

**75<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5519-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

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

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

**Vote:** 17 – 4 – 1

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

– Nays: Gilman, Richardson

– Exc:

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

– Nays: Nelson, Whitsett

– Exc: Winters

**Prepared By:** Jim Carbone, Department of Administrative Services

**Reviewed By:** Monica Brown, Legislative Fiscal Office

**Meeting Date:** June 22, 2009

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**Agency**

Department of Education

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**Biennium**

2009-11

## **Budget Summary\***

	<b>2007-09 Legislatively Approved Budget (1)</b>	<b>2009-11 Essential Budget Level</b>	<b>2009-11 Committee Recommendation</b>	<b>Committee Change from 2007-09 Leg. Approved</b>	
				<b>\$\$ Change</b>	<b>% Change</b>
General Fund	\$ 327,090,436	\$ 353,578,057	\$ 330,671,881	\$ 3,581,445	1.1%
Lottery Funds Debt Service	\$ 56,415,089	\$ 55,834,298	\$ 55,232,892	\$ -1,182,197	-2.1%
Other Funds	\$ 53,766,625	\$ 52,352,529	\$ 51,723,908	\$ -2,042,717	-3.8%
Other Funds Debt Service	\$ 2,248,343	\$ 2,508,253	\$ 2,496,841	\$ 248,498	11.1%
Other Funds Nonlimited	\$ 127,241,082	\$ 114,547,342	\$ 81,547,342	\$ -45,693,740	-35.9%
Federal Funds	\$ 762,653,767	\$ 764,602,423	\$ 1,003,710,909	\$ 241,057,142	31.6%
Federal Funds Nonlimited	\$ 271,506,700	\$ 278,692,417	\$ 278,692,417	\$ 7,185,717	2.6%
<b>Total</b>	<b>\$ 1,600,922,042</b>	<b>\$ 1,622,115,319</b>	<b>\$ 1,804,076,190</b>	<b>\$ 203,154,148</b>	<b>12.7%</b>

## **Position Summary**

Authorized Positions	491	478	393	-98
Full-time Equivalent (FTE) positions	448.28	443.47	375.22	-73.06

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

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

Federal Funds are the largest category of revenue in the Department of Education's budget. These include grants that are destined for compensatory education, school improvement, child nutrition, special education, and a variety of other purposes. Most of these revenues are passed through to local school districts. The American Recovery and Reinvestment Act of 2009 increases federal grant funds during 2009-11. Other Funds include the Common School Fund, indirect charges, school fund transfers, and other revenues and interest. Lottery Funds pay debt service. The General Fund supports department administration, Special Schools, and Grant-In-Aid programs.

## **Summary of Education Subcommittee Action**

The Department of Education supports a uniform and general system of pre-kindergarten through 12<sup>th</sup> grade public education in Oregon. It provides curriculum and standards development, technical assistance, monitoring, accountability, and contract administration. It administers special education programs, pre-school programs, compensatory education programs, and vocational education programs. Department staff provides direct educational services at the School for the Deaf. The agency is also responsible for distributing basic school support funds to qualified districts. This bill provides the budget for agency operations, School for the Deaf, youth corrections and juvenile detention education, Grant-in-Aid, Common School Fund, and debt service.

The Subcommittee approved a budget of \$1,804.1 million total funds (\$330.7 million General Fund, \$55.2 Lottery Funds, \$54.2 million Other Funds, \$1,003.7 million Federal Funds, and \$360.2 million non-limited) which is 12.7 percent more than the 2007-09 Legislatively Approved Budget.

**Operations** – Department Operations 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 budget of \$126.6 million total funds (\$39.7 million General Fund, \$15.4 million Other Funds, \$66.4 million Federal Funds, and \$5.1 million non-limited), 269 positions and 265.70 full-time equivalent including four packages which make adjustments to the essential budget level for the Operations program:

- Package 090 incorporates certain statewide adjustments for rate changes in PERS and flexible benefits, adding \$18,504 General Fund.
- Package 111 increases \$100,000 General Fund, \$445,027 Federal Funds expenditure limitation and three positions (3.00 FTE) to increase participation in child nutrition programs. The positions will support the Farm-to-School program, monitor implementation of new nutrition legislation, clarify new federal nutrition standards in relationship to the Child Nutrition Program standards, identify and overcome challenges to increased participation in child nutrition programs, and distribute the new funding of the Fresh Fruit and Vegetable Program. The federal costs will be funded from the State Administrative Expense grant and the Fresh Fruit and Vegetable Program.
- Package 113 shifts \$170,000 General Fund to Other Funds for the Carl Perkins Career and Technical Education Act. There is a companion package in the Department of Community Colleges and Workforce Development budget. The package also shifts \$1,960,200 Federal Funds of related Special Payments, currently in the Grant-In-Aid program, into the Operations program. There is a corresponding shift out of the Grant-In-Aid program.
- Package 810 implements program reductions as part of the statewide budget balancing plan. A summary of these reductions, by office, is as follows:
  - Office of Superintendent of Public Instruction – Reduce \$1.96 million General Fund, increase \$0.36 million Other Funds, and eliminate eight positions (8.00 FTE).
  - Office of Assessment & Information Services – Reduce \$1.93 million General Fund.
  - Office of Educational Improvement & Innovation – Reduce \$0.39 million General Fund and shift \$1.8 million General Fund to Federal Funds.
  - Office of Finance & Administration – Reduce \$0.33 million General Fund, shift \$0.32 million General Fund to Other Funds, and eliminate three positions (3.00 FTE).
  - Office of Student Learning & Partnerships – Reduce \$0.25 million General Fund.

**Special Schools** – The Department of Education currently operates the Oregon State School for the Blind and the Oregon State School for the Deaf.

The Subcommittee approved a budget of \$14.3 million total funds (\$11.5 million General Fund, \$2.4 million Other Funds, and \$0.3 million Federal Funds), 108 positions and 93.64 full-time equivalent including three packages which make adjustments to the essential budget level for Special Schools:

- Package 090 incorporates certain statewide adjustments for rate changes in PERS and flexible benefits, adding \$22,565 General Fund.
- Package 810 implements program reductions as part of the statewide budget balancing plan including reducing \$812,970 General Fund for staffing support in the areas of custodial, food service, Board support, counseling, and instruction (minus eight positions and 7.95 FTE). It also reduces Services & Supplies by \$529,531 General Fund.
- Package 811 eliminates the essential budget for the School for the Blind including \$6.9 million General Fund, \$1.5 million Other Funds, \$0.2 million Federal Funds, 69 positions and 52.30 full-time equivalent. House Bill 2834 directs the closure of this school, effective September 1, 2009, and addresses the transition for certain students. The school will continue with its planned summer programs in 2009. Costs associated with closure, transition, and unemployment insurance will first be addressed through Other Fund balances. However, House Bill 2834 does contain a special purpose appropriation to the Emergency Board for the Department of Education's costs. The package leaves \$170,000 Other Funds for summer programs.

**Youth Corrections/Juvenile Detention Education Programs** support contracts with local education agencies for educational services in youth correctional facilities. The Subcommittee approved the Essential Budget Level of \$18.7 million Other Funds and \$2.3 million Federal Funds.

**Grant-In-Aid** – The Grant-In-Aid component of the department consists of state and Federal Funds that are distributed to local school districts, education service districts, regional and hospital programs, and other educational institutions for students with special needs.

The Subcommittee approved a budget of \$1,508.1 million total funds (\$279.5 million General Fund, \$15.2 million Other Funds, \$934.7 Federal Funds, and \$278.7 million non-limited) including four packages which make adjustments to the essential budget level for Grant-In-Aid:

- Package 090 reflects changes in the anticipated amount of Child Care Development Funds to be transferred from the Employment Department, for a \$10,823 Other Funds reduction.
- Package 113 shifts Carl Perkins Career & Technical Education related Special Payments of \$1.96 million Federal Funds out of the Grant-In-Aid program. There is a corresponding shift into the Operations program.
- Package 810 implements program reductions as part of the statewide budget balancing plan including:
  - Early Intervention/Early Childhood Special Education (EI/ECSE) is reduced by \$5,513,509 General Fund.
  - Regional Programs are reduced by \$811,444 General Fund.
  - Long-term Care & Treatment is reduced by \$509,967 General Fund.

- Hospital Programs are reduced by \$44,084 General Fund.
  - Chess for Success funding is eliminated for a reduction of \$215,880 General Fund.
  - Start Making a Reader Today (SMART) funding is eliminated for a reduction of \$260,187 General Fund.
  - Student Leadership programs are reduced by \$280,792 General Fund.
  - Mentoring is reduced by \$70,000 General Fund.
- Package 812 provides additional Federal Funds expenditure limitation to allow distribution of resources from the American Recovery and Reinvestment Act of 2009 to districts from the Individuals with Disabilities Education Act (\$117.68 million) and Title 1A of the Elementary and Secondary Education Act (\$119.39 million).

While available resources within the 2009-11 biennium are limited, early childhood education programs remain a legislative priority. To address concerns for declining service level and adequacy of funding for Early Intervention/Early Childhood Special Education, the Subcommittee approved the following budget note:

**Budget Note**

The Department of Education shall complete the development of a funding model for Early Intervention and Early Childhood Special Education programs which incorporates minimum service level expectations, caseload, and current cost estimates. In consultation with the Legislative Fiscal Office and Department of Administrative Services, the Department shall develop a key performance measure(s). The Department’s 2011-13 budget request shall incorporate the results of these efforts.

<b>Grant-In-Aid Program (\$ in millions)</b>						
<b>Program</b>	<b><u>2007-09 LAB</u></b>		<b><u>2009-11 EBL</u></b>		<b><u>2009-11 Approved</u></b>	
	<b>GF</b>	<b>All Funds</b>	<b>GF</b>	<b>All Funds</b>	<b>GF</b>	<b>All Funds</b>
EI/ECSE	\$104.19	\$132.72	\$116.83	\$146.24	\$111.32	\$140.73
Oregon Prekindergarten	96.08	96.08	110.08	110.08	110.08	110.08
Regional Programs	31.79	60.89	32.68	62.59	31.87	61.78
Long-term Treatment & Hospital	19.79	34.97	20.34	36.31	19.79	35.76
Title I Low-Income/Migrant Education	-	278.18	-	276.14	-	395.53
Nutrition	0.21	271.71	0.21	278.90	0.21	278.90
Local & Other Special Education	-	180.69	-	180.34	-	298.02
Title II Teacher Quality	-	56.7	-	55.89	-	55.89
Vocational Education	-	31.02	-	29.56	-	29.56
Teacher/Admin Quality (Mentoring)	5.00	5.00	5.14	5.14	5.07	5.07
Connectivity	0.62	0.62	0.64	0.64	0.64	0.64
Start Making a Reader Today (SMART)	0.25	0.25	0.26	0.26	-	-
Civics/Chess for Success	0.21	0.21	0.22	0.22	-	-
Student Leadership	0.76	0.76	0.78	0.78	0.50	0.50
Other Programs (primarily under NCLB Act)	-	95.70	-	97.61	-	95.65
<b>Total:</b>	<b>\$258.90</b>	<b>\$1,245.08</b>	<b>\$287.18</b>	<b>\$1,280.70</b>	<b>\$279.48</b>	<b>\$1,508.11</b>

**Common School Fund** – Certain earnings from the Common School Fund at the Department of State Lands are distributed to local school districts through the Department of Education. By statute they are considered local revenues to the districts.

The Subcommittee approved Package 801 which updates the distribution amount to reflect the April 15, 2009 projection of Common School Funds that will be transferred from the Department of State Lands through the Department of Education to school districts. The revised amount equals \$76.4 million.

**Debt Service** – This program budget provides debt service (principal and interest) on Lottery Revenue Bonds approved by the 1997 and 1999 Legislative Assemblies. Proceeds to schools were intended for the acquisition, construction, remodeling, maintenance, or repair of school facilities.

Package 801 reduces the essential budget level by \$601,406 Lottery Funds and \$11,412 Other Funds to reflect the May 2009 projection of interest earnings and Lottery allocations related to these debt service obligations.

### **Summary of Performance Measure Action**

See attached Legislatively Adopted 2009-11 Key Performance Measures form.