

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

MEASURE: HB 5044-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Galizio
Carrier – Senate: Sen. Walker**

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

Vote: 20 – 0 – 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, Whitsett

– Nays:

– Exc: Winters

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: 6/1/07

Agency

Oregon Student Assistance Commission

Budget Page

B-20

LFO Analysis Page

47

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*

	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	\$ 76,824,638	\$ 104,808,822	\$ 98,736,670	\$ -6,072,152	-5.8%
Lottery Funds	1,527,619	9,507,036	9,879,176	+372,140	+3.9%
Other Funds	3,860,450	6,308,215	5,662,031	-646,184	-10.2%
Other Funds Nonlimited	9,264,812	10,285,788	9,855,788	-430,000	-4.2%
Federal Funds	2,103,860	2,104,655	2,104,655	0	0.0%
Total	\$ 93,581,379	\$ 133,014,516	\$ 126,238,320	\$ -6,776,196	-5.1%

Position Summary

Authorized Positions	23	36	34	-2
Full-time Equivalent (FTE) Positions	22.35	33.83	31.91	-1.92

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

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Student Assistance Commission (OSAC) receives General Fund to support the Opportunity Grant, the Rural Health Services program, and the Nursing Services program. It also provides support to the Office of Degree Authorization and agency administration. Twenty-five percent of interest earnings of Lottery Funds in the Education Stability Fund are allocated to OSAC for Opportunity Grants.

The Commission's largest source of Other Fund revenues is donations from individuals and organizations to fund scholarship awards; a percentage of donations is retained for administration of the private scholarship program. The Commission also receives transfers from other agencies to provide student assistance. The ASPIRE program receives grants from a variety of sources including Oregon Community Foundation, Ford Family Foundation, and a federal AmeriCorps grant. The Office of Degree Authorization charges fees for reviewing degrees from private post-secondary institutions. Other Funds payments for administrative expenses are limited in the budget. Most Other Fund payments for student aid are Nonlimited.

The federal Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) programs are received from the U.S. Department of Education. They are used to supplement the Opportunity Grant program.

The Subcommittee approved an increase of \$372,140 in the Lottery Funds expenditure limitation to reflect an increase, above the level in the Governor's budget, in Lottery Funds resources forecast to be available for the Opportunity Grant program.

Summary of Subcommittee Action

The Oregon Student Assistance Commission (OSAC) administers, evaluates, coordinates, and promotes financial aid programs to help Oregon students obtain postsecondary education. The Commission administers over 320 state-funded and privately-funded grant and scholarship programs, including the state Opportunity Grant program. The Office of Degree Authorization is part of the agency.

The Subcommittee approved a budget of \$98,736,670 General Fund, \$9,879,176 Lottery Funds, \$126,238,320 total funds, and 31.91 full-time equivalent positions (FTE). These amounts are increased from the 2007-09 Essential Budget Level (EBL), as revised by Package 801, by 83.2 percent, 3.9 percent, 56 percent, and 42.8 percent respectively. The following actions are among those approved by the Subcommittee.

- Funding was approved to implement the Shared Responsibility Model beginning in the 2008-09 academic year. As proposed in Senate Bill 343, Opportunity Grant award amounts will vary by income level and family size, instead of varying only by the institution attended by the student. Package 102 includes \$43 million General Fund for grants to students and \$651,314 General Fund for administration. These amounts are in addition to the 2007-09 EBL, adjusted in Package 801 to reflect estimated 2005-07 expenditures. The recommended budget will bring total 2007-09 biennium funding for Opportunity Grants to students, from all fund sources, to \$106 million.

The Subcommittee recognized that there is no specific funding level required to implement the Shared Responsibility Model. The approved funding level will determine the award sizes, and the number of students served. OSAC will adjust award amounts to maintain program costs within the level of available program funds. The Subcommittee adopted the following two budget notes regarding program implementation and reporting.

Budget Note

The approved budget for the Opportunity Grant fully funds implementation of the Shared Responsibility Model, beginning with the 2008-09 academic year. The Commission shall adjust award amounts under the Shared Responsibility Model, as permitted by law, to ensure that total financial aid awards for the 2008-09 academic year not exceed \$72 million, or the amount of funds approved in this budget for the 2007-09 biennium that remain after awarding 2007-08 academic year Opportunity Grants, whichever is less.

The Subcommittee understands that the Essential Budget Level for the Opportunity Grant program for the 2009-11 biennium will be calculated to total twice the projected amount of 2008-09 academic year awards, adjusted for any inflation rate applied for cost increases in Special Payments under the budget instructions governing development of the 2009-11 biennium state budget.

Budget Note

No later than February 1, 2008, the Oregon Student Assistance Commission shall report to the interim Joint Committee on Ways and Means or Emergency Board, on progress toward implementing the Shared Responsibility Model. This report shall include detailed information on projected award levels for the 2008-09 academic years.

- The recommended budget includes funds to expand the Access to Student Assistance Programs In Reach of Everyone (ASPIRE) program from 84 schools in the 2005-07 biennium to approximately 115 in 2007-09. ASPIRE provides training for volunteers who mentor high school students through the college admission and financial aid application process. The program has been entirely grant funded since its inception. The Subcommittee encouraged OSAC to continue to pursue grant support to continue to expand the program. The Subcommittee also recommended that school districts consider using additional funds available to them in the State School Fund to support their participation in ASPIRE.
- The Subcommittee approved transferring the Student Child Care program from the Department of Human Services to OSAC and converting the program into a student aid program.
- The Subcommittee did not approve adjustments to the OSAC budget in support of changes to the JOBS Plus program contained in House Bill 2246. House Bill 2246 would change that portion of the JOBS Plus program that provides funds to support qualified education expenses of JOBS Plus clients. These benefits have been consistently underutilized over the life of the program. The bill proposes establishing a scholarship fund for former JOBS Plus clients funded with unclaimed JOBS Plus educational funds.

Under current law, unutilized JOBS Plus benefits become available to help finance the Opportunity Grant program. House Bill 2246 (and Package 105) would reduce JOBS Plus benefits (budgeted as Nonlimited Other Funds) available for the Opportunity Grant by \$309,300 in the 2007-09 biennium. The Subcommittee chose not to eliminate any revenue source for the Opportunity Grant at a time when a major program funding expansion is being recommended. Denial of the program changes in House Bill 2246 will not reduce the benefits available to JOBS Plus clients under current law.

Office Operations

The Office Operations program unit includes all agency staff and non-Special Payments expenditures with the exception of those in the Office of Degree Authorization. It is responsible for all agency-wide administrative functions including agency leadership, budget formulation, fiscal control, and personnel administration. Program staff administer all of the agency's student financial aid programs and the ASPIRE program and disseminate information about student financial aid programs to educational institutions, state agencies, the Legislature, and the public. The program unit also maintains the computer hardware, software, and network connections necessary for the processing and dissemination of student financial aid data.

The Subcommittee approved a budget of \$2,798,272 General Fund, \$5,370,646 total funds, and 29.91 FTE, increased from the 2007-09 Essential Budget Level (EBL), as revised in Package 801, by 71.6 percent, 33 percent, and 47 percent respectively. The Subcommittee took the following actions:

- Approved the base budget and essential packages.
- Modified Package 101 that provides administrative support for implementation of the Shared Responsibility Model by shifting an Office Specialist 1 (position number 2400001) from permanent to limited duration and requesting the Department of Administrative Services (DAS) to unschedule \$250,000 General Fund for professional services contracts pending review of proposed contracts by DAS and the Legislative Fiscal Office.
- Modified Package 102 for expansion of the ASPIRE program, approving a \$397,000 increase in General Fund, a \$118,674 reduction in Other Funds and establishment of three positions (2.16 FTE) for administrative support. Specific adjustments made to the package are:
 - Approved shifting an existing Program Analyst 1 (2100014) from 100 percent Other Funds to 50 percent General Fund and 50 percent Other Funds;
 - Added a new part-time permanent Program Analyst 1 (1 position, 0.83 FTE) entirely funded with General Fund;
 - Eliminated three proposed new training development and specialist positions (2100024, 2100025, and 2100026); and
 - Approved establishment of a new Program Analyst 1 position (2100031) as limited duration rather than permanent.
- Reduced Package 104 that increases support for administration and development of private scholarship programs by \$82,267 Other Funds for Temporary Appointments and \$30,000 Other Funds for Other Services and Supplies. The new positions approved in this package reduce the agency's need for temporary employees. The Services and Supplies funds are shifted to Package 801 in the Other Programs unit as Non-limited Other Funds to correctly account for student aid payments from a Lumina Foundation grant.
- Denied Package 105 that would provide administrative support for the Jobs Plus Scholarship program changes proposed in House Bill 2246.
- Reduced Package 106 that would provide funds for a technology lifecycle replacement program by \$39,025 General Fund, leaving an equal amount in Other Funds expenditure limitation for technology replacement.
- Approved Package 107 that provides funds for internal audit services.
- Denied Package 108 that would increase administrative support for the Rural Health Services loan repayment program.
- Approved Package 109 that would provide administrative support for the Student Child Care program that was proposed for transfer from the Department of Human Services with a technical adjustment to add one position corresponding to the 0.25 FTE approved in this package. The Governor's budget included the formal position authority in a package that was not approved.

Other Programs

The Other Programs unit includes the following programs: the Oregon Nursing Services Program for nurses working in nursing shortage areas; the Rural Health Services Loan Repayment Program; the Scholarship Program for Former Foster Children; over 320 privately funded scholarship programs; Individual Education Accounts in the JOBS Plus Program; the Robert C. Byrd Scholarship Program; the ASPIRE Volunteer Student Advisory Program; and the Oregon Scholars Program.

The Subcommittee approved a budget of \$1,997,840 General Fund and \$14,016,582 total funds. Total funds are increased from the 2007-09 EBL, as adjusted by Package 801, by 9.4 percent while General Fund is increased by 141.2 percent. No FTE are included in this program unit. The Subcommittee took the following actions.

- Approved the base budget and essential packages.
- Modified Package 102 to expand the ASPIRE program by approving \$303,000 for support of high schools participating in the program.
- Denied Package 105 that shifts unclaimed JOBS Plus Individual Expenditure Account funds from the Opportunity Grant program to the JOBS Plus scholarship program proposed in House Bill 2246.
- Denied Package 108 to expand the Rural Health Services Loan Repayment program.
- Modified Package 109 that transfers the Student Day Care program from the Department of Human Services, approving \$866,660 General Fund for child care support payments to students.
- Added Package 801 to correctly account for \$30,000 Other Funds Non-limited for student aid payments from a Lumina Foundation grant. These expenditures were transferred from the Package 104 in the Office Operations program unit where they had been incorrectly recorded as Other Funds.

Opportunity Grants

This program includes funding for the Oregon Opportunity Grant program, consisting of General Fund, Lottery Funds from dedicated earnings of the Education Stability Fund, unclaimed Individual Education Account funds from the Jobs Plus program, and federal Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) funds.

The Subcommittee approved a budget of \$93,690,627 General Fund, \$9,879,176 Lottery Funds, and \$106,000,000 total funds, increased from the 2007-09 Essential Budget Level (EBL), adjusted by Package 801, by 82.4 percent, 3.9 percent, and 67.4 percent respectively. No FTE are included in this program unit. The Subcommittee took the following actions:

- Approved the base budget and essential packages, as adjusted in Package 801 for projected Opportunity Grant expenditures.
- Increased Package 101 that provides funding to implement the Shared Responsibility Model by \$3,900,522 General Fund.
- Denied Package 105 that shifts unclaimed JOBS Plus Individual Expenditure Account funds from the Opportunity Grant program to the JOBS Plus scholarship program proposed in House Bill 2246.
- Added Package 801 that makes the following adjustments to funding for the Opportunity Grant program:
 - Reduces the General Fund EBL by \$7,900,522 based on updated projections for 2005-07 expenditures;
 - Shifts \$122,334 General Fund to Lottery Funds based on increased projected 2005-07 carry-forward Lottery Funds; and
 - Shifts \$249,806 General Fund to Lottery Funds based on the June 2007 revenue forecast for the 2007-09 biennium.

Office of Degree Authorization

The Office of Degree Authorization (ODA) approves requests by Oregon private institutions, non-Oregon colleges, and educational organizations to offer academic degrees in the state. It reviews proposals for new publicly funded post-secondary education programs and instructional locations to ensure that one publicly subsidized segment does not detrimentally impact another public segment or any private institution. ODA enforces state law against presenting fraudulent or substandard academic degrees as a public credential.

The Subcommittee approved a budget of \$249,931 General Fund, \$491,092 total funds, and 2.00 full-time equivalent positions (FTE) General Fund and total funds are increased from the 2007-09 Essential Budget Level (EBL), as adjusted by Package 801, by 400.6 percent and 3 percent respectively while FTE is unchanged. The Subcommittee took the following actions.

- Approved the base budget and essential packages.
- Approved Package 070 that reduces ODA's Other Funds expenditure limitation by 44 percent and reduces two positions from full-time to 0.45 FTE due to a shortfall in anticipated revenues.

- Reduced Package 103 that would restore Package 070 reductions and expand programs by \$47,878 General Fund and 0.25 FTE. The approved budget restores the two positions cut in Package 070 to full-time and increases funding for Attorney General expenditures based on anticipated increases in enforcement activity. If funding for Attorney General expenses proves insufficient, the agency may request additional support for this purpose from the Emergency Board.

Summary of Performance Measure Action

The Subcommittee discussed the proposed performance measures, noting that several measures lacked historical data and targets and that no measures were being reported regarding the Shared Responsibility Model. The Subcommittee approved the measures and adopted the following budget note:

Budget Note

No later than February 1, 2008, the Oregon Student Assistance Commission shall report to the interim Joint Committee on Ways and Means or Emergency Board, for its approval, of actual data and proposed targets for approved Key Performance Measures. Additionally, the Commission shall include in this report one or more Key Performance Measures with proposed targets, intended to measure the impact of the adoption of the Shared Responsibility Model.

The attached Legislatively Adopted 2007-09 Key Performance Measures form contains the approved measures and targets.