

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5019-A

Carrier – House: Rep. Galizio

Carrier – Senate: Sen. Devlin

JOINT COMMITTEE ON WAYS AND MEANS

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

Vote: 19 – 1 – 1

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

– Nays:

– Exc:

Senate – Yeas: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Westlund

– Nays: Whitsett

– Exc: Winters

Prepared By: Jim Carbone, Department of Administrative Services

Reviewed By: Daron Hill, Legislative Fiscal Office

Meeting Date: 6/1/07

Agency

Oregon Department of Education
Emergency Board

Budget Page

B 10

LFO Analysis Page

13

Biennium

2007-09

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

Senator Kurt Schrader, Co-Chair

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

Representative Mary Nolan, Co-Chair

Representative Larry Galizio, Education Subcommittee Chair

Budget Summary*

Department of Education	2005-07		2007-09		Percentage Committee Change from Governor's Budget
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	
General Fund	\$ 252,188,637	\$ 326,984,903	\$ 293,706,726	\$ -33,278,177	-10.2%
Lottery Funds Debt Service	56,466,744	56,415,089	56,415,089	0	0.0%
Other Funds	54,586,518	55,973,528	53,312,283	-2,661,245	-4.8%
Other Funds Debt Service	2,193,726	2,248,343	2,248,343	0	0.0%
Other Funds Nonlimited	94,756,586	77,701,142	114,407,142	+36,706,000	+47.2%
Federal Funds	755,474,273	755,067,301	738,495,294	-16,572,007	-2.2%
Federal Funds Nonlimited	227,855,675	235,556,640	270,700,000	+35,143,360	+14.9%
Total	\$ 1,443,522,159	\$ 1,509,946,946	\$ 1,529,284,877	\$ +19,337,931	+1.3%

Position Summary

Authorized Positions	483	494	488	-6
Full-time Equivalent (FTE) Positions	442.89	452.86	446.44	-6.42

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

* Excludes Capital Construction expenditures

Emergency Board

	2005-07		2007-09		Percentage Committee Change from Governor's Budget
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	
General Fund	\$ 0	\$ 0	\$ 31,084,565	\$ +31,084,565	0.0%

Summary of Revenue Changes

General Fund supports department administration, Special Schools and special Grant-in-Aid programs. Lottery Funds pay the debt service on Lottery revenue bonds. Other Funds revenues include indirect cost recovery from federal programs and fees and funds for specific services and programs. Major federal revenue sources include the Individuals with Disabilities Education Act, the National School Lunch Program, No Child Left Behind Act assessment funds, and various compensatory education programs.

The latest projection of revenues from numerous federal United States Department of Education grants shows a decline of \$16.57 million from the amount included in the Governor's Recommended Budget. However, United States Department of Agriculture funding for Child Nutrition and Food Service programs is expected to be \$35.1 million higher than earlier projections. The latest projection of distributions to the Common School Fund shows an increase of \$36.7 million over the earlier forecast in the Governor's Recommended Budget.

Summary of Subcommittee Action

The Department of Education is the lead implementation agency for the Oregon constitutional mandate to “provide by law for the establishment of a uniform and general system of common schools.” The agency is responsible for administering special education programs, pre-school programs and compensatory education programs. It provides curriculum and standards development, technical assistance, monitoring, accountability, and contract administration. Department staff provide direct educational services at the Schools for the Deaf and Blind.

This bill covers the Department of Education’s operating budget, including central operations, the Youth Corrections Education Program, the Oregon State Schools for the Blind and Deaf (Special Schools) and debt service. It also includes the Grant-in-Aid programs. Funding for the K-12 State School Fund is contained in a separate appropriation bill.

The Subcommittee approved a total funds budget of \$1,529,284,877 (\$293,706,726 General Fund; \$56,415,089 Lottery Funds; \$169,967,768 Other Funds and \$1,009,195,294 Federal Funds) and 488 positions (446.44 full-time equivalents). This represents a 5.9 percent increase over the 2005-07 Legislatively Approved Budget. General Fund policy packages included in this recommendation are: \$8.3 million for phase III of the Prekindergarten-12 Integrated Data Systems project (KIDS); \$1.8 million for a growth model for assessing academic achievement; \$39 million for expansion of the Oregon Pre-kindergarten program (\$14 million is appropriated directly to the Department and an additional \$25 million is a special purpose Emergency Board appropriation for the second year of this expansion); \$3.0 million for roll-up of current biennium caseload increases in the Early Intervention/Early Childhood Special Education (EI/ECSE) program; an additional \$6 million is a special purpose Emergency Board appropriation for second year EI/ECSE caseload growth; a \$150,000 enhancement of the Start Making A Reader Today (SMART) program; \$5.0 million to fund a teacher mentoring program; \$50,000 for the Chess for Success program; \$50,000 for a task force on civics education; \$195,000 to conduct a study on Career and Technical Education; and a reduction of \$19,399 to complete the phase-out of one-time funding for the Workforce 2005 Task Force.

Operations

Department Operations include the overall leadership responsibilities and activities of the State Board and the Superintendent, administration of a variety of programs, and assistance to and review of local districts. The Operations program unit provides general support to schools statewide in the areas of financial management, legal requirements, nutrition, transportation, curriculum, assessment and special education.

The Subcommittee approved a total funds budget of \$116,749,066 for the Operations program unit. This will fund the Essential Budget Level for the Division, including an \$11,884,830 increase in Federal Funds expenditure limitation to match the current forecast of grant program revenues, plus the additions mentioned below. It also includes a technical adjustment phasing out \$19,399 General Fund associated with one-time funding for the Workforce 2005 Task Force that was created by Senate Bill 364 during the 2005 legislative session.

In addition, \$8,318,120 General Fund is recommended for package #118 (KIDS Phase III). This Pre-kindergarten-12 Integrated Data Systems project will improve the timeliness, accuracy and ease of exchanging and accessing student data. Phase II of the project is being completed during the 2005-07 biennium. It included implementation of the system within pilot districts. Phase III will include statewide data acquisition

and reporting across all districts and education service districts. The Governor's Recommended Budget for this package has been reduced to reflect a slower phase-in of the new positions. The Department has indicated that they would not hire the positions that were budgeted for 24 months until October 2007. With the adjustments, the positions would include: a Principal Executive Manager E (0.88 FTE), an Information Specialist 8 (0.88 FTE), an Information Specialist 7 (0.88 FTE), two Information Specialist 6 (1.00 FTE), two Information Specialist 4 (1.38 FTE), two Project Manager 3 (1.38 FTE), a Research Analyst 4 (0.88 FTE), and an Administrative Specialist 2 (0.88 FTE).

Package #126 (Growth Model) is also recommended at \$1,830,787 General Fund. This package will allow the agency to develop and implement strategies for the creation of a growth model for assessing academic achievement at the student, school and district level. This will allow for better information for determining student, school and district success.

Package #812 is recommended to fund a \$195,000 General Fund study on career and technical education. The Department is directed to create a task force to study best practices related to this topic. It is expected that the task force will look at programs already established in the state as well as the Washington and California models and the funding mechanism in those states. The task force will then report back during the 2009 Legislative session with options and recommendations on a process for rolling out a statewide career and technical education program in Oregon.

Package #313 is recommended to continue funding the Oregon Virtual School District (OVSD). The OVSD was developed to provide a sustainable framework for K-12 virtual learning systems. The Legislature has mandated that the OVSD provide resources that enhance student education options for all school districts and students. The funding source for this \$1,800,598 Other Funds limitation is a transfer from the State School Fund. Authority to renew this transfer will be included in separate legislation.

The Subcommittee discussed student transportation alternatives. Primary concerns were student safety as well as increased efficiency. They adopted the following Budget Note:

Budget Note

The Oregon Department of Education will conduct a study on alternative methods to funding transportation costs for students. The study should focus on reducing costs and increasing efficiency. The Department will report to the interim Joint Committee on Ways and Means or the Emergency Board on the options available along with recommendations on suggested changes before the 2009 Legislative session.

Special Schools

The Department of Education operates the Oregon State School for the Blind and the Oregon State School for the Deaf. These programs serve students whose special education needs cannot be met by their local school districts. The Subcommittee approved a total funds budget for Special Schools of \$22,406,419 which is the Essential Budget Level, including a \$144,688 increase in Federal Funds expenditure limitation to match the current forecast of Federal revenues.

The Subcommittee expressed interest in continuing to review Department activities related to the possible relocation of the Oregon School for the Blind. They adopted the following Budget Note:

Budget Note

The Oregon Department of Education will do further analysis on the viability of moving the Oregon School for the Blind (OSB) to the Oregon School for the Deaf (OSD) campus. The Department will complete a Request for Proposal (RFP) to seek costs related to the needed changes to the OSD campus in order to accommodate the OSB and renovations needed to existing structures for the OSD. It is expected that the agency will review the proposed RFP with the interim Joint Committee on Ways & Means or the Emergency Board prior to finalizing it for release.

The agency should begin discussions with potential buyers of the OSB property to ascertain the value and identify any potential issues with the sale.

The results of both processes should be reported to the Legislature during the Special Session scheduled in February 2008.

Youth Corrections Education Program

The Youth Corrections Education Program (YCEP) contracts with local education agencies for educational services in youth correctional facilities operated by the Oregon Youth Authority. This includes special education and education programs at youth correctional facilities and transition programs across the State. The Department of Education is also responsible for providing educational services to eligible students in county detention programs. Funding for youth corrections education costs comes primarily from the State School Fund, with a smaller share from federal funding. The Subcommittee approved a total funds budget for YCEP of \$24,877,028 (\$22,689,363 Other Funds and \$2,187,665 Federal Funds). This is the Essential Budget Level, adjusted for the current forecast of Federal revenues, reduced by \$2,661,245 Other Funds related to second year funding for certain youth education outside of the State School Fund.

During the last Legislative session, a budget note was added directing the Department to review the educational funding for youth being served by the Youth Corrections Education Program who had already received a high school diploma or who were 21 years of age or older. A task force determined that these youth should not be funded via the State School Fund funding formula. Therefore, in separate legislation, authority will be provided to transfer the related State School Funds into a separate fund, specifically for these youth. Total required funding for these youth is forecast to be \$5,205,456. The Subcommittee recommends that the related Other Fund limitation for the second year for this program (estimated to be \$2,661,245) be removed from the budget. The agency is directed to return to the Emergency Board to request second year funding when they have updated information on the number of youth served in this category and the types of programs that are available.

Grant-in-Aid

The majority of the Department's Grant-in-Aid programs purchase educational services for students with specific educational needs. These programs are administered by school districts or entities other than state government. Grants are made for special student services, such as Oregon Pre-kindergarten, compensatory education, teen parent programs and child nutrition services. They also are made for special education services provided by regional programs, Early Intervention/Early Childhood Special Education, and private agencies. Other programs include vocational and workforce development, school reform implementation and expansion of technology.

The Subcommittee approved a budget of \$1,197,188,932 total funds (\$231,962,755 General Fund; \$15,201,745 Other Funds; and \$679,324,432 Federal Funds plus \$270,700,000 Non-limited Federal Fund expenditure authority). This budget supports the Essential Budget Level, including an adjustment in Federal Funds expenditure limitation to match the current forecast of program revenues. It also includes a technical adjustment of \$3 million General Fund for the roll-up of current biennium caseload increases in the Early Intervention/Early Childhood Special Education (EI/ECSE) program. The Subcommittee also recommended a special purpose Emergency Board appropriation for second year EI/ECSE caseload growth (\$6,084,565 General Fund). The Department is expected to return to the Emergency Board to report on caseloads and related Federal funding and, at that time, to request additional funding if appropriate.

Budget Note

The Department of Education will report to the interim Joint Committee on Ways and Means or the Emergency Board on the steps being taken to ensure the Early Intervention/Early Childhood Education programs are addressing the needs of children with autism and early K-12 grades are interacting with an appropriate health professional.

The Subcommittee recommends expansion of the Oregon Pre-kindergarten program. For the first year of the expansion, the Department is appropriated \$14,000,000. An additional \$25,000,000 is recommended as a Special Purpose appropriation to the Emergency Board. It is expected that the agency will come to the Emergency Board to report on the impact of the first year expansion funding as well as their plans for use of the second year funding. This will also allow the Emergency Board to get updates on related federal funding for the program and to make appropriate adjustments.

Package 358 is recommended by the Subcommittee. This will provide \$5,000,000 to implement a teacher mentoring program. In addition, the Subcommittee approved an additional \$150,000 for the Start Making A Reader Today (SMART) program and \$100,000 for Package 192, Chess for Success/Civics Education. Half of this appropriation (\$50,000) will support the Chess for Success program and the remaining \$50,000 will fund a task force that the department will create to study how to improve Civics Education in Oregon's schools.

The Subcommittee adopted the following Budget Note related to Long Term Care and Treatment (LTCT) programs:

Budget Note

The Department of Education is directed to work with a representative stakeholder group to conduct a study of the funding mechanism for the educational component of the LTCT programs and offer suggestions for improvement. The Department is directed to report to the interim Joint Committee on Ways and Means or Emergency Board any findings and recommendations for funding options for the LTCL programs.

Common School Fund

Common School Fund distributions from the Department of State Lands are allocated to school districts by the Department of Education. The Governor's Recommended Budget included \$72.7 million in Common School Fund distributions. More recent forecasts show that these funds will equal \$109.4 million in 2007-09. Therefore, the Subcommittee recommends increasing non-limited Other Funds limitation for these distributions by \$36,706,000.

Debt Service

This program provides debt service (principal and interest) on lottery-backed bonds, including:

- \$150 million of bonds approved by voters in November 1997 and issued in Spring 1999; and
- \$127 million of bonds approved by the 1999 Legislative Assembly and issued in 1999-2001 for state education projects as defined in (1999) House Bill 2567.

Proceeds to schools were intended for the acquisition, construction, remodeling, maintenance, or repair of school facilities. Schools also were allowed to use the proceeds for certain operational expenses, such as textbooks, computers and instructional training.

Debt service (principal and interest) payments on these bonds are paid using three sources of funds: net lottery proceeds, Education Stability Fund interest earnings and reserve fund earnings. The Subcommittee approved a budget for debt service comprising \$56,415,089 Lottery Funds and \$2,248,343 Other Funds (interest earnings from other accounts related to education lottery bonds such as required reserves).

Summary of Performance Measure Action

See attached Legislatively Adopted 2007-09 Key Performance Measures form.