

**75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5511-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. D. Edwards
Carrier – Senate: Sen. Monroe**

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

Vote: 20 – 1 – 1

House – Yeas: Buckley, C. Edwards, D. Edwards, Galizio, Garrard, Jenson, Kotek, Nathanson, Richardson, Shields, G. Smith

– Nays: Gilman

– Exc:

Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Nelson, Verger, Walker, Whitsett

– Nays:

– Exc: Winters

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: June 22, 2009

Agency

Department of Community Colleges and Workforce Development

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Biennium

2009-11

Budget Summary*

	2007-09 Legislatively Approved Budget (1)	2009-11 Essential Budget Level	2009-11 Committee Recommendation	Committee Change from 2007-09 Leg. Approved	
				\$\$ Change	% Change
General Fund	\$ 508,067,355	\$ 506,601,731	\$ 456,425,783	\$ -51,641,572	-10.2%
General Fund Debt Service	\$ 3,516,206	\$ 9,961,275	\$ 7,974,203	\$ 4,457,997	126.8%
Lottery Funds Debt Service	\$ -	\$ -	\$ 7,911,324	\$ 7,911,324	0.0%
Other Funds	\$ 4,898,816	\$ 5,118,473	\$ 6,037,774	\$ 1,138,958	23.2%
Other Funds Debt Service	\$ -	\$ -	\$ 2,764,688	\$ 2,764,688	0.0%
Other Funds Debt Service Nonlimited	\$ -	\$ 1,350,000	\$ -	\$ 0	0.0%
Federal Funds	\$ 121,489,837	\$ 121,243,180	\$ 158,161,380	\$ 36,671,543	30.2%
Federal Funds Nonlimited	\$ 5,968,831	\$ 5,968,831	\$ 18,968,831	\$ 13,000,000	217.8%
Total	\$ 643,941,045	\$ 650,243,490	\$ 658,243,983	\$ 14,302,938	2.2%

Position Summary

Authorized Positions	57	56	57	0
Full-time Equivalent (FTE) positions	56.03	55.70	56.70	0.67

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

General Fund supports community college operations, department operations, and debt service. Lottery Funds support debt service on lottery revenue bonds issued for community college deferred maintenance projects. Other Funds 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, Basic Adult Skills Inventory System testing, and Adult Basic Education; and miscellaneous receipts from the 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. The Department of Community Colleges and Workforce Development (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.

Funds from the American Recovery and Reinvestment Act (ARRA) have been awarded to the department from the U.S. Department of Labor under the WIA IB program for workforce programs and from the U.S. Forest Service to support youth work programs through OYCC. A \$37,158,170 Federal Funds revenue increase was approved for the WIA IB program funds, and a \$5,600,000 Federal Funds revenue increase was approved for the U.S. Forest Service funds. The Subcommittee also approved Federal Funds revenue increases not associated with ARRA. This includes a \$1,300,000 Federal Funds revenue increase for the extension of a Navigator Grant, and a \$13,000,000 Nonlimited Federal Funds revenue increase for National Emergency Grant funds.

The Subcommittee approved a \$150,000 Other Funds reduction to the agency's beginning balance to reflect current revenue projections in the Office Operations program unit. The Subcommittee also approved a \$500,000 reduction in the OYCC beginning balance as a result of a transfer of revenue to the General Fund in the Senate Bill 5552 (2009) rebalance of the 2007-09 budget. A \$145,480 Other Funds increase in Charges for Services was approved in the Office Operations program unit in anticipation of an increase in the General Educational Development (GED) fee from \$25 to \$35 per exam, effective July 1, 2009.

Summary of Education Subcommittee Action

Under the direction of the State Board of Education, 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. OYCC is also part of the agency.

The Subcommittee approved a budget of \$464,399,986 General Fund, \$7,911,324 Lottery Funds, \$658,243,983 total funds, and 56.70 FTE. General Fund is reduced from the 2007-09 Legislatively Approved Budget (LAB) through December 2008 by 9.2 percent; total funds are increased by 2.2 percent; and FTE is increased by 1.2 percent. No Lottery Funds were budgeted for CCWD in the 2007-09 biennium.

The approved budget includes the following actions:

- General Fund support for the Community College Support Fund was reduced by \$49.7 million as part of the Co-chairs' plan to balance the 2009-11 statewide budget. Total 2009-11 General Fund support for the Community College Support Fund will equal \$450.5 million, a 9.9% decrease from the 2007-09 LAB biennium level.
- Other General Fund reductions include a 10 percent cut in the healthcare workforce program, 4.3 percent cuts in funding for the Portland Community College and Sabin-Schellenberg skills centers, elimination of one vacant information systems position, and a reorganization of department staff and funding that shifts some General Fund costs to Federal Funds.
- The approved budget includes a 430.4 percent increase in debt service costs, paid with General Fund, Lottery Funds, interest earnings, and excess bond proceeds. The increase is due to the phase-in of debt costs on general obligation bonds sold to fund community college Capital Construction projects approved in prior biennia and on general obligation and Lottery-backed bonds for college Capital Construction and deferred maintenance projects included in Senate Bill 338 (2009), the state's Go Oregon! stimulus bill. No debt service is included in the adopted budget for new projects.

- Capital Construction expenditures will be considered in a separate bill. The adopted budget increases Other Funds support for monitoring of state-funded community college projects by \$100,000.
- The approved budget includes \$42.8 million in federal stimulus funding under the ARRA. This amount includes \$37.2 million in WIA Title IB funds and \$5.6 million in U.S. Forest Service funds.
- Administrative responsibility for the federal Carl Perkins Grant program, shared between CCWD and the Department of Education (ODE), is adjusted with CCWD taking an increasing role in managing the program. As a result, \$170,000 General Fund is transferred from CCWD to ODE along with an increase in Perkins Grant Other Fund revenues.
- Other Fund revenues were increased by \$145,480 in anticipation of an increase in the GED fee from \$25 to \$35 per exam on July 1, 2009. The department was directed to report to the Emergency Board or the interim Joint Committee on Ways and Means prior to June 1, 2010 on the status and budget of the GED program.

The Subcommittee briefly discussed the calculation of the Essential Budget Level (EBL) for the Community College Support Fund. The EBL calculation projects the cost of maintaining existing agency programs in the upcoming biennium. For the 2009-11 biennium, the Subcommittee approved the EBL calculations in the Governor's budget as a base for approving funding for new initiatives or funding reductions.

The Subcommittee, however, adopted a budget note expressing dissatisfaction with the current method for calculating the EBL for the Community College Support Fund, and directing that additional work be done to develop a proposal for an improved calculation method. The following budget note was adopted:

Budget Note

The Subcommittee recognizes that the current calculation of the essential budget level for the Community College Support Fund is not developed to a level of detail that captures the true costs of operating Oregon's community colleges, and it does not provide the Legislature or the Governor with the information needed to support effective decision-making.

The Subcommittee directs the Department of Administrative Services, in consultation with the Legislative Fiscal Office, to continue work with the Community College Forecast Committee established under Executive Order No. 07-12, to develop a proposed method for calculating the Community College Support Fund essential budget level.

The Department shall submit a report and recommendations to the Joint Committee on Ways and Means or to the Emergency Board, for the Committee's or Board's consideration, no later than February 1, 2010.

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 \$3,993,769 General Fund, \$21,005,362 total funds, and 53.70 FTE. General Fund is reduced from the 2007-09 LAB by 15.7 percent. Total funds and FTE are increased by 46.2 percent and 1.3 percent respectively.

The Subcommittee took the following actions:

- Approved the base budget and essential packages.
- Approved Package 102 that increases Other Funds by \$100,000 to cover increasing costs of monitoring state-supported community college capital construction projects. Monitoring costs are increasing as the number of monitored projects grows.
- Approved Package 104 that reduces General Fund by \$9,857, increases Other Funds and Federal Funds by \$61,857 and \$317,405 respectively, and establishes two full-time permanent information systems positions to maintain a single workforce data collection and case management system that will be used by local workforce investment areas. The package also includes a reorganization of staff and duties that includes an exchange of two existing positions between Office Operations and OYCC.
- Approved Package 106 that transfers \$170,000 General Fund from ODE and increases Other Funds by \$610,200 to modify how CCWD and ODE administer federal Carl Perkins and Technical Education Grant funds. A similar package is included in the ODE budget, reducing General Fund by the same \$170,000. Perkins Grant distributions are split equally between high schools and community colleges, but for a number of years ODE (the state's fiscal agent) has carried a disproportionate share of administering the grant and paying a disproportionate share of the required state match. As a result of staffing increases in the 2007-09 biennium, CCWD has assumed a larger role in administering the funds transferred to the community colleges. This package is intended to recognize this change by equalizing the match between the two agencies. It would also increase the amount of Perkins Grant Other Funds that are transferred to CCWD to cover administrative costs.
- Approved Package 801 that increases Other Funds by \$150,000 and Federal Funds by \$107,062. The Other Funds increase will allow the department to make expenditures that are passed through to, and ultimately reimbursed by, other entities. Examples include travel reimbursements and cost sharing agreements administered by the department. The Federal Funds increase is needed to pay administrative costs for the U.S. Department of Labor Navigator grant that funds workforce services to persons with disabilities. The package also includes a \$150,000 reduction to the Other Funds beginning balance and a \$150,000 increase in Other Funds revenues to accurately reflect current projections. An additional \$145,480 increase in Other Funds revenue is included in the package in anticipation of a \$10 fee increase in the GED program effective July 1, 2009.
- Approved Package 810 that reduces General Fund by \$444,201, increases Federal Funds by \$103,158, and eliminates one position (1.00 FTE) by abolishing an Information Systems 6 position (position number 0000807) and shifting several positions from General Fund to Other Funds. The package also reduces support for the healthcare workforce program by 10 percent, with the reduction split between the Office Operations and State Support to Community College program units.
- Approved Package 812 that increases Federal Funds by \$500,000 as a result of an increase in funding in the ARRA for the WIA Title IB program. ARRA WIA funds are split between the Office Operations and Federal/Other Support program units; Office Operations includes administration of the grant while Federal/Other Support includes program costs. This package includes one-time funding that will be phased out in the development of the 2011-13 budget, excluding Federal Funds that are remaining and available for expenditure in 2011-13.

State Support to Community Colleges

This unit contains the Community College Support Fund, the state's contribution to community college operations. It also includes state support for other programs administered by the colleges.

The Subcommittee approved a budget of \$452,432,014 General Fund and \$25,308 Other Funds. General Fund is reduced from the 2007-09 LAB by 10.1 percent. Other Funds are increased by 40.6 percent from the LAB. 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 801 that increases Other Funds by \$7,308 to allow all projected timber tax revenues received by the department to be distributed to the colleges through the Community College Support Fund.
- Approved Package 811 that reduces General Fund by \$49.9 million as part of the Co-chairs' 2009-11 budget balance plan. These actions reduce funding for the Community College Support Fund by \$49.7 million, a 9.9 percent reduction from the 2009-09 LAB. The package also reduces support for the healthcare workforce program by \$149,110 General Fund, a 10 percent reduction split between the Office Operations and State Support to Community College program units. Support for the Portland Community College and Sabin-Schellenberg skills centers is reduced by \$13,138 each, a 4.3 percent reduction from the 2007-09 LAB.

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 WIA 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 ODE.

The Subcommittee approved a budget of \$157,786,574 total funds, increased from the 2007-09 LAB by 31.4 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 Federal Funds by \$7.2 million in anticipation of declining revenue from the U.S. Department of Labor WIA Title IB program. This package was the result of a decline in federal support of the program prior to enactment of the ARRA.
- Approved Package 104 that reduces Federal Funds payments to local workforce investment areas by \$317,405 to fund two positions and associated costs in Package 104 in the Office Operations program unit.
- Approved Package 801 that increases Federal Funds by \$1.2 million and Federal Funds Nonlimited by \$13 million. The increase in Federal Funds is the result of continuing support for the U.S. Department of Labor Navigator grant that funds workforce services to persons with disabilities.

The additional Federal Funds Nonlimited represent the department's estimate of federal support for employment-related services provided to dislocated workers under the National Emergency Grant program.

- Approved Package 810 that reduces Federal Funds payments to local workforce investment areas by \$103,158 to fund a reassignment of duties in the department's central office that reduces reliance on General Fund. Funding related to the central office actions is included in Package 810 in the Office Operations program unit.
- Approved Package 812 that increases Federal Funds by \$36.7 million as a result of an increase in funding in the ARRA for the WIA Title IB program. ARRA funds are split between the Office Operations and Federal/Other Support program units; Office Operations includes administration of the grant while Federal/Other Support includes program costs. This package includes one-time funding that will be phased out in the development of the 2011-13 budget, excluding Federal Funds that are remaining and available for expenditure in 2011-13.

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 \$2,744,510 Other Funds, \$5,600,000 Federal Funds and 3.00 FTE. Other Funds are increased from the 2007-09 LAB by 3.8 percent while FTE is unchanged. No Federal Funds were included in this program unit in the 2007-09 biennium.

The Subcommittee took the following action:

- Approved the base budget and essential packages.
- Approved Package 104 that reduces Other Funds by \$10,064 as part of a shift of two positions between Office Operations and OYCC.
- Approved Package 801 as a revenue only package that reduces the Other Funds beginning balance by \$500,000 to reflect the transfer of OYCC Other Funds revenues to the General Fund included in Senate Bill 581 as part of the 2007-09 budget rebalance.
- Approved Package 812 that increases Federal Funds by \$5.6 million to accommodate funds received from the U.S. Forest Service as part of the ARRA federal stimulus package. This package includes one-time funding that will be phased out in the development of the 2011-13 budget, excluding Federal Funds that are remaining and available for expenditure in 2011-13.

Debt Service

This program unit includes debt service on Article XI-G bonds and Lottery Bonds sold to finance community college construction and deferred maintenance projects. The Subcommittee approved a budget of \$7,974,203 General Fund, \$7,911,324 Lottery Funds, and \$18,650,215 total funds. General Fund and total funds are increased by 126.8 percent and 430.4 percent respectively. No Lottery Funds were budgeted for debt service in 2007-09. There are no positions or FTE included in this program unit.

The Subcommittee took the following actions:

- Approved the base budget and essential packages.
- Approved Package 801 that reduces General Fund by \$3.2 million and total funds by \$1.8 million to adjust total principal and interest payments to the levels needed for currently issued bonds and to utilize interest earnings and bond premium proceeds in lieu of General Fund for debt service on Article XI-G bonds. Debt service on bonds authorized by Senate Bill 338, the Go Oregon! stimulus package, is included in Package 811.
- Approved Package 811 that increases General Fund by \$1.2 million and Lottery Funds by \$7.9 million to fund debt service on Article XI-G bonds and lottery bonds authorized in Senate Bill 338. As part of the state's Go Oregon! stimulus package, the Legislature funded \$43.9 million of shovel-ready deferred maintenance projects at Oregon community colleges with Lottery revenue bonds and an additional \$9.7 million of such projects with Article XI-G bonds.

Summary of Performance Measure Action

The Subcommittee approved the Department's performance measures and targets. These recommendations are shown in the Legislatively Adopted 2009-11 Key Performance Measures form attached.