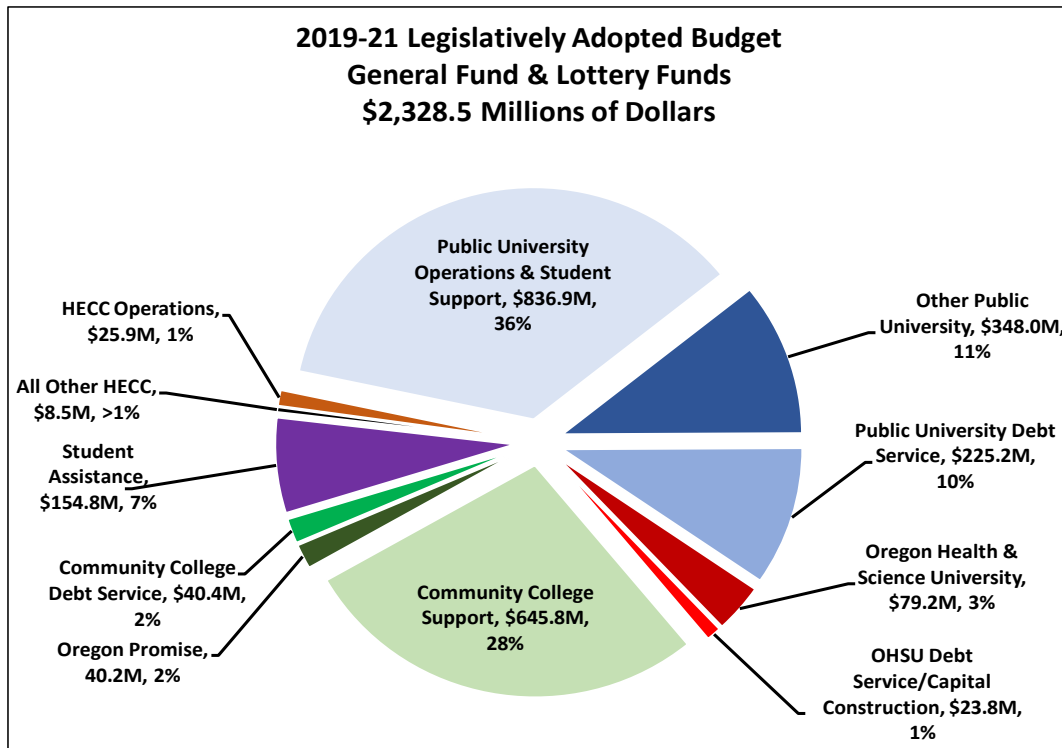
Overview

The Higher Education Coordinating Commission (HECC) is a 14-member commission (nine voting and five non-voting members) appointed by the Governor and confirmed by the Senate. Its primary focus is strategic planning for the entire public post-secondary education system in the state. Other responsibilities include: (1) develop goals and accountability measures for the post-secondary system; (2) develop a strategic plan; (3) develop a finance model and distribution formulas for post-secondary education based on the strategic plan; and (4) approve and authorize degrees for the public universities and programs at community colleges.

The passage of SB 270 and HB 3120 in 2013 added several duties to HECC's portfolio. The Commission took over responsibilities of the State Board of Education relating to the community college system, as well as assumed the responsibilities of the Oregon Student Access Commission (OSAC) which was eliminated. State staff of the Community College and Workforce Development Department and the staff of OSAC also were transferred to HECC. Three other programs, the Office of Degree Authorization (ODA), the Private Career School (PCS) program, and the Oregon Volunteers Commission, and their budgets, have also been transferred to HECC.

The HECC budget includes the state funding for community colleges, public universities, Oregon Health and Science University (OHSU) programs, and the Oregon Opportunity Grant program. While funds for these programs generally are pass-through (e.g., community colleges and public universities), the Commission has a role in determining how the funding is distributed between the individual institutions. This is not the case for OHSU. Below is a table that divides the 2019-21 legislatively adopted budget into its five major components and a chart showing the distribution of General Fund and Lottery Funds resources across the major HECC spending areas.

	<i>Millions of Dollars</i>					
	General Fund	Lottery Funds	Other Funds	Federal Funds	Other Funds NL	Federal Funds NL
HECC Staff, Operations and Other Programs	39.6	-	37.3	127.6	0.2	19.7
State Support to Public Universities	1,217.0	93.1	82.6	-	203.9	4.6
State Support to Community Colleges	715.0	11.3	28.0	-	-	-
State Support to the Oregon Health Sciences University	103.0	-	30.9	-	7.3	-
Oregon Opportunity Grant Program	109.5	40.0	14.7	-	-	-
Totals	2,184.1	144.4	193.5	127.6	211.4	24.3



Legislatively Adopted Budget

The 2019-21 combined General Fund and Lottery Funds legislatively adopted budget of \$2.328 billion is \$277 million, or 13.5%, greater than the 2017-19 legislatively approved budget. The growth is due to several factors including a 13.6% increase in the general support for public universities, 25.6% increase in the amount the state pays in debt service on behalf of public universities, 15.4% growth in the three Statewide Public Service programs, roll-up costs for the Outdoor School program authorized by Ballot Measure 99 (\$21.3 million Lottery Funds or 88.8%), and a 12.5% increase in the Community College Support Fund. Comparing total funds changes across biennia is more difficult given the effect that changes in capital construction expenditure limitation has on the budget. Detailed information on the budget is included in the following information on the various budget units of the overall HECC budget.

Staffing, Operations, and Other Programs

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	38,038,197	35,163,956	39,235,606	39,587,633
Other Funds	22,674,703	35,976,039	29,218,892	37,337,696
Other Funds (NL)	1,144,104	206,000	206,000	206,000
Federal Funds	81,642,393	118,191,072	127,286,360	127,560,060
Federal Funds (NL)	2,489,208	18,968,831	19,689,647	19,689,647
Total Funds	\$145,988,605	\$208,505,898	\$215,636,505	\$224,381,036
Positions	142	134	132	148
FTE	1213.63	120.33	122.07	137.37

Program Description

This budget unit includes all the staff and operating costs of HECC, as well as programs that do not provide direct funding to community colleges, public universities, OHSU, or to students through the Oregon Opportunity Grant program. The major components within this budget unit are:

- HECC Operations, Central Operations, and Research and Data – Includes the agency’s leadership staff, financial and other administrative staff, and research staff.
- The Office of Academic Policy and Licensure – Evaluates and approves degree-granting institutions and their programs that are not part of the public university system, do not have regional accreditation, or offer programs from a base outside of the state. In addition, this Office licenses career schools, approves their programs, and investigates complaints regarding these schools.
- Office of University Coordination – Provides oversight of the public universities and is responsible for distribution and monitoring of operating and capital spending of the seven public universities.
- Office of Community Colleges – Manages state responsibilities related to community colleges and provides leadership in the development and delivery of college transfer and professional/technical course work, adult literacy education, and General Education Development (GED) testing.
- Office of Workforce Investments – Primarily includes resources that are paid to other entities under the Workforce Investment Act (WIA). The WIA Title IB program provides services to dislocated workers, youth employment training programs, and workforce training programs for adults. These programs help workers obtain new skills to become more employable, improve earnings, and decrease welfare dependency. The workforce initiative passed by the 2013 Legislature is included in this budget (\$8.5 million General Fund) which funds Work Ready Communities, Back to Work Oregon, the Supporting Sector Strategies program, and other programs. The staff for this area are co-located with Employment Department staff. This Office also includes the Oregon Youth Conservation Corps which provides education, training, and employment opportunities to disadvantaged and at-risk youth ages 14 to 25 and the Oregon Volunteers program.
- Office of Student Access and Completion (OSAC) – Includes the staff and some of the programs of the former Oregon Student Assistance Commission, including the administration of the Oregon Opportunity Grant, over 400 private scholarship and grant programs, and a series of smaller financial assistance programs. This area of the budget includes the grant funds paid out to students from the smaller financial assistance programs not including the Oregon Opportunity Grant and the Oregon Promise program. The Access to Student Assistance Programs in Reach of Everyone (ASPIRE) is included in this area, a program which trains volunteers to serve as mentors to middle and high school students with information regarding college and career choices, preparation, and financial aid for post-secondary education. Also included in this Office is the Oregon National Guard State Tuition program.

The 2019-21 legislatively adopted budgets for these various programs are detailed as follows:

HECC Staffing, Operations and Other Programs								
<i>Millions of Dollars</i>								
	<i>2019-21 Leg Adopted Budget</i>					Total	Positions	FTE
	General Fund	Other Funds	Federal Funds	Other Funds NL	Federal Funds-NL			
Director's Office	2.8	0.8	0.8			4.4	12	11.64
Central Operations	5.8	3.9	4.6			14.3	35	33.16
Research and Data	2.7	4.3	0.4			7.4	20	17.38
Office of Community College & Workforces Development	4.9	2.6	2.1			9.6	15	14.70
University Coordination	1.5					1.5	5	5.00
Academic Policy & Licensure (formally Degree Authorization/ Formally Office of Degree Authorization/Private Career School	1.2	2.8		0.2		4.3	15	12.49
Office of Student Access and Completion	3.6	2.3	-			5.9	24	21.00
ASPIRE Grants	0.6	0.1				0.6		
Miscellaneous Student Assistance	4.7	15.2	-	-	-	19.9		
Workforce Development Staff	3.3	0.9	15.3		-	19.4	22	22.00
Workforce Investments	8.5	2.6	103.2	-	19.7	133.9		
Youth Conservation Corp		1.9	1.2			3.1		

Revenue Sources and Relationships

The Office of Degree Authorization and the Private Career School Program rely on fees paid by the institutions licensed by the two programs. The Tuition Protection Fund of the Private Career Schools Program relies on assessments of the schools under the jurisdiction of the program, and provides resources to students who attended schools and had funds or services due to them after the school went out of business. Other Funds for the Office of Community Colleges and Workforce Development (OCCWD) include fees from applicants for GED, charges to community colleges for the cost of copying Adult Basic Education curriculum materials, funds for project management of state bond financed projects, summer conference fees, and funds from the Oregon Department of Education for Carl D. Perkins Professional/Technical program support. The Oregon Youth Conservation Corps also receives funding from the Amusement Device Tax levied on the state's video lottery terminals, donations, and fees for contract services. Other Funds revenues for OSAC are primarily received from private award donations and associated charges for administering privately funded scholarship programs.

Federal Funds associated with the workforce programs include WIA Title IB, WIA Title II, National Emergency Grants (NEG), and United States Forest Service funding for Oregon Youth Employment Initiatives (OYEI). HECC must apply to the federal government for any NEG funds and expenditures of these funds are classified as nonlimited in the state budget.

Budget Environment

There are roughly 180 schools regulated by the Private Career Schools (PCS) program (e.g., cosmetology, truck driving, and real estate related schools). HB 5025 (2019) provided authorization to HECC to continue 30% increases in fees in both 2017 and 2019 charged to PCS regulated schools. These increases were required as General Fund support for PCS regulation was discontinued. There are 22 degree-granting schools regulated by the Office of Degree Authorization (ODA). The number of schools regulated by both programs depend, in part, on the economy; as the unemployment rate decreases so does the enrollment in many of these programs. Federal oversight of the schools overseen by ODA has varied over the past few years. In the past, the burden of student debt and the ability of students to find gainful employment was an important issue for the federal government which had an impact on these schools and programs. Nine of the 22 degree-granting schools overseen by ODA are eligible to receive U.S. Department of Education financial aid payments.

The information management system for OSAC grant programs, including the Oregon Opportunity Grant program, requires replacement. This system requires a high level of security given the type of confidential information that is maintained. A business case has yet to be completed for this replacement project even though the need for the system and ongoing discussions have been underway for at least three biennia. The agency is indicating that a business case will be completed in time to possibly request system development funding in the 2020 or 2021 legislative sessions.

The ASPIRE program had resources for 2017-19 to operate an average of approximately 150 sites. For the 2019-21 biennium, the estimated number of sites based on available funding should support 152 or 153 sites (e.g., 129 high schools and 24 middle schools). The number of sites have varied significantly from one year to another based on the availability of federal and state funding and the number of inactive sites that are dropped by the program. The agency estimates that the program could expand with additional funding, specifically in more rural areas of the state. Federal funding for the FAFSA Plus program (Free Application for Federal Student Aid) is no longer available, but the agency attempts to maintain relationships with as many sites as possible since the program was very successful in increasing the number of Oregon students filling out the FAFSA.

The 2018 Legislature passed HB 4035 which established the Oregon National Guard State Tuition Assistance program (ONGSTA). A total of \$2.5 million General Fund was appropriated for the second year of the 2017-19 biennium. The program provides funding for tuition for up to 90 credits at community colleges and 180 credits at public universities in Oregon. The program is for active members of the Oregon National Guard. This is a last dollar program so recipients must have exhausted all other state and federal assistance (other than the GI bill). Initial participation in the program was small, with only 81 student receiving assistance in the Fall term of 2018. Further

marketing and recruitment efforts by the various Guard units are expected to increase participation in the program in the future. Funding is set at \$3.7 million General Fund for 2019-21.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget of \$39.6 million General Fund and \$224.4 million total funds represents a \$4.4 million, or 12.6%, increase in General Fund and an \$15.9 million, or 7.6%, increase in Federal Funds over the 2017-19 legislatively approved budget. Major changes in the 2019-21 budget include:

- Phase-in of the Oregon Volunteers Commission program transferred from the Governor's Office during 2017-19 (\$27,388 General Fund and \$3.3 million Federal Funds) and the phase-out of one-time costs totaling \$1.1 million General Fund and \$8.1 million Other Funds. Phased-out programs include the College Possible grant, Open Educational Resources (added back below), issuance costs for bonds, and the Task Force on Student Mental Health Support.
- To meet the operational and administrative needs of the agency, six positions (5.30 FTE) are added, including two positions for procurement, an internal auditor, two human resources positions, and one position to deal with monitoring and process of bonding and capital financing requests from public universities and community colleges. Total costs of these positions is \$818,755 General Fund and \$1.4 million total funds. A Culture, Diversity and Inclusion Officer position (1.00 FTE) was also established at a cost of \$122,866 General Fund and \$245,362 total funds. An accounting position (0.5 FTE) no longer needed was eliminated saving \$29,416 General Fund.
- A one-time position for 2017-19 to support the work related to ensuring credits transfer smoothly from community colleges to public universities is continued as a permanent position at a cost of \$255,743 General Fund. Another position is continued for the Oregon Scholars program which is funded with resources transferred from the Oregon Department of Education (ODE).
- A System Alignment manager position (1.00 FTE) for workforce related programs is established (\$90,630 General Fund and \$271,889 Federal Funds) to direct the development and implementation of changes and strategic initiatives across multiple agencies.
- Nine positions (8.50 FTE) are established for the educational Statewide Longitudinal Data System (SLDS) which provides K-20 educational, early learning, employment, and other data to develop and evaluate education related policy initiatives. Funding in the amount of \$4.2 Other Funds will be transferred from ODE from General Fund and Fund for Student Success resources. Prior to 2019-21, the SLDS was part of the Chief Education Office.
- The Open Educational Resources program is continued at a cost of \$669,200 to prepare textbooks and other materials at post-secondary educational institutions at a lower cost for students as an alternative to purchasing published textbooks.
- Funding for the second year of the National Guard State Tuition Assistance program started in 2018 is phased in but based on the initial participation in the program the current service level funding for the program of \$5.2 million General Fund is reduced to \$3.7 million General Fund.

State Support to Public Universities (Combined Totals)

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	942,156,082	1,054,908,092	1,154,905,146	1,216,963,815
Lottery Funds	40,418,608	64,121,610	95,424,861	93,150,451
Other Funds	322,798,793	406,176,426	--	82,576,783
Other Funds (NL)	682,127,120	243,816,758	203,917,130	203,917,130
Federal Funds (NL)	625,641	4,598,450	4,597,230	4,597,230
Total Funds	\$1,988,126,244	\$1,773,621,336	\$1,458,844,367	\$1,601,205,409

Program Description

Oregon's seven public universities are the University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Eastern Oregon University (EOU), Western Oregon University (WOU), Southern Oregon University (SOU), and the Oregon Institute of Technology (OIT). Prior to 2013, the Oregon University System (OUS) was the state agency for the state's public universities and colleges, with the State Board of Higher Education as the single governing board. OUS provided central administration, support services, and public services for Oregon's seven institutions. This organizational structure and its relationship to the state began to change during the 2011 legislative session with passage of SB 242 and changed more significantly during the 2013 session with the passage of SB 270. The result of these two bills was that OUS was redefined as a non-state agency for purposes of certain state statutes and constitutional provisions, and the seven institutions were reclassified as public universities with separate governing boards. While HECC provides statewide coordination of the public universities and performs some academic oversight functions, the separate governing boards have the authority to manage their respective institutions, including setting tuition and hiring the university president.

Revenue Sources and Relationships

The change to non-state agency status exempted the public universities from certain laws that govern state agency operations, including the need to request authority to spend Other Funds revenues such as tuition, and was intended to provide operational flexibility and create efficiencies. Due to this change of status, state support in the form of General Fund appropriations and Lottery Funds allocations must be made to HECC, since public universities are no longer considered state agencies. Non-state funded university expenditures and position counts are not included in the state budget.

State support to the seven public universities is provided through a number of programs and functions. The following table includes program funding for the 2017-19 legislatively approved budget and the 2019-21 legislatively adopted budget. The majority of public university state support is provided through direct General Fund appropriations for programs and debt service. Lottery Funds allocations support the Outdoor School program at the OSU Extension Service, the Sports Lottery program, and debt service on outstanding lottery revenue bonds issued for the benefit of the public universities. Other Funds revenues include the proceeds of state bonds issued for public university capital construction projects, as well as a lesser amount of interest earnings and excess proceeds that may be applied to debt service payments on outstanding general obligation bonds. Nonlimited Other Funds is provided for debt service payments on outstanding Article XI-F (1) general obligation bonds and other "legacy" debt that is repaid by the public universities from their own sources. Federal Funds support a portion of debt service on outstanding Build America Bonds.

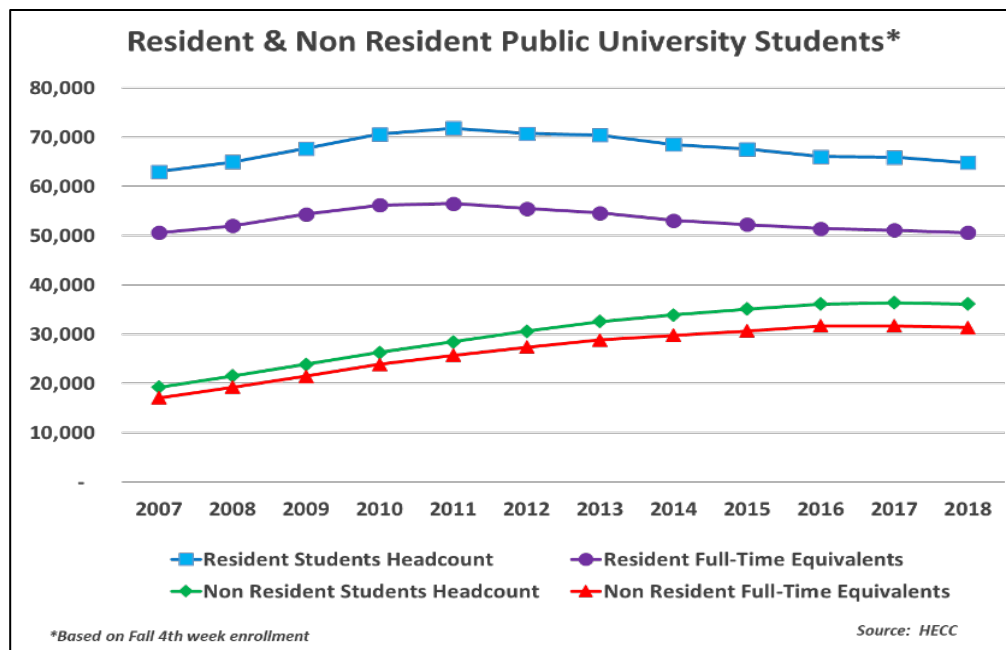
State Support for Public Universities <i>(Millions of Dollars)</i>												
	2017-19 Legislatively Approved Budget						2019-21 Legislatively Adopted Budget					
	General Fund	Lottery Funds	Other Funds	Other Funds NL	Federal Funds NL	Total Funds	General Fund	Lottery Funds	Other Funds	Other Fund NL	Federal Funds NL	Total Funds
Public University Support Fund	736.9	-	-	-	-	736.9	836.9	-	-	-	-	836.9
Public University State Programs	46.2	-	-	-	-	46.2	45.0	-	-	-	-	45.0
Agricultural Experiment Station	66.5	-	-	-	-	66.5	76.2	-	-	-	-	76.2
Extension Service	47.7	24.0	-	-	-	71.7	56.0	45.3	-	-	-	101.3
Forest Research Laboratory	10.2	-	-	-	-	10.2	11.4	-	-	-	-	11.4
Sports Lottery	-	8.2	-	-	-	8.2	-	14.1	-	-	-	14.1
Debt Service	147.4	31.9	6.7	212.8	4.6	403.4	191.5	33.7	4.9	203.9	4.6	438.6
Capital Construction	-	-	399.5	31.0	-	430.5	-	-	77.7	-	-	77.7
Total Public University Support	1,054.9	64.1	406.2	243.8	4.6	1,773.6	1,217.0	93.1	82.6	203.9	4.6	1,601.2

State General Fund support for the public universities in the 2019-21 biennium totals \$1.217 billion and Lottery Funds total an additional \$93.2 million. General Fund and Lottery Funds support is an increase of \$191.1 million, or 17.1%, over the 2017-19 legislatively approved budget.

Public University Support Fund: \$836.9 Million General Fund

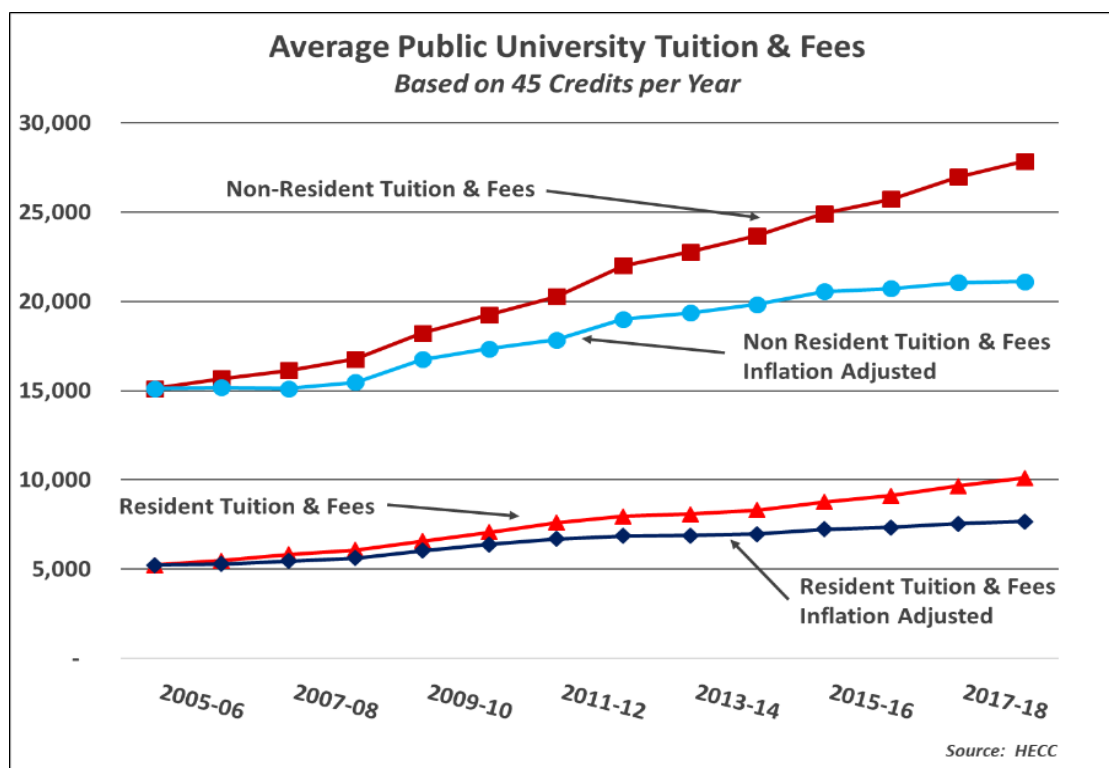
The Public University Support Fund (PUSF) includes the state funding for instruction, research, and operating costs of the seven public universities and represents the largest share of state support for public universities. The Legislature appropriates an aggregate amount for the PUSF, as opposed to specifying amounts for individual institutions. HECC allocates the PUSF to the public universities using the Student Success and Completion Model (SSCM). The SSCM distribution formula is based on three funding categories: line item funding for programs and services that support the regional, research, and public services missions of the universities (Mission Differentiation); student credit hour completions of undergraduate and graduate Oregon resident students (Activity Based); and resident degree and certification completions, with an emphasis on completions by underrepresented students and those in high-demand and high-reward fields (Completion). Prior to the 2015-16 academic year, PUSF support had been allocated to the various institutions and programs in annual budgets through the Resource Allocation Model (RAM), which was primarily based on enrollment. HECC developed the SSCM in the 2015-17 biennium as a new method for distributing PUSF appropriations that attached more weight to academic outcomes. During the 2019-21 biennium, HECC will be convening a workgroup that includes public university representatives and stakeholders to review the SSCM to determine if modifications to the funding model are warranted.

Based on data provided by the public universities to HECC, total enrollment grew from 82,249 (67,703 full-time equivalent students or FTE) in the fall of 2007 peaking in the fall of 2013 at 103,074 (83,483 FTE). Since 2013, enrollment has fallen back to 101,024 (82,015 FTE) in 2018. These counts are taken in the fourth week of the Fall quarter of the academic year. During this same period, the public universities have become more dependent on non-resident students. In 2007, the percentage of non-resident students represented 23.4% of total enrollment (25.2% FTE), and by 2018 the percentage of non-resident students had grown to 35.8% (38.3% FTE).



The growth in the number of non-resident students exists even with significantly higher tuition and fees, which have also increased at a faster rate as shown in the following chart. In addition, the chart demonstrates the rate of increase in tuition and fees has outpaced general inflation for both resident and non-resident students.

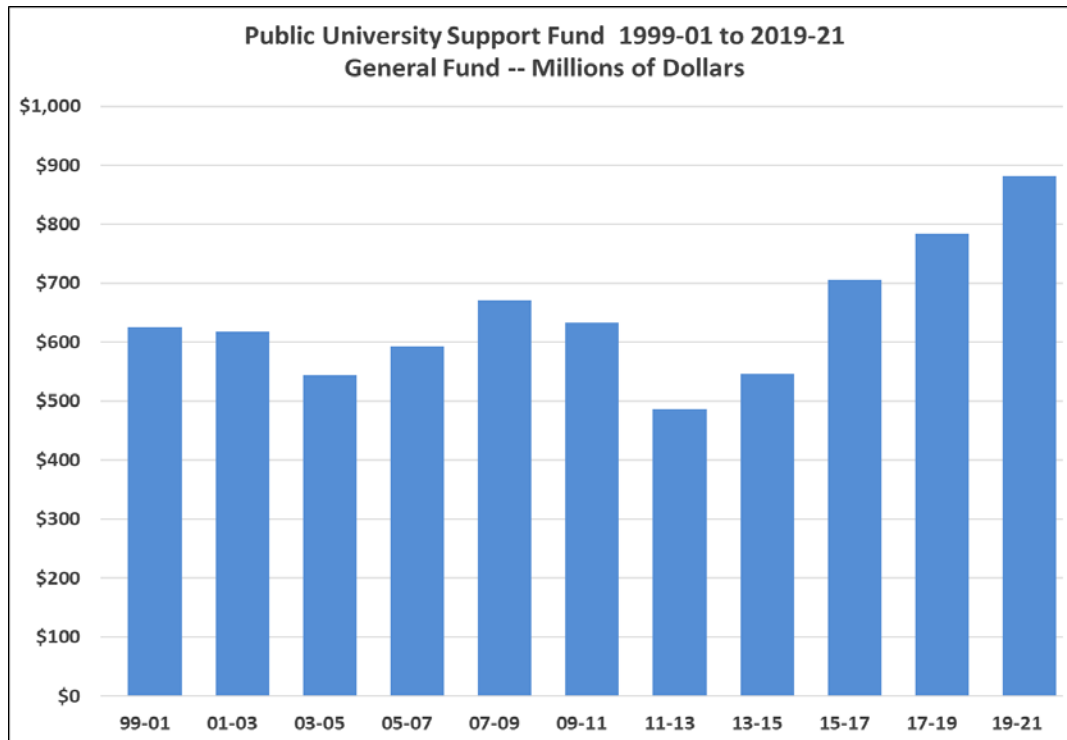
During the same period that public universities were experiencing higher enrollments, state funding levels did not keep pace with the growing number of students. This meant public universities began to rely more on tuition and fees to keep pace with total costs. Based on data collected by the former Oregon University System (OUS), assistance from the state fell as a share of total revenues from 47% in 2001 to 19% in 2013, and the share from tuition grew from 45% to over 70% over the same period. This data is no longer regularly collected at the state level after the elimination of OUS so more recent data is not readily available. However, public university support in the 2015-17 legislatively approved budget, including approved funding for the PUSF and State Programs, was approximately 22% of actual fiscal year 2016 and 2017 educational and general support expenditures reported by the universities.



Legislatively Adopted Budget

The 2019-21 legislatively adopted budget for the Public University Support Fund, which includes the instruction, research, some public service expenditures, and operating costs of the seven public universities, totals \$836.9 million, which is \$100 million, or 13.6%, more than the 2017-19 budget level (7.7% above the 2019-21 current service level). Increased state support for the PUSF is intended to reduce tuition rates, offset education and general expenditure reductions, and decrease the use of university reserves during the biennium. Resident undergraduate tuition growth in the 2019-20 academic year is at or below 5% for EOU, OSU, PSU, and WOU. At its June 2019 Commission meeting, HECC approved undergraduate in-state tuition and fee increases above 5% for OIT (5.7%), SOU (9.9%), and UO (7.1%).

The following graph shows state support for public universities over time. It combines the current Public University Support Fund program area with the State Programs area to allow historical comparison to the time when funding went through the Oregon University System and the two programs were combined in the Education and General Services budget unit. This graph is not inflation adjusted.



State Programs: \$45.0 Million General Fund

The State Programs budget unit includes General Fund support for a variety of institutions, centers, and programs operated by public universities that address economic development, natural resource, and other public policy issues, rather than primarily providing instructional support for institutions and students. Many of these programs have an industry-specific focus and match state support with funds from the private sector and other sources. This budget unit also includes one-time appropriations for specific programs or functions for which the funding flows through the public universities. Funding for these programs was shifted from the Public University Support Fund budget unit that had historically been named Education and General Services. As shown in the graph above, historical comparisons of state support for public universities combine this funding with the Public University Support Fund appropriations to allow comparisons to biennia when these were combined under OUS.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget level of \$45 million General Fund represents a \$1.3 million, or 2.7%, decrease from the 2017-19 legislatively approved budget. The decrease is primarily due to the phase out of \$5.8 million of one-time funding included in the 2017-19 budget for capital projects at EOU and OSU Cascades; OSU's Molluscan Broodstock Program and Ocean Acidification Research projects; a grant for the PSU/OHSU Center for Violence Prevention Research; and match for OSU's wave energy test site. In addition, funding for the Criminal Justice Policy Research Institute at PSU was transferred from HECC to the Criminal Justice Commission. The 2019-21 adopted budget includes current service level funding for ongoing state programs, as well as the addition of \$2.4 million in one-time investments for OSU's PacWave South wave energy test site, research at OIT's Oregon Manufacturing Innovation Center (OMIC) R&D Rapid Toolmaking Center for Excellence, and system integration funds for OIT to develop additive manufacturing and prototyping training capability at the Klamath Falls campus. HB 2437 (2019) also included funding for OSU College of Agricultural Sciences to perform a study of the benefits and impacts of maintenance activities in traditionally maintained channels, which is anticipated to continue through the 2023-25 biennium.

Public University State Programs

Program	2019-21 Legislatively Adopted Budget
Engineering Technology Sustaining Funds	27,004,433
TallWood Design Institute	3,754,328
Dispute Resolution	2,429,882
Oregon Solutions	2,493,171
OSU Fermentation Science	1,369,036
Signature Research Centers	1,149,231
Labor Education Research Center	1,098,396
OSU Marine Research Vessel	684,519
Oregon Renewable Energy Center	527,500
Population Research Center	480,769
Institute of Natural Resources	440,776
Clinical Legal Education Program	384,422
Oregon Climate Change Research Institute	345,502
Willamette Falls Locks Commission	200,450
OSU PacWave South Wave Energy Test Site	1,600,000
OIT OMIC Rapid Toolmaking Center of Excellence Research	450,000
OIT Additive Manufacturing and Rapid Prototyping Education Lab	300,000
OSU Channel Maintenance Impact Study (HB 2437)	239,583
Total State Programs	44,951,998

Statewide Public Service Programs: \$143.6 Million General Fund, \$45.3 Million Lottery Funds

Oregon State University (OSU), as the state's land grant college, operates three Statewide Public Service Programs, which each receive separate General Fund appropriations:

- **Agricultural Experiment Station** – Organized in 1888, the Agricultural Experiment Station conducts research and demonstrations in the agricultural, biological, social, and environmental sciences. Research is conducted at a central station at Corvallis and through 11 branch experiment stations, with 14 locations in major crop and climate areas of the state.
- **Extension Service** – This program is the educational outreach arm of OSU as Oregon's Land, Sea, Sun, and Space Grant University. Extension faculty on campus and in county offices throughout the state work with researchers and volunteers to develop and deliver non-credit educational programs based on locally identified needs. Generally, counties provide office space and operating expenses, including support staff. Programs also use the services of many volunteers. Beginning in 2017-19, the Extension Service became responsible for the Outdoor School program for 5th and 6th graders across the state. The Outdoor School program is supported with Lottery Funds through the passage of Ballot Measure 99 (2016), which dedicated 4% of net lottery proceeds, up to a maximum of \$22 million annually (adjusted for inflation), to the Outdoor School Education Fund.
- **Forest Research Laboratory at OSU** – Established by the Oregon Legislature in 1941, it conducts research on forest management, forest ecosystems, and renewable materials to solve problems and create innovative approaches to managing forests. Studies are conducted cooperatively in public and private forests and manufacturing facilities. A 15-member statutory advisory committee provides forest management, use, harvest, and utilization guidance to the Laboratory.

Legislatively Adopted Budget

The Legislature increased General Fund support for the three Statewide Public Service programs at Oregon State University by \$19.2 million General Fund to a total of \$143.6 million, which is 15.4% above 2017-19 budget levels. An increase of \$7.6 million, or 5.8%, above current service level was provided to cover OSU's estimate of inflationary costs to maintain existing personnel and programs, as well as restore capacity that was lost in the prior biennium by filling vacant positions in priority areas. Additional General Fund investments include \$2 million for the Extension Service to build fire resilience and resistance by expanding the OSU Forestry Extension pilot fire program into a statewide effort; \$2.7 million to the Agricultural Experiment Station (\$2.3 million) and Extension Service (\$410,000) for an integrated river basin water quality and quantity program that will address increasing water conservation, storage, instream flows, integrating water and fertilizer management, and increasing irrigation efficiency; and \$375,000 for two organic agricultural faculty positions in the Extension Service to support the OSU College of Agricultural Sciences' Organic Farming Program. A one-time investment of \$125,000 for the Agricultural Experiment Station was also approved to continue funding for a berry research position at the OSU North Willamette Research and Extension Center.

The Legislature also approved \$45.3 million Lottery Funds for the Outdoor School program, which represents a \$21.3 million, or 88.8%, increase over the prior biennium. The 2017-19 legislatively approved budget included approximately 54% of the funding authorized in Ballot Measure 99, which allowed the program to be phased in over its first two years. The 2019-21 approved Lottery Funds allocation, combined with a \$1.5 million projected ending balance of funding from the prior biennium, provides total funding of \$46.3 million for Outdoor School.

Statewide Public Service Programs <i>(Millions of Dollars)</i>						
	2017-19 Legislatively Approved Budget			2019-21 Legislatively Adopted Budget		
	General Fund	Lottery Funds	Total Funds	General Fund	Lottery Funds	Total Funds
Agricultural Experiment Station	66.5	-	66.5	76.2	-	76.2
Extension Service	47.7	24.0	71.7	56.0	45.3	101.3
Forest Research Laboratory	10.2	-	10.2	11.4	-	11.4
Total Statewide Public Services	124.4	24.0	148.4	143.6	45.3	188.9

Sports Lottery: \$14.1 Million Lottery Funds

The Sports Lottery program began in 1989 when the Legislature authorized a special Sports Action game and directed that the proceeds from the game be used to finance intercollegiate athletics and non-athletic scholarships. The 2005 Legislative Assembly abolished the Sports Action lottery game, which had previously been the revenue source for the program, and instead dedicated 1% of net lottery proceeds to the Sports Lottery Account. Statute directs that 88% of the amount allocated to the Sports Lottery Account, not to exceed \$8 million annually, be used to finance intercollegiate athletics at the public universities. The remaining 12%, not to exceed \$1.1 million annually, is awarded for graduate student scholarships based on academic merit and need. 70% of the athletic funds must be used for non-revenue producing sports, and at least 50% must be used for women's athletics. Due to budget constraints, the Legislature has often approved a fixed Lottery Funds allocation for Sports Lottery that is less than the dedicated 1% amount.

Legislatively Adopted Budget

The 2019-21 approved Sports Lottery funding of \$14.1 million is a \$5.9 million, or 71.1%, increase over the 2017-19 budget. Sports Lottery funding was limited to \$8.24 million in the prior two biennia. The increased funding is allocated to the four technical and regional public universities (EOU, OIT, SOU, WOU), bringing the 2019-21 allocation for each to \$2.4 million. Amounts distributed to the remaining universities (OSU, PSU, UO) continue at

the level approved in the prior two biennia. The allocations to OSU and UO have been capped at \$1.03 million each since the 2013-15 biennium. The 2019-21 fixed amount of \$14.1 million approved for Sports Lottery was based on the current service level budget amount, equivalent to 1% of lottery proceeds as of the June 2018 lottery revenue forecast and slightly less (\$498,632) than May 2019 projection.

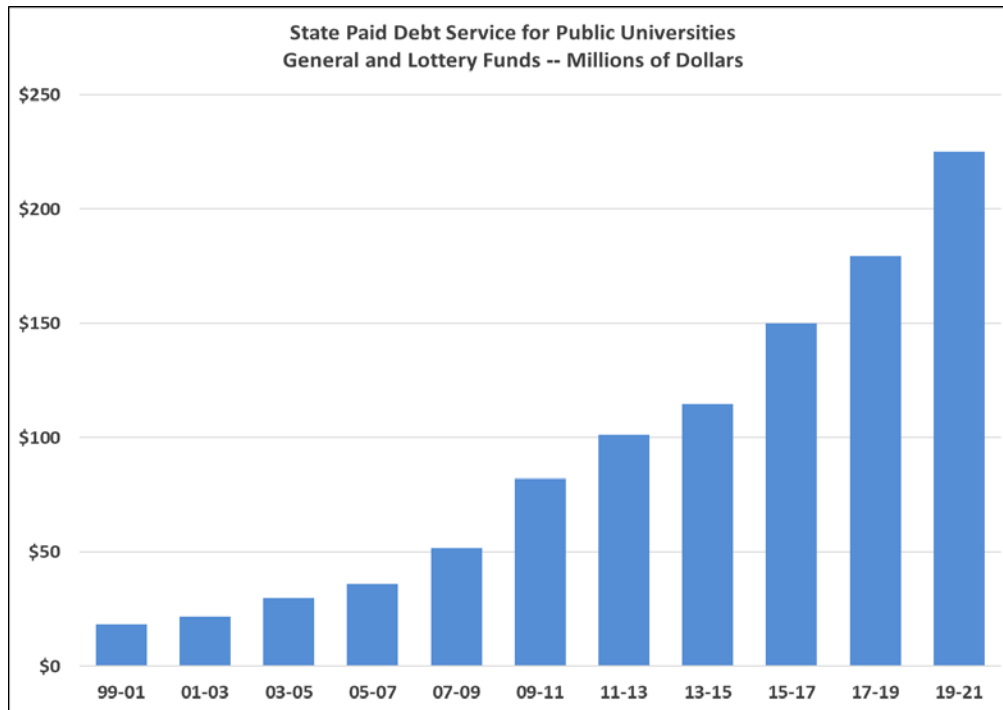
Sports Lottery Allocation	
University	2019-21 Legislatively Adopted Budget
Eastern Oregon University	2,440,561
Oregon Institute of Technology	2,440,560
Oregon State University	1,030,000
Portland State University	2,277,567
Southern Oregon University	2,440,560
University of Oregon	1,030,000
Western Oregon University	2,440,561
Total Sports Lottery	14,099,809

Public University Debt Service: \$191.5 Million General Fund, \$33.7 Million Lottery Funds

The public university debt service budget includes state funded debt service expenditures for capital construction projects financed through the issuance bonds (Article XI-G and XI-Q general obligation bonds and Lottery Bonds), as well as debt service paid by public universities for self-supported bonds (Article XI-F (1) general obligation bonds and legacy debt). General Fund appropriations support debt service on Article XI-G and XI-Q bonds, traditionally used to finance instructional and public service facilities, as well as a portion of the repayment of Small Scale Local Energy Loans financed through the issuance of Article XI-J bonds. Lottery Funds support debt service on lottery revenue bonds issued to finance public university capital repairs and facilities. University revenues support repayment of debt service on Article XI-F (1) bonds, which finance self-supporting facilities, such as student unions, dorms, and parking structures. State general obligation bonds must be authorized by the Legislature, including those supported with non-state funds, and associated debt service payments must still be included in the budget. Other Funds Nonlimited expenditure limitation is included for debt service payments on outstanding Article XI-F (1) bonds, as well as debt service on legacy Article XI-F (1) bonds, Article XI-Q bonds, and certificates of participation (COPs) supported with university revenues.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget includes \$225.2 million General Fund and Lottery Funds for debt service on outstanding bonds issued for public university capital construction projects. State paid debt service is a \$46 million, or 25.6%, increase over the 2017-19 legislatively approved budget of \$179.3 million and an increase of 50% from the 2015-17 budget. Since 2009-11, the combined General and Lottery Funds for public university debt service paid by the state has increased over 170%, reflecting the level of bonding approved for university capital projects. The following graph shows historical levels of state paid debt service.



The 2019-21 budget also includes \$4.9 million Other Funds from interest earnings and excess proceeds that will be applied to debt service payments on state-supported bonds during the biennium. Other Funds Nonlimited debt service payments on bonds supported with university revenues is estimated at \$203.9 million in 2019-21 and federal subsidy payments on outstanding Build America Bonds is estimated at \$4.6 million.

Capital Construction: \$77.7 Million Other Funds

The Capital Construction budget includes six-year capital construction expenditure limitation for public university capital projects financed through the issuance of state general obligation and lottery bonds. Prior to the elimination of the Oregon University System (OUS), the Capital Construction unit accounted for public university capital construction projects financed through the issuance of state bonds. When OUS became a non-state agency in the 2013-15 biennium, these Capital Construction payments were not included in the state budget, because, by law, OUS was not limited by Other Funds expenditure limitations. However, with the termination of OUS, a state agency had to include these payments in its budget and expenditure limitation was added to HECC's budget in the 2015-17 biennium. Nonlimited authority was also provided to HECC in 2015-17 and 2017-19 to disburse remaining bond proceeds from 2013-15 issuances. HECC accounts for these expenditures as grants (Article XI-G, Article XI-Q, and lottery bonds) or loans if the debt service is supported by the universities (Article XI-F (1) bonds). Article XI-G bonds require an equal match from the public university, Article XI-Q and lottery bonds have no matching fund requirements, and Article XI-F (1) bonds are supported by institution revenues. Issuance costs for these bonds are included in the HECC Operations budget unit.

Legislatively Adopted Budget

The 2019-21 legislatively adopted budget includes \$77.7 million Other Funds capital construction six-year expenditure limitation for distribution of general obligation bond proceeds to public universities. This represents a significant decrease (80.5%) from the \$399.5 million approved for public university capital projects in the 2017-19 legislatively approved budget. Article XI-Q bonds were approved in the 2019 session to finance public university facilities capital improvement and renewal and a building and research equipment at the Oregon Manufacturing Innovation Center (OMIC) Research and Development Campus. Approval of remaining university capital project requests was deferred, pending HECC's completion of a 10-Year Strategic Capital Development Plan for public university facilities.

Public University Capital Construction Projects for 2019-21

Project	Institution	Article XI-G Bonds	Article XI-Q Bonds	Article XI-F (1) Bonds
Capital Improvement and Renewal	All	-	65,000,000	-
OMIC R&D Rapid Toolmaking Center, Rapid Prototyping Education Lab, and Sinter HIP Equipment	OIT	-	12,700,000	-
Total Capital Construction		-	77,700,000	-

State Support to Community Colleges (Combined Totals)

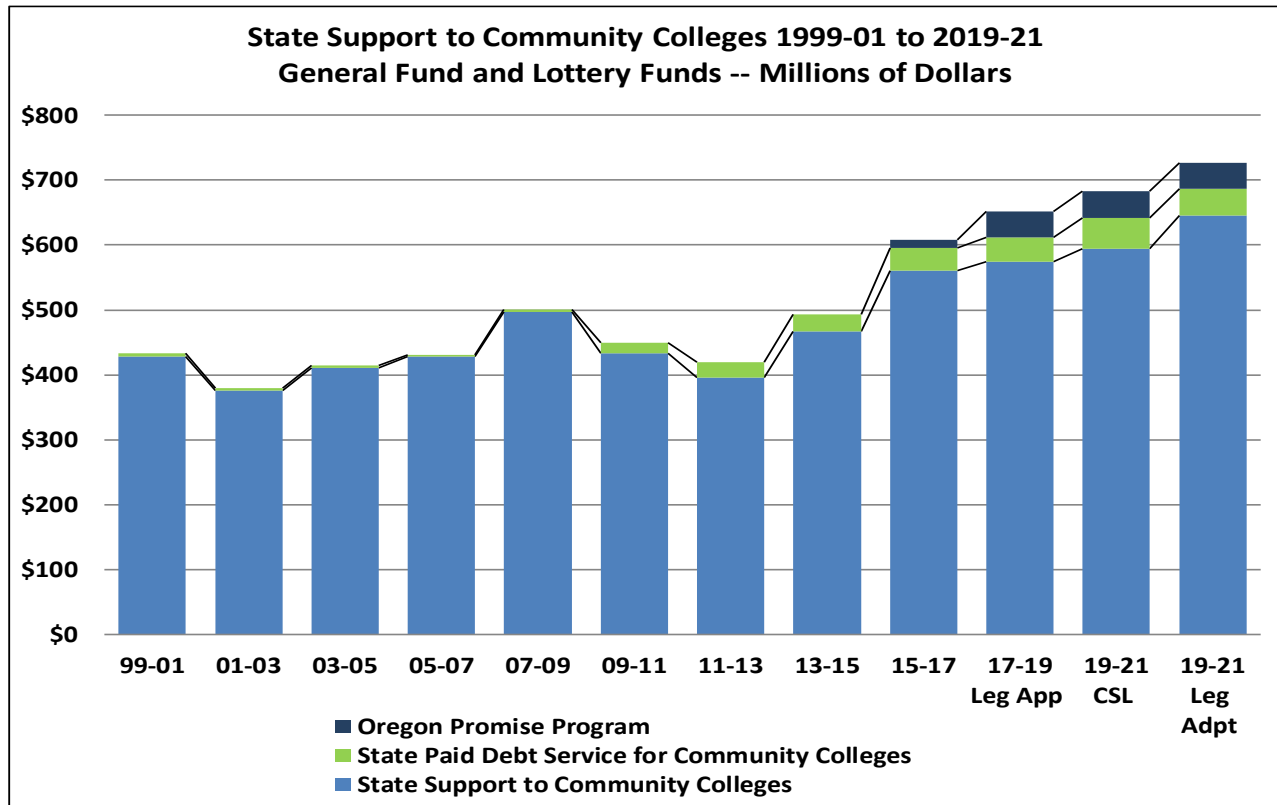
	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	598,210,325	640,447,543	671,100,268	715,028,372
Lottery Funds	10,171,150	11,699,204	11,520,140	11,277,642
Other Funds	106,925,333	103,720,642	45,810	28,032,665
Total Funds	\$715,306,808	\$755,867,389	\$682,666,218	\$754,338,679

Program Description

This program area represents the funds distributed to the 17 community colleges, debt service payments on state issued bonds for community college facilities, capital construction, and specific payments for programs that benefit community colleges and their students. This budget area includes the Oregon Promise program which is available only to community colleges students, but administered through the Office of Student Access and Completion (OSAC). The following table shows the programs included in this budget area.

State Support for Community Colleges								
<i>Millions of Dollars</i>								
	2017-19 Leg Approved Budget				2019-21 Leg Adopted Budget			
	General Fund	Lottery Funds	Other Funds	Total	General Fund	Lottery Funds	Other Funds	Total
Community College Support Fund	570.3			570.3	640.9			640.9
Skills Centers	0.6			0.6	0.6			0.6
Underserved Students	3.1			3.1	3.3			3.3
Oregon Promise Program	40.0			40.0	40.2			40.2
Treasure Valley Career & Tech Center					1.0			1.0
Debt Service	26.5	11.7	0.8	39.0	29.1	11.3	3.1	43.5
Capital Construction	-	-	102.9	102.9	-	-	24.9	24.9
Totals	640.4	11.7	103.7	755.9	715.0	11.3	28.0	754.3

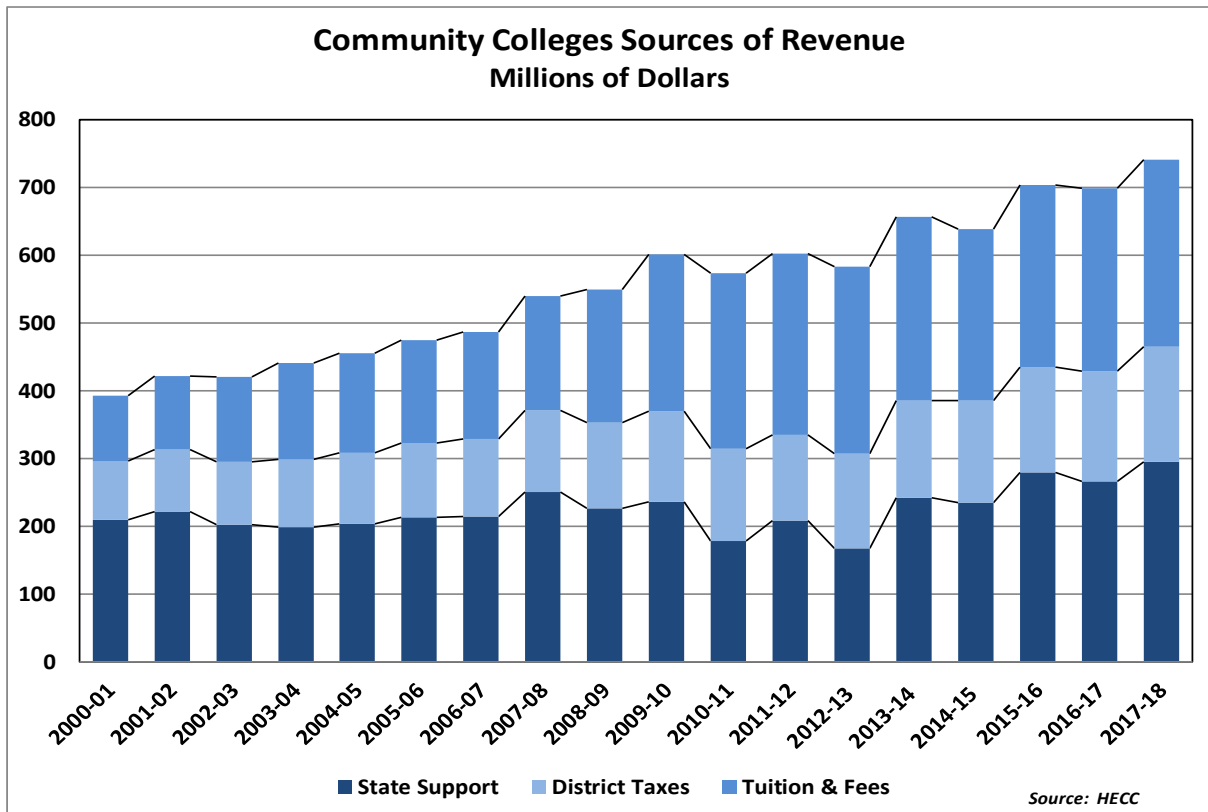
The following chart shows the amount of General Fund and Lottery Funds resources over time for this program area, including the more recent Oregon Promise Program:



Revenue Sources and Relationships

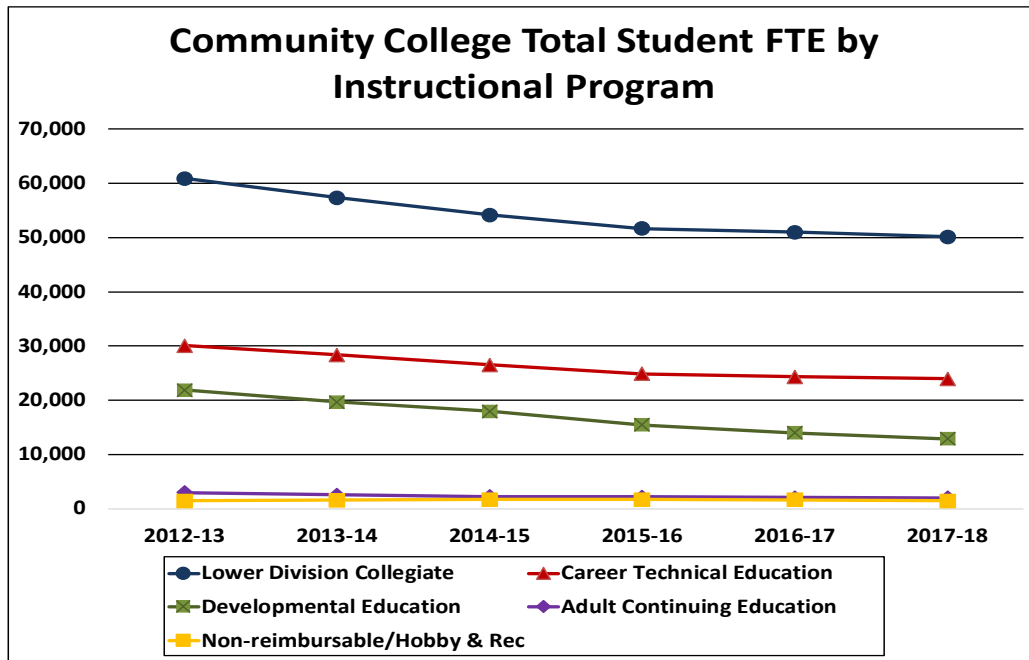
Other Funds reflect receipts from the state timber tax and are distributed through the Community College Support Fund. Community colleges also collect property taxes to fund operations. These taxes do not flow through the state budget and are not included in any budget figures identified here but are a factor in the distribution of the state funding for community colleges. Approximately \$378.6 million of property tax collections are projected by the Legislative Revenue Office for community colleges operations in 2019-21, up from an estimated \$351.6 million in the 2017-19 biennium. The other major source of resources for the general operational costs of community colleges is tuition and fee revenues.

The mix of general-purpose funding for community colleges between state support, property taxes, and tuition and fees has changed over the past 15 or more years. The following chart shows the source of revenues for the period 2000-01 through 2015-16 and demonstrates that community colleges are depending less on state support and more on tuition and fees. The state support share has decreased from 53% in 2000-01, to 29% in 2012-13. It increased back to 40% in 2017-18. Tuition and fees have become more and more important, growing from 25% in 2000-01 to 47% in 2012-13, falling back to 37% for 2017-18. The amount from property taxes during this period has remained relatively stable ranging from 22% to 24%.

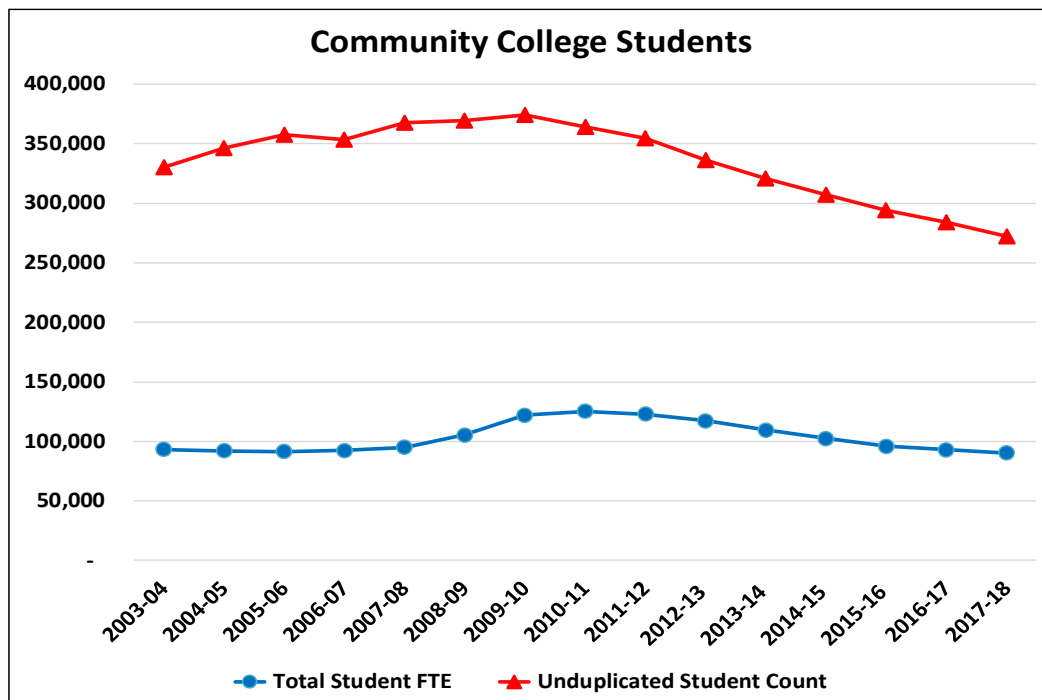


Community College Support Fund and Other Programs: \$645.8 Million General Fund

This budget area primarily consists of payments to community colleges for the general education and student support functions of community colleges. By far, the largest program is the Community College Support Fund which accounts for \$640.9 million General Fund for 2019-21. The Community College Support Fund has been distributed primarily on an adjusted enrollment basis. There is a funding floor or base amount for smaller community colleges. Up to 1.5% of the total funds available have been set aside in the past for statewide initiatives and activities, as well as requests from individual community colleges for assistance in meeting new requirements and expectations. Generally, colleges receive funding for their full-time equivalent (FTE) enrollments in Lower Division Collegiate, Career Technical, Developmental Education, and certain Adult Continuing Education courses. Lower Division Collegiate courses are similar to the offerings of the first two years of four-year institutions and carry regular college credit. Career Technical courses generally lead to a certificate or associate degree in a professional program. Developmental Education includes Adult Basic Education, English as a Second Language, GED and Adult High School programs, and post-secondary remedial courses. Adult Continuing Education courses aid in student self-development, but do not lead to a degree. Enrollment in “hobby” and recreational courses do not factor into the distribution formula. The following chart demonstrates the number of student FTE by each type of student.

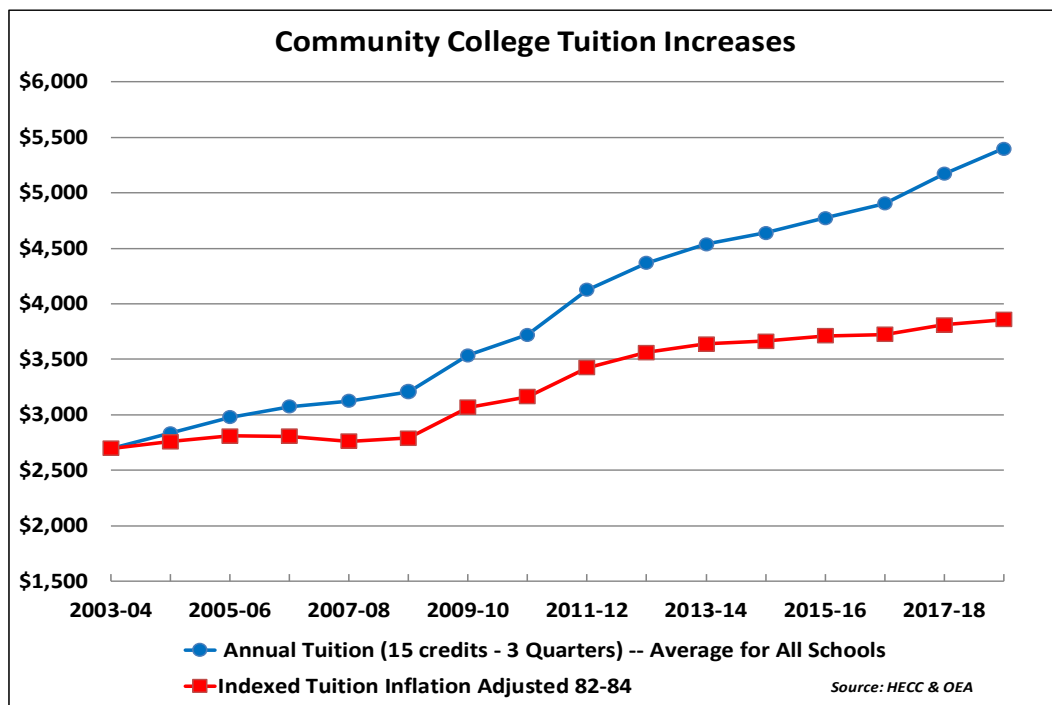


As demonstrated in the following graph, between the 2006-07 and 2011-12 academic years, full-time student equivalent (FTE) attendance at community colleges increased by 33%, primarily due to students taking lower division collegiate courses. Almost all of this growth is concentrated in the period between 2007-08 and 2010-11, which overlaps with the economic recession. Many have asserted that this growth was largely due to the unemployed and underemployed returning to school to attain new skills and post-secondary degrees and certificates; however, this data shows growth is largely due to students (new and old) taking more classes or credits since the total number of students in that same period grew at a much slower rate as measured by the unduplicated student count. As the economy improved and the number of jobs increased, the FTE count has fallen off and the unduplicated number of students has dramatically fallen off. It should be noted that the system for data collection has changed in recent years so there may be some changes in the way data is collected, but the overall impact on the numbers and trends in the data still exist.



The level of funding for the Community College Support Fund is not dependent on the number of students attending Community Colleges. Funding in 2011-13 was approximately \$395 million and enrollment (based on student FTE) was roughly 123,000 in 2011-12. Funding for 2015-17 was higher at \$570 million, but the FTE count at just over 93,000 in 2016-17 school year was less than what it was in 2011-13. Enrollment is not the only cost variable, but other programs such as the State School Fund and the Oregon Health Plan do use enrollment or number of “eligibles” in current service level calculations which is seen as a starting point in the budget process.

Tuition at community colleges continues to increase. A major factor is increasing costs driven in part by PERS costs. The following chart, based on data maintained by HECC, shows that combined tuition and fees have climbed steadily between the 2003-04 and 2018-19 school years, increasing by just under 100% (or over 6% per year). When adjusted for inflation (the bottom line on the graph), tuition still saw significant growth over the same period (over 42%). Tuition growth was especially prevalent from 2008-09 to 2012-13 when the increases in the Community College Support Fund contributions were smaller or actually decreased each year.



HECC has the authority to adopt rules for distributing appropriations for post-secondary education including the Community College Support Fund. The funding is generally distributed on student FTE and the availability of local resources, primarily property taxes. There has been discussion in the past to consider new factors upon which to base this distribution, including using measures of student success or completion such as the number of diplomas or certificates awarded by individual community colleges. This type of distribution has been implemented to some degree for the Public University Support Fund. While discussions continue around this issue, there are no immediate plans to implement such a change for distribution of the Community College Support Fund.

Legislatively Adopted Budget

The \$645.8 million General Fund appropriated for 2019-21 represents a \$71.8 million, or 12.5%, increase over the 2017-19 legislatively approved budget and a \$50 million, or 8.5%, increase over the 2019-21 current service level. The Community College Support Fund represents \$640.9 million of this budgeted amount. Other programs included in this budget area are: payments (\$592,655 General Fund) to the two Skills Centers in the Portland Metro area; \$3.3 million General Fund for increasing the number of under-served, low-income, and first-generation community college students; and \$975,000 General Fund for a one-time grant to Treasure Valley Community College for a Career and Technical Center.

Oregon Promise Program: \$40.2 Million General Fund

In 2015, the Legislature established the Oregon Promise program (SB 81) to increase college enrollment, completion, and affordability. The program was implemented in the second year of the 2015-17 biennium and provided grants to offset tuition for eligible community college students for up to 90 college credits. Eligible students must meet a set of criteria including: (1) first enrolling in the program within six months of high school graduation or completing the requirements for a diploma (specific exceptions to this requirement exist); (2) accepting all state and financial aid making this a program providing the “last” piece of financial aid; (3) maintaining a 2.5 GPA; (4) being at least a half-time student; and (5) being enrolled in a degree or certificate program, or a program leading to a transfer to another post-secondary institution. The minimum grant size is \$1,000 and the average grant size was \$1,679 for 2018-19 and is projected to be \$1,808 for 2019-20.

While this program is designed to serve all those that are eligible, the design of the program does direct more funding to students from households with higher incomes. This is because the program is a “last dollar” program meaning all applicants must first access all available state and federal financial assistance. Lower income applicants can access PELL grants, the Oregon Opportunity Grant, and other programs, while applicants from those households with higher incomes generally do not or cannot access those programs. For the Fall quarter of the 2018-19 school year, 3,104 recipients with Expected Family Contributions or EFC (a measure used on the FAFSA) of \$5,328 or less received Oregon Promise assistance totaling \$963,415. The average adjusted gross income (AGI) of parents of recipients in households with EFCs of \$3,501 to \$5,328 averaged \$63,712. In contrast, 4,643 recipients with EFCs greater than \$5,328 received a total of over \$3.3 million for the Fall quarter. As an example, parents of recipients with EFCs between \$5,329 and \$10,000 had average AGI of over \$78,000 and those with EFCs Between \$10,000 and \$20,000 had AGIs of over \$101,000.

Since this program is new, not only in Oregon but nation-wide, projecting participation and costs is difficult. Several factors contribute to the difficulty in estimating the required resources including participation rates, the rate that recipients continue from one quarter or year to another, the proportion of part-time and full-time students, and the outside job market. Another factor in the first years of the program was the need to limit the number of recipients based on a household’s EFC in the 2017-18 school year due to funding availability. The 2017 Legislature passed HB 1032 which provided flexibility to HECC to limit the program to stay within available resources. That restriction was removed when it was determined that there was sufficient funding available, but it may have dampened participation.

Based on the three-year average, about 61% of the students that are authorized for the program actually participate in the program annually. Roughly 57% of the participants continue into a second year of the program. Over the past three years of the program, 81% of the participants were full-time students (12+ credits) and 19% were part-time students (less than 6 credits).

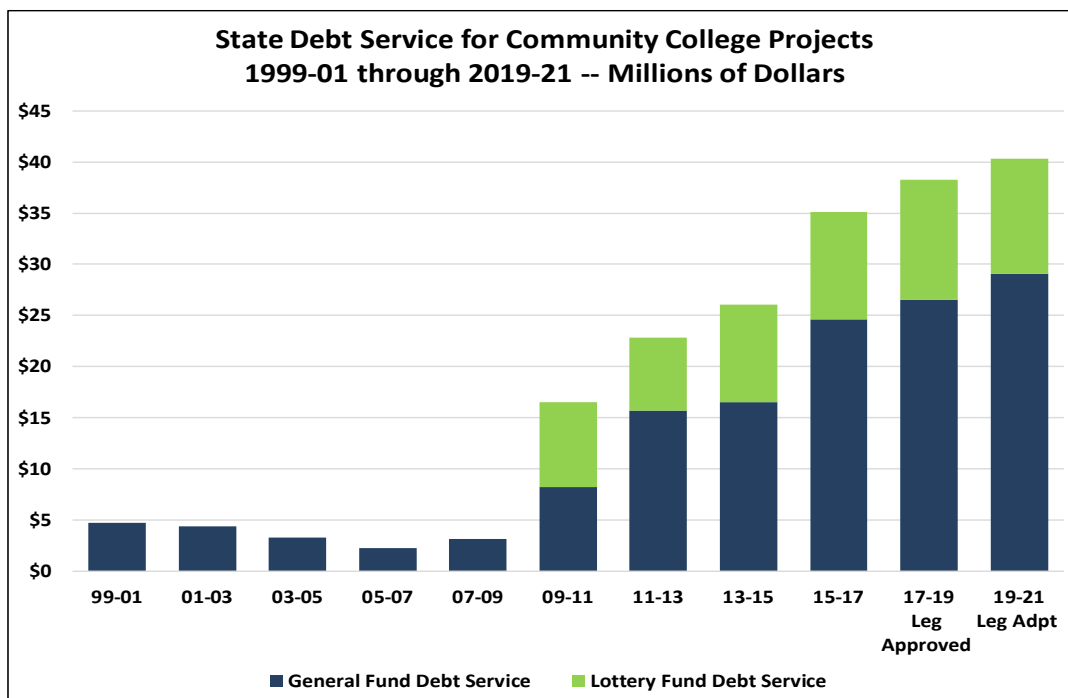
Legislatively Adopted Budget

The 2019-21 General Fund budget for the Oregon Promise program is \$40.2 million, with \$200,000 of this amount set aside for a specific population. The funding for the core population is a \$35,612 increase from the 2017-19 legislatively approved budget. It is \$1.5 million less than the 2019-21 current service level so there is the possibility that participation may have to be limited slightly or additional funding may be required. The 2019 Legislature passed HB 2910 which expands eligibility for the Oregon Promise program to include those individuals who completed certain educational requirements while serving in a correctional facility and who enroll at a community college within six months after release. Based on this budgeted amount (not including the new eligible population from HB 2910), the agency projects that for 2019-20 the average disbursement of award will be \$1,808 for an estimated 11,312 recipients. This means the agency projects spending \$20.5 million in the first year of the biennium, leaving just under \$20 million for the second year. Enrollment in the program will have to be monitored to insure funding and participation are in balance for the second year of the biennium.

Community College Debt Service: \$29.1 Million General Fund, \$11.3 Million Lottery Funds

The state issues Article XI-G and Lottery bonds on behalf of community colleges for specific projects. Community colleges must provide a match equal to at least half of the state's share of the project for the Article XI-G bonds. There is no match required for Lottery bonds. Under current law, each community college is to have only one outstanding approved XI-G project, but there have been exceptions to this rule in recent years. Some community colleges have had difficulties gathering the required match under the XI-G program so projects have not been started for years after the initial approval.

As shown by the following chart, since 2007-09, the amount paid by the state has grown significantly. In that biennium, \$53.7 million of XI-G bonds and almost \$44 million in Lottery bonds were approved by the Legislature, up significantly from previous biennia. Usually, the sale of the bonds is late in the biennium, so debt service starts in the next biennium for that set of bonds. Since then as more projects have been approved, the debt service on community college projects have increased from \$3.2 million (all General Fund) in 2007-09 to a combined total for 2019-21 of \$40.4 million (\$29.1 million General Fund and \$11.3 million Lottery Funds).



Community College Capital Construction: \$24.9 Million Other Funds

The state finances support for the construction, acquisition, deferred maintenance, and major renovation of community college properties. The projects are financed by Article XI-G bonds which are a constitutionally-authorized general obligation debt of the state. Community colleges are required to match the state amount with at least an equal amount of local matching funds. Lottery bonds have also been issued on behalf of community colleges. Lottery revenues are used for debt service payments on these bonds and there is no required "local" match. The Other Funds in this budget area is primarily capital construction expenditure limitation for various projects. The issuance costs associated with these projects are part of the HECC Operations budget.

The following table shows the authorized capital construction amounts for projects at each community college for the most recent three biennia. Many projects that are authorized in one biennium may take more than one biennium to identify the match which is required prior to the sale of state bonds (Article XI-G bonds). Beginning with projects authorized in 2013-15, the expectation is that a community college would not have more than one approved outstanding project awaiting Article XI-G financing. For 2013-15 and 2017-19, most community colleges

received project authority. In 2015-17, only two new projects were authorized (Portland and Linn-Benton), the other projects were extensions or reauthorizations of previous projects in earlier biennia.

Legislatively Adopted Budget

A total of \$24.9 million of Other Funds Capital Construction limitation (6-year) is included in the 2019-21 budget for four community college projects:

- \$8 million for Blue Mountain Community College for phase 2 of the Facility for Agricultural Resource Management (FARM) project which will support animal science programs. Title XI-G bonds will support \$1.5 million of the limitation with the remaining \$6.5 million supported by Lottery Revenue Bonds. The Lottery Bonds will be used to meet the matching requirement for the XI-G bonds authorized by the 2019 Legislature and XI-G bonds authorized by the 2017 Legislature.
- \$8 million for Central Oregon Community College for a 30,000 square foot classroom building on the College's Redmond campus and instructional and technology infrastructure.
- \$3.91 million for Klamath Community College for a 19,050 square foot Apprenticeship and Industrial Trades Center serving apprenticeship programs including electrical and plumbing as well as programs such as fire sciences and emergency medical operations.
- \$4.95 million for Treasure Valley Community College for a 30,000 square foot Nursing-Allied Health Professions Center including classrooms, laboratories, and faculty office space.

Community College Capital Construction Authorized State Support (Article XI-G and Lottery Bonds)

Community College	2013-15		2015-17		2017-19		2019-21	
	XI-G	Lottery	XI-G	Lottery	XI-G	Lottery	XI-G	Lottery
Blue Mountain	3,331,350	-	-	-	5,000,000	-	1,500,000	6,500,000
Central Oregon	3,630,000	1,630,000	-	-	-	-	8,000,000	-
Chemeketa	8,000,000	-	-	-	6,000,000	-	-	-
Clackamas	8,000,000	-	-	-	16,000,000	-	-	-
Clatsop	7,990,000	-	-	-	7,996,994	-	-	-
Columbia Gorge ¹	7,320,000	-	-	-	7,320,000	-	-	-
Klamath ¹	7,850,000	-	7,580,000	-	-	-	3,910,000	-
Lane	8,000,000	-	-	-	8,000,000	-	-	-
Linn-Benton	8,000,000	-	-	1,500,000	7,500,000	-	-	-
Mt. Hood ¹	8,000,000	-	-	-	8,000,000	-	-	-
Oregon Coast	-	-	-	-	8,000,000	-	-	-
Portland	8,000,000	-	5,000,000	-	8,000,000	-	-	-
Rogue ¹	8,000,000	-	8,000,000	-	6,000,000	-	-	-
Southwestern ¹	8,000,000	-	8,000,000	-	2,749,997	-	-	-
Tillamook Bay	2,000,000	-	-	-	-	-	-	-
Treasure Valley ¹	2,830,250	-	-	-	2,830,250	-	4,950,000	-
Umpqua ¹	8,000,000	-	-	-	8,000,000	-	-	-
Total	106,951,600	1,630,000	28,580,000	1,500,000	101,397,241	-	18,360,000	6,500,000

¹ Capital construction expenditure limitation is established for a six-year period. The project limitations established in 2013-15 will expire June 30, 2019. However, 2013-15 capital construction limitation for community college projects was established in the Department of Colleges and Workforce Development (CCWD). During the 2015 session, CCWD became the Office of Community Colleges within the Higher Education Coordinating Commission (HECC). This required project limitation authorized under CCWD to be transferred to HECC. Expenditure limitation for the projects noted were not transferred to HECC and the corresponding expenditure limitation was re-established in 2015-17 for Klamath CC, Rogue CC and Southwestern CC and in 2017-19 for Columbia Gorge CC, Treasure Valley CC, and Umpqua CC. 2013-15 expenditure limitation for Mt. Hood CC's project was not re-established and limitation for a new project was authorized in 2017-19.

State Support to Oregon Health and Science University

	2015-17 Actual*	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	80,856,311	99,027,769	101,025,993	102,977,683
Other Funds	237,760,882	38,576,738	30,871,500	30,919,866
Other Funds (NL)	14,159,401	--	7,298,890	7,298,890
Total Funds	\$332,776,594	\$137,604,507	\$139,196,383	\$141,196,439

* Includes funding in Department of Administrative Services budget

Program Description

The Oregon Health and Science University (OHSU) is Oregon's only public academic medical center. OHSU's mission includes education, research, clinical care, and public service. OHSU provides services across the state through its full service and trauma center hospital, clinics, research centers, community outreach programs, and health care professional training programs. In addition to its primary site in Portland, OHSU also has clinical facilities throughout the Portland metropolitan area, the Oregon Primate Research Center, and teaching programs in various locations throughout the state. OHSU has operated as a public corporation since 1995 and is governed by a Board of Directors that is appointed by the Governor and confirmed by the Senate. The Legislature no longer approves the OHSU budget (or limits its expenditures from tuition and other sources), but the state continues to directly support OHSU through grants for academic programs (Schools of Medicine, Dentistry, and Nursing), the Office of Rural Health and Area Health Education Centers (AHEC), the Child Development and Rehabilitation Center (CDRC), and the Oregon Poison Center. State support for OHSU also includes debt service on outstanding general obligation bonds issued for the Oregon Opportunity Program and the Knight Cancer Institute.

Revenue Sources and Relationships

Other Funds limited revenues are primarily Tobacco Master Settlement Agreement funds for debt service on outstanding Article XI-L general obligation bonds issued for the Oregon Opportunity Program. OHSU received \$200 million in Article XI-L bond proceeds in the 2001-03 and 2003-05 biennia for an expansion of research programs in genetics and biotechnology. The final payment is to be made in 2024. Other Funds revenues also include a minor amount of interest earnings that may be applied to debt service payments on outstanding general obligation bonds. The 2015-17 budget also included Other Funds expenditure limitation for the Article XI-G bond proceeds issued for the OHSU Knight Cancer Institute. Debt service on outstanding Article XI-G general obligation bonds is supported by General Fund. Other Funds Nonlimited support debt service on state-issued Article XI-F (1) general obligation bonds that are the responsibility of OHSU (referred to as legacy debt).

Budget Environment

State support for OHSU's education and clinical programs has declined since the institution was reorganized as a public corporation. OHSU received \$125.1 million from the state in 1993-95, the last biennium that it was a part of the Department of Higher Education. The amount of General Fund allocated to OHSU fell between 2007-09 (\$82.2 million) and 2011-13 (\$66 million), but the Legislature increased the amount for 2013-15 to \$72.4 million and increased it again to \$77.3 million in the 2015-17 legislatively adopted budget (this amount does not include \$3.5 million General Fund for debt service that was also approved for OHSU). The 2017-19 legislatively approved budget of \$77.3 million (excluding \$21.7 million for debt service) provided current service level support for programs, with the exception of the Scholars for a Healthy Oregon Initiative (SHOI) and the Primary Health Care Loan Forgiveness Program financial assistance programs discussed below.

SHOI is a program that provides scholarships to eligible participants who are entering an OHSU training program for physicians, dentists, nurse practitioners, physician assistants, and nurse anesthetists and who agree to serve in medically underserved communities. The Loan Forgiveness program offers forgivable loans to medical, physician assistant, or nurse practitioner students enrolled in an approved Oregon rural training track program in exchange for one year of service in an approved rural facility. HB 3396 (2015) established the Health Care Provider Incentive Fund to consolidate Oregon's health care provider incentives and budgeted them through the Oregon Health

Authority (OHA). Transfer of the programs was effective January 1, 2018, with funding for the 2017-18 and 2018-19 school years included in OHA's 2017-19 budget. The remaining budgeted amounts were phased out during development of the 2019-21 budget, with the total budget for both programs included in OHA's 2019-21 legislatively adopted budget.

Direct state funding makes up a small percentage of OHSU's total revenues. By far the largest funding source is patient service revenues, which includes indirect state resources through the Oregon Health Plan and for state employee health services. In fiscal year 2018, the state's direct funding (excluding Oregon Opportunity and Knight Cancer Institute debt service) was less than 2% of OHSU's \$3.1 billion operating revenues.

Legislatively Adopted Budget

The Higher Education Coordinating Commission's 2019-21 legislatively adopted budget includes state support for OHSU's education and other programs, as well as debt service on outstanding bonds issued for the benefit of OHSU. In prior biennia, debt service on outstanding Article XI-L Oregon Opportunity Bonds, Article XI-G bonds issued for the Knight Cancer Institute, and legacy Article XI-F (1) bonds was included in the Department of Administrative Services (DAS) budget and debt service on legacy Article XI-G bonds was included in HECC's budget. During the 2018 session, statutory changes were made to consolidate the budget and responsibility for administering debt service on outstanding general obligation bonds issued for the benefit of OHSU within HECC's budget. The 2017-19 legislatively approved budget reflects the mid-biennium transfer, with debt service payments prior to May 2018 in DAS' budget and payments through the remainder of the biennium in HECC's budget. Consolidating state support to OHSU, including debt service, within HECC simplifies and makes the budget more transparent, as well as aligns OHSU debt service expenditures within the post-secondary education budget. Funding for OHSU programs in the 2017-19 and 2019-21 biennia is provided in the following table.

State Support for Oregon Health and Science University <i>(Millions of Dollars)</i>						
	<i>2017-19 Legislatively Approved Budget</i>			<i>2019-21 Legislatively Adopted Budget</i>		
	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
HECC Budget - Programs						
School of Medicine	25.8	-	25.8	26.9	-	26.9
School of Nursing	22.3	-	22.3	23.2	-	23.2
School of Dentistry	10.4	-	10.4	10.9	-	10.9
Office of Rural Health/Area Health Education Centers	4.6	-	4.6	4.8	-	4.8
Child Development and Rehabilitation Center	8.3	-	8.3	8.6	-	8.6
Oregon Poison Center	2.7	-	2.7	2.8	-	2.8
Scholars for a Healthy Oregon Initiative	2.7	-	2.7	-	-	-
Primary Health Care Loan Forgiveness Program	0.5	-	0.5	-	-	-
Children's Integrated Health Database	-	-	-	2.0	-	2.0
Total Programs	77.3	-	77.3	79.2	-	79.2
HECC Budget - Debt Service						
Oregon Opportunity Program - XI-L Debt Service	-	17.2	17.2	-	30.9	30.9
OHSU Knight Cancer Institute - XI-G Debt Service	11.8	-	11.8	23.5	-	23.5
Legacy Debt - XI-F (1) and XI-G Debt Service	0.6	3.9	4.5	0.3	7.3	7.6
DAS Budget - Debt Service						
Oregon Opportunity Program - XI-L Debt Service	-	13.7	13.7	-	-	-
OHSU Knight Cancer Institute - XI-G Debt Service	9.4	-	9.4	-	-	-
Legacy Debt - XI-F (1) and XI-G Debt Service	-	3.8	3.8	-	-	-
Total Debt Service	21.8	38.6	60.4	23.8	38.2	62.0
Total OHSU Budget	99.1	38.6	137.7	103.0	38.2	141.2

The 2019-21 legislatively adopted budget for OHSU programs and debt service totals \$103 million General Fund and is \$3.9 million, or 4%, more than General Fund support in the 2017-19 legislatively approved budget. The increase is net of a \$3.2 million General Fund reduction to phase-out the remaining budgeted amounts for the SHOI and Loan Forgiveness Programs. Growth is attributable to inflation for academic and other programs, as well as a one-time investment of \$2 million to the OHSU Center for Evidence-based Policy for the Children's Integrated Health Database.

Oregon Opportunity Grant Program

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	128,349,485	125,217,521	129,975,787	109,510,413
Lottery Funds	4,951,069	20,746,268	21,534,626	40,000,000
Other Funds	402,364	163,213	169,415	14,669,415
Total Funds	\$133,702,918	\$146,127,002	\$151,679,828	\$164,179,828

Program Description

The Oregon Opportunity Grant (OOG) is the state's primary student needs-based financial aid program providing eligible Oregon students with grants to assist in financing education at Oregon-based community colleges, public universities, and private or independent institutions. The program is administered by HECC's Office of Student Assistance and Completion (OSAC). Recipients must be enrolled at least half-time and are eligible for up to four years of full-time enrollment. Grants are awarded based on financial need, as measured by the Expected Family Contribution from the FAFSA and the other federal financial aid a student is expected to receive. For the 2019-20 school year, the EFC limit is \$3,500 and maximum grant amounts are \$2,700 for community college students and \$3,300 for public university and private college (independent) students. For the 2019-20 school year, the agency projects that 38% of the students receiving grants will be community college students, just less than 54% will be public four-year institution students, and the remaining 8% will be at independent schools. This is a significant change from the previous school year when the agency estimates just over 50% for community college students.

Revenue Sources and Relationships

In the past, the OOG program received Lottery Funds based upon one-quarter of the earnings of the Education Stability Fund. The 2015 Legislative Assembly changed this so that the OOG receives one-quarter of the earnings plus all of what is not required for debt service on bonds issued by the state for school districts years ago. These school-related bonds will be paid off in the 2019-21 biennium, so, in the future, without any changes, all earnings will be designated for the OOG. It should be noted that revenue from this source is affected when the state uses the corpus of the Education Stability Fund. The amount available for 2013-15 was limited since the Education Stability Fund was accessed in both 2009-11 and 2011-13, but since then the amount has grown significantly to \$40 million for 2019-21 compared to \$20.7 million for 2017-19. Other Funds revenues include JOBS Plus related funds set aside for Temporary Assistance to Needy Families (TANF) recipients for education-related purposes that remain unused.

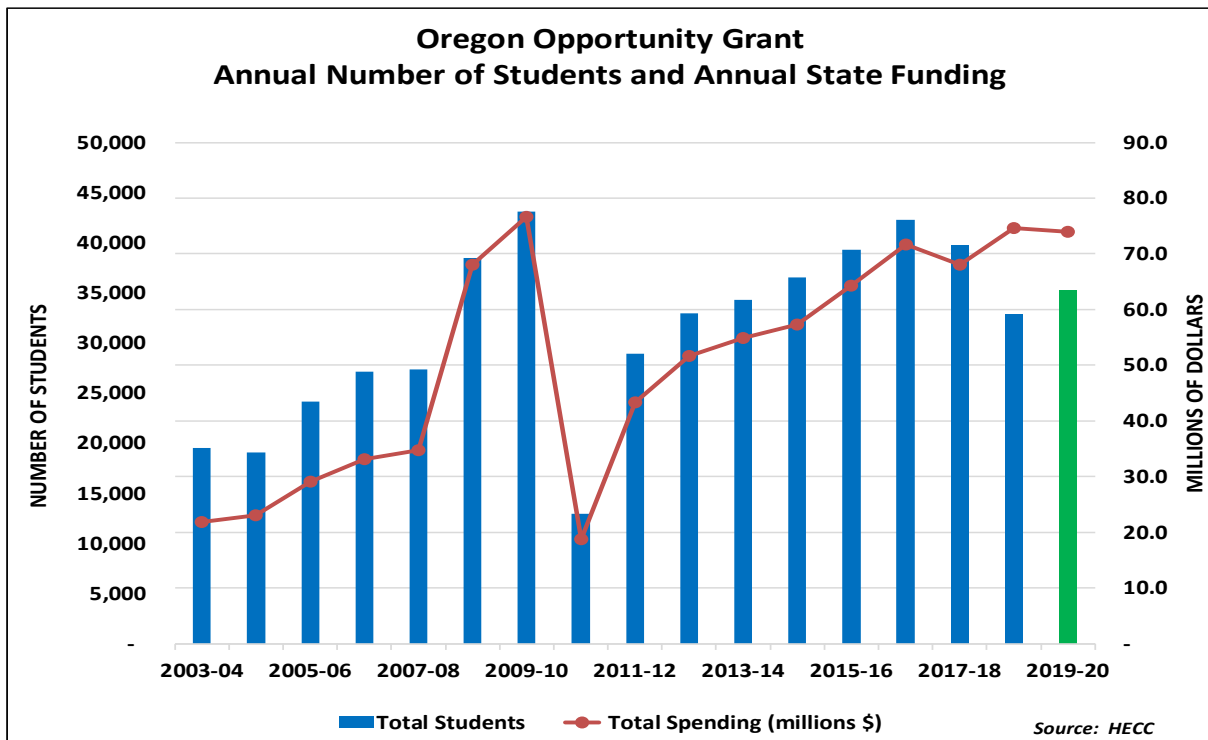
SB 1528 (2018) established a tax credit auction for contributions made to the OOG program similar to a program for the Oregon Film and Video Office. The first annual auction was in August 2018 and further auctions are authorized. Changes in the federal tax code in 2018 may make these auctions less viable in the future. The first auction generated just over \$14 million for the program and this amount is factored into the funding level for the program for 2019-21.

Lottery Funds for this program may be a volatile revenue source since it depends on investment earnings, as well as the chance that the Fund itself may be used to stabilize education funding when state revenues are short. For 2015-17, the original estimated investment earnings were optimistic which was a contributing factor to the need to appropriate \$3.1 million for the program early in the 2017 legislative session.

Budget Environment

The OOG program has changed over time in its awarding of grants. From 2001-02 to 2007-08, maximum grants were based on 11% of cost of attendance and income limits were based on a percent of median income. Beginning in 2008-09, the Shared Responsibility Model was implemented where grants awarded were intended to be equal to the difference between OSAC's determination of the average cost of education (including books, transportation, living expenses, and tuition and fees) and the student's/family's ability to pay. The ability to pay was based on an amount that varies with the student's financial resources and qualifications for federal student aid (the family share and the federal share). As a result, award amounts varied by income level and other financial resources and by type of institution, and more students from middle income families became eligible for grants. There was never sufficient funding to fully implement the Shared Responsibility Model so maximum grant awards and other actions were established to stay within budgeted amounts. HB 2407 (2015) made several changes to the OOG program in terms of eligibility and timing of awards. The bill maintained the principles of the shared responsibility model, but provided that, if there are insufficient funds, the awarding of grants should be prioritized to first serve those applicants with the greatest financial need. Grants were also guaranteed for a second year if the student meets academic standards set by the Commission and is making progress toward completion of a degree or a certificate. Between 2016 and 2018, the maximum grants were the same for community colleges and public universities, but starting in the 2018-19 school year, the program returned to the two tiers where students at public universities received higher maximum grants than students at community colleges based on the estimated cost of attendance.

The following chart shows the total annual spending, as well as the total number of students served estimated for the 2019-20 school year. Both the number of students assisted and the total annual funding has generally increased since the end of the recession. The impact of the recession also is represented by the significant increase in the number of students from 2007-08 to 2009-10. The reduction in 2010-11 represents higher spending in the first year of that biennium to keep pace with demand. Much less funding remained for the second year of that biennium. Average grant size across all school types has also increased – in 2007-09 it was \$1,560 and for the 2018-19 school year it is expected to be \$1,774 for community college students and \$2,766 for public university students. The program only serves a portion of the estimated eligible applicants – for 2014-15 only 27% of the estimated eligible applicants were served while for 2017-18 that percentage was estimated at 44%.



Legislatively Adopted Budget

The 2019-21 legislatively adopted budget of \$164.2 million total funds is an increase of \$18.1 million, or 12.4%, over the 2017-19 legislatively approved budget. The funding mix for the program has changed significantly based on the availability of investment earnings from the Education Stability Fund, estimated at \$40 million Lottery Funds, and the amount for the first tax credit auction (2018) of \$14.7 million Other Funds. This offset the need for General Fund – the 2019-21 General Fund of \$109.5 million compared to \$125.2 million for 2017-19. The OOG budget only assumes the proceeds from the first auction of tax credits and there could be proceeds available during 2019-21 from one or two more auctions. It should be noted that with the changes made in the federal tax code in 2018, these auctions may not be as advantageous as the first sale. The investment earnings on the Education Stability Fund (Lottery Funds resources) for this program can be volatile and must be monitored closely. The first quarterly economic and revenue forecast (September 2019) after the 2019 session already is showing lower investment earnings than what the budget is based on. Based on the 2019-21 budgeted amount, the agency estimates 35,286 recipients should receive grants for the 2019-21 school year and the average grant amount is estimated at \$1,841 for community colleges and \$2,251 for public universities and independent post-secondary institutions.

TEACHER STANDARDS AND PRACTICES COMMISSION

Analyst: Wilson

Agency Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted
General Fund	200,000	1,700,000	--	--
Other Funds	6,576,291	9,106,410	9,063,665	9,306,571
Total Funds	\$6,776,291	\$10,806,410	\$9,063,665	\$9,306,571
Positions	27	27	23	26
FTE	24.88	25.71	22.50	24.75

Overview

The Teacher Standards and Practices Commission (TSPC) is composed of 17 members who are appointed by the Governor and confirmed by the Senate. TSPC has four primary areas of responsibility:

- Establish rules for licensure and registration and issue licenses and registrations to teachers, administrators, school nurses, school counselors, and school psychologists.
- Maintain and enforce professional standards of competent and ethical performance and proper assignment of licensed educators.
- Adopt standards for college and university teacher education programs and approve programs that meet such standards.
- Provide financial assistance to teachers working on their National Board Certification, a new program started in 2017-19 with a one-time \$1.7 million General Fund appropriation. The agency has not used all of the appropriation and the program is continued in 2019-21 with the unused funds.

There are over 60,000 educators licensed by TSPC with teachers representing over 90% of the licensees. For comparison, there are approximately 30,000 working teachers in Oregon's public schools.

Revenue Sources and Relationships

License fees paid by regulated educators make up most fee revenue, with fingerprint-related fees being dedicated for that specific purpose. In 2015, the Legislature passed HB 2411 which increased the maximum the Commission can charge in fees. Basic licenses are for a three or five-year duration depending on the type of license. The fee for a new or renewed instate basic teaching license was increased from \$100 to \$140. On an annual basis, the amount actually decreased from \$33 to \$28 for five-year licenses. A fee increase was approved by the Commission in June 2019 in order to maintain a sufficient ending balance and working capital.

Budget Environment

The Commission has recovered from a period of falling revenues due to the decrease in the number of teachers applying and renewing their licenses during the recession. The Commission eliminated positions, left positions vacant, reduced other spending, and used its ending balance resources. Consequences of these actions were backlogs in investigations, processing of licenses, and responding to emails and phone calls. Backlogs continue today but have improved as staff resources were increased over the past few biennia.

A Secretary of State audit released in January 2016 found several weaknesses in the services and functions of the agency including long waiting periods and delays in responding to inquiries, processing of licenses, and investigations. The audit's findings placed partial blame for these problems on staffing shortages, employee turnover, a "complicated paper-based" licensing system, lack of accountability throughout the agency, and an inadequate web site. Since the audit, the Commission has improved its performance by adding staff, improving processes, and rolling out a new computerized licensing system. Backlogs in licensing and investigations still exist but have improved.

SB 155 (2019) expands sexual misconduct reporting requirements for school districts and brings Oregon into compliance with the federal Every Student Succeeds Act. The bill removes the requirement that a school district must complete an investigation of complaints of licensed educators resulting in increased investigation work for the Commission. A hard deadline is established requiring TSPC to complete an investigation with 90 days, significantly below the current pace of completing investigations. Three investigator positions were established to reflect the need for meeting the increased investigation workload and the time limit.

There is still a degree of uncertainty of the impact on the Commission's revenues from the changes in the structure of the licensing system. Longer terms for licensing (e.g., five-year licenses) could have a negative impact on revenues as fewer licenses are renewed each year. The 2019-21 biennium will be the first full biennium that the impact will be experienced. Other changes will also add to the revenue uncertainty including exempting some educators (e.g. National Board Certification) from the fees.

Legislatively Adopted Budget

The operating budget for the Teacher Standards and Practices Commission (TSPC) for 2019-21 of \$9,306,571 Other Funds is \$200,161 (or 2.2%) greater than the 2017-19 operating budget. The budget includes 26 positions (24.75 FTE). The budget establishes one new permanent position to assist in approving educator preparation programs at post-secondary institutions in the state and eliminates an information systems position no longer required. A licensing position is transferred to the investigations unit to address the Commission's backlogs in investigations. Three new permanent positions (2.25 FTE) are added to meet the requirements of SB 155 which establishes hard deadlines for investigations of abuse by licensed educators. This budgeted amount also assumes a \$150,000 reduction in Services and Supplies expenditures.

It should be noted that the 2017-19 budget also included a one-time \$1.7 million General Fund appropriation to capitalize an on-going account to provide financial assistance to teachers in offsetting the costs of applying and working on receiving the National Board Certification. This appropriation was assumed to be available for multiple biennia. Other Funds limitation of \$1,624,742 is included as part of the 2019-21 budget for awards from this account. It is very likely that this amount exceeds what will actually be paid out during the biennium, but the amount required is difficult to estimate.

This 2019-21 budget assumes the Commission will need to increase fees during the 2019-21 biennium. Based on the need to maintain sufficient working capital and ending balance as well as the budgetary impact of SB 155, the Commission approved an increase in fees at its June 2019 meeting. The basic fee increases from \$140 to \$182, a 30% increase.

