

**74<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: HB 5012-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Cowan  
Carrier – Senate: Sen. Devlin**

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**Action:** Do Pass as Amended and Be Printed A-Engrossed

**Vote:** 19 – 0 – 2

House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields

– Nays:

– Exc:

Senate – Yeas: Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Westlund, Whitsett, Winters

– Nays:

– Exc: Bates, Carter

**Prepared By:** Bill McGee, Department of Administrative Services

**Reviewed By:** Steve Bender, Legislative Fiscal Office

**Meeting Date:** 6/15/07

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**Agency**

Department of Community Colleges and Workforce Development

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**Biennium**

2007-09

**Senators:** Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,  
Schrader, Verger, Westlund, Whitsett, Winters

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Senator Kurt Schrader, Co-Chair

**Representatives:** D. Edwards, Galizio, Garrard, Hanna, Jenson,  
Morgan, Nathanson, Nolan, Shields

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Representative Mary Nolan, Co-Chair

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Representative Larry Galizio, Education Subcommittee Chair

## **Budget Summary\***

	2005-07		2007-09		Percentage Committee
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	Change from Governor's Budget
General Fund	\$ 431,511,823	\$ 502,865,962	\$ 507,372,653	\$ +4,506,691	+0.9%
General Fund Debt Service	2,258,575	5,172,745	3,516,206	-1,656,539	-32.0%
Other Funds	13,688,831	4,321,379	4,821,379	+500,000	+11.6%
Federal Funds	131,173,928	123,791,748	118,365,405	-5,426,343	-4.4%
Federal Funds Nonlimited	12,000,000	5,968,831	5,968,831	0	0.0%
Total	\$ 590,633,157	\$ 642,120,665	\$ 640,044,474	\$ -2,076,191	-0.3%

## **Position Summary**

Authorized Positions	50	65	57	-8
Full-time Equivalent (FTE) Positions	49.70	64.20	56.03	-8.17

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

General Fund supports community college operations statewide, department operations, and debt service. Other Fund revenue sources include federal Carl Perkins Technical and Applied Technology Act funds transferred from the Oregon Department of Education; fees charged for General Education Diploma testing, the Basic Adult Skills Inventory System testing, and Adult Basic Education; and miscellaneous receipts from sale of community college directories and reimbursements. Amusement device tax revenues are statutorily provided for Oregon Youth Conservation Corps (OYCC) program support. OYCC also receives transfers from the Marine Board and the Parks and Recreation Department to support youth projects. CCWD continues to receive a small amount of timber tax revenues following changes to the tax structure in House Bill 2197 (2003).

The Department receives the majority of its Federal Funds under the Workforce Investment Act (WIA) program. WIA Title IB funds support adult dislocated worker, youth education training, and other workforce programs. The WIA Title II Adult Basic Education program funds developmental education for adults. National Emergency Grants are received intermittently following economic dislocations; these grants are spent under Non-limited expenditure authority.

The Subcommittee reduced Federal Funds revenues by \$7,503,444 as a result of anticipated reductions in WIA Title IB funds. This was partially offset by \$2,077,101 in recently-awarded federal Incentive and Navigator Grants. Other Funds revenues were increased by \$485,780 to reflect unanticipated Amusement Device Tax revenues supporting OYCC.

## **Summary of Subcommittee Action**

Under the direction of the State Board of Education, the Department of Community Colleges and Workforce Development (CCWD) coordinates the efforts of the state's 17 community colleges and initiates programs to maintain educational opportunities and workforce development capacity within the state. The Department distributes federal workforce development funds to local programs. The Oregon Youth Conservation Corps is part of the agency.

The Subcommittee approved a budget of \$510,888,859 General Fund, \$640,044,474 total funds, and 56.03 full-time equivalent positions (FTE), increased from the 2007-09 Essential Budget Level (EBL), as revised by Package 801 in the Debt Service program unit, by 17.8 percent, 11.7 percent, and 16.2 percent respectively. The Subcommittee took the following actions.

- Funding for the Community College Support Fund was increased by \$72 million over the Essential Budget Level (or by \$17 million over the level in the Governor's budget). Total 2007-09 biennium General Fund support for the Support Fund will equal \$500 million, a 16.6 percent increase over the 2005-07 biennium level. The following budget notes were approved to reflect the Subcommittee's expectations regarding performance budgeting by the colleges.

### **Budget Note**

The nature of the governance structure in our community colleges creates a challenge with respect to relating funding levels to educational outcomes. Community colleges are governed by independent locally elected boards. However, state funds are appropriated to the Department of Community Colleges and Workforce Development, which is not directly responsible for college performance. The Legislature intends that each community college district governing board shall be responsible for meeting the key performance measures for its respective institution, and communicating the results to the Department, and that the Department shall be responsible for assuring that results of successful programs and best practices are shared among the 17 college districts to maximize the results at each institution; and managing the decision-making for distribution of resources among the institutions to maximize statewide performance, recognize local investment, and reward success.

### **Budget Note**

The Department shall include a report on the Community College Support Fund distribution formula with its budget request to the 2009 Legislative Assembly. In preparing this report, the Department shall seek input from community college presidents through the Oregon Presidents Council. The report shall evaluate the effect on each local institution's performance outcomes of:

1. state funds appropriated through the distribution formula;
2. state funds provided through specific grants or special appropriations;
3. local ad valorem levies, including operating and capital;
4. federal funds provided through grants or special programs;
5. tuition and fees; and

6. other factors that the Department finds to be significant.

The Department may also include in the report recommendations for changes in the distribution formula to enhance statewide success in meeting Key Performance Measures across the system.

In preparing the report requested in the second budget note above, the Subcommittee recognized that colleges manage revenues received from state appropriations, ad valorem levies for operations, and tuition and fees in a common fund, and noted that the report may reflect that practice.

- The Subcommittee approved packages to support healthcare education programs, to develop an integrated data management system for community college financial and program data collection and analysis, and to expand the Oregon Financial Aid Exchange program to all public postsecondary institutions in the state. Eight positions were added to the Department to promote increased oversight of community college and workforce programs.
- Packages to establish the Skill Up Oregon program, offer workforce readiness certificates, create Career Pathways programs, and expand community college distance education programs were not approved.
- Capital construction expenditures will be considered separately in Senate Bill 5516. The adopted budget includes debt service on previously-approved Article XI-G bonds for community college capital construction projects. No debt service is included in the adopted budget for any additional proposed projects. Any Article XI-G bonds that are approved in Senate Bill 5516 for additional projects will not impose debt service costs on the General Fund until the 2009-11 biennium.

### Office Operations

The Office Operation program unit provides leadership, coordination, accountability, and technical assistance to Oregon's community colleges and local workforce investment programs. With the exception of the OYCC program, all administrative staff and expenditures are contained in this unit. State and federal resources distributed to community colleges and workforce providers are included in separate program units.

The Subcommittee approved a budget of \$4,641,413 General Fund, \$14,101,318 total funds, and 53.03 full-time equivalent positions (FTE), increased from the 2007-09 Essential Budget Level by 114.3 percent, 18.8 percent, and 17.3 percent respectively. The Subcommittee took the following actions.

- Approved the base budget and essential packages.
- Approved Package 070 that reduces the agency's Federal Funds expenditure limitation due to anticipated reductions in WIA revenues.
- Approved Package 103 that reclassifies ten positions.

- Modified Package 104 that supports additional administrative oversight of community college and workforce budgets and operations and addresses expanding Department workloads. The Subcommittee reduced General Fund by \$221,977, eliminated one position, and reduced FTE by 1.67. These reductions include elimination of a new Administrative Specialist 1 position (position number 0000808), a two month delay in hiring eight other new full-time positions, a \$50,000 reduction in Professional Services, and a \$14,803 reduction in position-related Services and Supplies.
- Approved Package 107 that funds an expansion of the Oregon Financial Aid Exchange (OFAX) data system to all public post-secondary institutions in the state. The funding is provided here and in the State Support to Community Colleges unit on a one-time basis, and will be phased out in the development of the Department's 2009-11 biennium budget.
- Approved Package 108 to support development and delivery of healthcare programs at community colleges and seamless transfer of health occupation students between community colleges and with OHSU and Oregon University System institutions.
- Approved Package 109 that funds the Integrated Management Information System (IMIS) project. The funding is provided here and in the State Support to Community Colleges unit on a one-time basis, and will be phased out in the development of the Department's 2009-11 biennium budget.
- Denied Package 112 that establishes a workforce and career readiness certificate program.
- Denied Package 113 that establishes the Skill Up Oregon program.
- Approved Package 801 that reduces Federal Funds expenditures by \$151,466. The reduction reflects the net impact of a decline in forecasted WIA Title IB federal revenues and an increase in federal revenues resulting from award of a 2007 Incentive Grant. Federal Funds expenditures on Services & Supplies are reduced \$218,627 as a result of the decline in WIA Title IB revenues; federal funds expenditures on Personal Services are increased \$67,161 and a limited-duration position (position number 0000705) is extended from 0.50 FTE to 1.00 full-time equivalent position as a result of receipt of the Incentive Grant.

### State Support to Community Colleges

This unit contains the Community College Support Fund that supports general community college operations throughout the state and state funding for other programs administered by the colleges.

The Subcommittee approved a budget of \$502,731,240 General Fund and \$502,749,240 total funds. Both General Fund and total funds are increased from the 2007-09 Essential Budget Level by 17.5 percent. No positions or FTE are included in this program unit. The Subcommittee took the following actions:

- Approved the base budget and essential packages;
- Increased Package 101 for the Community College Support Fund by \$17,007,981 General Fund to \$72,007,981. This brings total General Fund appropriated for the Community College Support Fund to \$500,000,000.
- Denied Package 105 that establishes a career pathways program.
- Approved Package 107 that funds an expansion of the Oregon Financial Aid Exchange (OFAX) data system.
- Approved Package 108 to support development and delivery of healthcare programs at community colleges.
- Approved Package 109 that funds the Integrated Management Information System (IMIS) project.

- Denied Package 111 that provides funding for a virtual learning program.
- Denied Package 112 that establishes a workforce and career readiness certificate program.
- Denied Package 113 that establishes the Skill Up Oregon program.

### Federal/Other Support

This unit contains Other Funds and Federal Funds that are distributed to community colleges, local workforce service areas, and other local providers. Federal Funds are received from the U.S. Department of Labor for Workforce Investment Act Title IB programs and the Title II Adult Basic Education program. Other Funds include federal Carl Perkins Technical and Applied Technology Act Funds transferred from the Department of Education.

The Subcommittee approved a budget of \$117,060,296 total funds, reduced from the 2007-09 Essential Budget Level by 9.5 percent. No positions or FTE are included in this program unit. The Subcommittee took the following actions.

- Approved the base budget and essential packages.
- Approved Package 070 that reduces the agency's Federal Funds expenditure limitation due to anticipated reductions in Workforce Investment Act (WIA) revenues.
- Added Package 801 with the following components:
  - Reduced Federal Funds by \$7,284,817 reflecting a further reduction in WIA Title IB funds;
  - Increased Federal Funds by \$1,454,940 to reflect award of a 2007 Incentive Grant from the U.S. Department of Labor; and
  - Increased Federal Funds by \$555,000 to reflect extension of the Navigator Grant from the U.S. Department of Education through the remainder of the biennium.

### Oregon Youth Conservation Corps

The Oregon Youth Conservation Corps (OYCC) provides education, training, and employment opportunities for disadvantaged and at-risk youth ages 16 to 25. Work experience is provided through partnerships with public natural resource agencies.

The Subcommittee approved a budget of \$2,617,414 Other Funds and 3.00 full-time equivalent positions. Other Funds are increased from the 2007-09 Essential Budget Level by 23.6 percent while FTE is unchanged. The Subcommittee approved the base budget and essential packages. Package 801 was added to allow expenditure of \$500,000 in Other Funds expenditure limitation funded by dedicated Amusement Device Tax revenues that were not anticipated in the Governor's budget.

## Debt Service

This program unit includes debt service on Article XI-G bonds sold to finance community college construction projects.

The Subcommittee approved a budget of \$3,516,206 General Fund, unchanged from the 2007-09 EBL as revised in Package 801. No positions or FTE are included in this program unit. The Subcommittee approved the base budget and essential packages. Package 801 was added as an Essential Budget Level adjustment to reduce General Fund by \$1,656,539. Debt service costs on Article XI-G bonds previously approved for community college capital construction projects will be lower than were anticipated at the time the Governor's budget was prepared.

## **Summary of Performance Measure Action**

The Subcommittee approved the Department's performance measures, as submitted with appropriate target changes to incorporate the impact of policy packages funded in this bill. These recommendations and other changes are shown in the Legislatively Adopted 2007-09 Key Performance Measures form attached.