

Education Program Area

The Education Program agencies account for the largest share of the General/Lottery Funds expenditures in the state budget. Resources are provided for education related services for early childhood, K-12, and post-secondary levels. Services are generally provided by 197 school districts, 17 community colleges, the seven institutions under the Oregon University System, OHSU, and locally based providers (early childhood programs).

EDUCATION (Millions of Dollars)	2009-11 Actuals		2011-13 Leg. Approved		2013-15 Current Service Level		2013-15 Co-Chairs' Budget (1.0)		% Change 2011-13 LAB to 2013-15 CSL	
	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF
Community Colleges and Workforce Development	\$453.0	\$749.5	\$425.6	\$579.4	\$468.2	\$609.4	\$0.0	\$0.0	10.0%	5.2%
Education, Dept of	\$374.6	\$1,837.7	\$395.0	\$1,681.7	\$409.6	\$1,781.4	\$0.0	\$0.0	3.7%	5.9%
State School Fund & Other K-12 Grants	\$5,383.9	\$5,711.3	\$5,714.8	\$5,776.1	\$6,278.3	\$6,278.7	\$0.0	\$0.0	9.9%	8.7%
Oregon University System	\$752.8	\$5,203.2	\$691.3	\$5,262.3	\$754.8	\$755.6	\$0.0	\$0.0	9.2%	-85.6%
Oregon Health and Science University	\$77.0	\$174.0	\$66.0	\$167.0	\$69.8	\$101.4	\$0.0	\$0.0	5.7%	-39.3%
Oregon Student Access Commission	\$94.4	\$113.1	\$102.5	\$124.2	\$108.9	\$130.0	\$0.0	\$0.0	6.2%	4.7%
Teacher Standards & Practices Commission	\$0.0	\$5.3	\$0.0	\$5.5	\$0.0	\$5.5	\$0.0	\$0.0	N/A	-0.9%
EDUCATION TOTAL	\$7,135.6	\$13,794.0	\$7,395.2	\$13,596.2	\$8,089.6	\$9,661.9	\$0.0	\$0.0	9.4%	-28.9%
Percent of State Budget	52.7%	24.0%	50.0%	22.4%	47.6%	16.8%	N/A	N/A		
State Government Employment	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE
	19,145	13,392.72	19,140	13,484.59	483	462.17	0	0.00	-97.5%	-96.6%

NOTE: The 2013-15 Current Service Level for the State School Fund reflects an updated estimate based on the most recent PERS rate.

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none"> Over 77% of the GF/LF CSL in this program area is for payments to school districts from the State School Fund, 5.3% for state support for community colleges, and 6.5% for OUS education and general support. Major Other Funds resources are for internal transfers involving the State School Fund; fees and charges for services (ODE); and Tobacco Master Settlement Agreement revenues for OHSU debt service. Major Federal resources include Special Ed and Title I programs (ODE), and workforce training and assistance (CCWD). 	<ul style="list-style-type: none"> Major educational reform activities are being proposed which could affect the structure and budgets of agencies related to early learning, K-12, and post-secondary education. There is a large reduction in total funds for the Oregon University System since it is no longer considered a state agency, which means only General Fund and Lottery Funds will be included in the state's budget process starting in 2013-15. There is no state limit on expenditure of any Other Funds and Federal Funds, and OUS employees are no longer considered state employees. 	<table border="1"> <caption>EDUCATION Funding Comparison (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>General Fund/Lottery</th> <th>Other Funds</th> <th>Federal Funds</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$7,136</td> <td>\$4,801</td> <td>\$1,857</td> <td>\$13,794</td> </tr> <tr> <td>2011-13</td> <td>\$7,395</td> <td>\$4,881</td> <td>\$1,320</td> <td>\$13,596</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$8,090</td> <td>\$285</td> <td>\$1,338</td> <td>\$9,713</td> </tr> </tbody> </table>	Year	General Fund/Lottery	Other Funds	Federal Funds	Total	2009-11	\$7,136	\$4,801	\$1,857	\$13,794	2011-13	\$7,395	\$4,881	\$1,320	\$13,596	2013-15 CSL	\$8,090	\$285	\$1,338	\$9,713
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MAJOR CHALLENGES AND DECISION POINTS**Education Generally**

1. *There have been numerous efforts underway to “reform” the educational system in the state. The Governor and others have discussed this reform in terms of an integrated P-20 education system involving all aspects of education from early childhood learning such as Head-Start through post-secondary education (e.g., OUS).
2. *In the past two years new education entities have been created that affect the governance of education activities. These include the Oregon Educational Investment Board (OEIB), a chief education officer, the Higher Education Coordinating Commission (HECC), the Early Learning Council, and the Youth Development Council. These new entities are on top of the already existing Boards such as the State Board of Education and the Board of Higher Education.
3. *SB 253 (2011) sets an “aspirational” 40-40-20 goal by the year 2025 of having at least 40% of adults have at least earned a bachelor’s degree (4 year degree), another 40% have earned an associate’s degree or post-secondary certificate, and the remaining 20% receiving a high school diploma or its equivalent. One report prepared for the OEIB estimates that over 250,000 additional certificates, associate’s and bachelor’s degrees will be required by 2025 to meet this goal. In addition, to meet the 20% high school diploma goal will mean a significant increase in the high school completion rate. What is not known is the cost of actually moving toward this goal; but this cost will depend on how much students will be expected to pay, increased “productivity” in the education system or completion rates, and how much the costs of the various systems increase over time.
4. Enrollment growth for K-12 in recent years has been minimal, usually less than 0.1% per year and in some cases negative. There has been a larger increase in the number of special ADM weights (e.g., special education, ELL, or low income). In contrast, enrollment for Community Colleges and OUS institutions have increased until the current year. For example, Community College enrollment (based on a Formula Reimbursable FTE count) grew by over 19% between 2008-09 and 2010-11, in part due to the economy and the lack of jobs. The enrollment decreased a bit for the 2011-12 school year. The rapid growth in OUS enrollment experienced over the last four or five years appears to be slowing and early data shows 2012-13 Fall enrollment will grow less than projected.
5. The 2011 Legislature voted to withdraw over \$180 million from the Education Stability Fund (ESF) to supplement funding for the State School Fund. A similar amount would be available in the ESF for education spending in 2013-15 if specific statutory criteria are met and with the approval of 60% of each chamber’s members.

Early Learning Council/Youth Development Council

6. * HB 4165 (2012) eliminated the State Commission on Children and Families and the Oregon Commission for Child Care and transferred the responsibilities of those entities to the Early Learning Council and the Youth Development Council; budgets for both councils were moved into the Governor’s Office.

The 2013-15 Governor’s budget moves the programs from the Governor’s Office to the Oregon Department of Education (ODE), along with the Child Care Division from the Employment Department. Two new divisions – Early Childhood Division and Youth Development Division – house the programs. Early learning programs already within the ODE budget were also moved into the new budget structures. A separate document provides more details on the programs and associated Governor’s budget investments.

K-12 Education

7. The “official” CSL for the State School Fund is \$6.308 billion for GF/LF which is slightly higher than the most recent adjusted estimate of \$6.278 billion which has been updated with the most recent actuarial estimates for the PERS rate. The adjusted CSL is based on an overall state and local school funding estimate of \$9.574 billion of which \$3.295 billion represents local revenue. This is a 9.9% increase over the 2011-13 LAB driven primarily by increases in employee compensation (salary increases, PERS rates, and health insurance increases) and a small increase in enrollment.
8. Even though nominal total revenues have increased for K-12 on a per student basis; when adjusted for inflation, total revenue per student has fallen 9% from 1990-91 to 2010-11.
9. The Quality Education Model (OEM) estimates that the 2013-15 CSL for the State School Fund is approximately \$2.4 billion short of the amount the QEM generates to fund Oregon’s educational goals currently in law. This is slightly higher than the estimated \$2.2 billion gap for 2011-13.
10. Ballot Measure 85 re-directs any future corporate kicker refunds to the K-12 budget instead of being paid to corporate taxpayers. The first impact will be based on the forecast at the end of the 2013 session. Since the total revenues for the 2013-15 biennium would not be known until the end of the biennium (June 2015), there would not be a fiscal impact until the next biennium (2015-17).
11. Revenues for the Teacher Standards and Practices Commission have fallen off as the number of license applications has decreased. In 2009-10, the Commission received 27,756 applications falling to 22,631 for 2011-12. The trend is expected to result in over \$400,000 less in revenue for the 2013-15 biennium. The Commission has already reduced staff and will likely need to reduce services further.

Post-Secondary Education

12. The 2013-15 CSL for the payments made by the state to the 17 Community Colleges is \$432.7 million or 9.2% greater than the 11-13 LAB. This net \$36.4 million increase is primarily due to the restoration of the supplemental ending balance cut made in 11-13 (\$14.2 million) and increases in the assumptions for employee compensation of \$31.9 million including PERS and health benefits; offset by a \$9.2 million decrease based on anticipated growth in local tax revenues. An up-to-date estimate of the PERS rates for Community Colleges would decrease the CSL by \$1.6 million GF.
13. State support per student for Community Colleges has fallen over the last three biennia. It peaked in 2007-09 at \$2,778 per student FTE and dropped to an estimated \$1,559 for 2013-15. One result has been a 29% increase in the average annual amount a student pays for in-district tuition and fees between the 2008-09 and 2011-12 school years.
14. Proposed OUS tuition increases for 2013-15 are unknown at this time since OUS is no longer required to submit a budget for its Other Funds. Average resident undergraduate increases for 2011-12 were 7.5% and for 2012-13 are 6.0%.
15. *University local boards and disposition of OUS system-wide shared services such as audits, legal services, payroll, labor relations, treasury and banking, risk management, employee benefits, and government relations.
16. Reductions in state General Fund support for OUS instruction costs over the last few biennia have been backfilled with increases in tuition charges, resulting in tuition increasing at a rate higher than inflation or growth in family income.

17. Funding for the Oregon Student Access Commission's (OSAC) Opportunity Grant Program has not kept pace with the rising cost of tuition. Overall funding for the program has decreased slightly from 2007-09 (\$102.7 million in 2007-09 to \$99.5 million in 2011-13) while serving fewer recipients (65,823 in 2007-09 to an estimated 59,884 for 2011-12). Based on an assumption of a small growth in the average grant amount, the \$105.6 million for the 2013-15 CSL is expected to generate assistance for just over 58,000 students with an average grant of just over \$2,000 annually.

* See attachment for additional information on this item.