

**DEPARTMENT OF EDUCATION**

The Oregon Department of Education (ODE) provides support to the Superintendent of Public Education (now the Governor) and the State Board of Education and provides leadership, technical assistance, and oversight of programs relating to K-12 education, special education, compensatory education, pre-school programs, school nutrition, youth corrections, and vocational education. The agency also is responsible for distributing the State School Fund to school districts and education service districts (ESD) as well as operating the Oregon School for the Deaf. The figures in the table below include all programs for ODE except for the State School Fund which is included as a separate summary review.

DEPARTMENT OF EDUCATION	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
General Fund	319,396,354	340,837,528	367,172,563	442,924,073	0	7.7%
Lottery Fund	55,232,892	54,160,517	42,457,585	42,457,585	0	-21.6%
Other Funds	56,757,548	62,940,399	62,948,708	100,965,023	0	0.0%
Other Funds Nonlimited	103,361,263	107,024,055	107,024,055	104,457,340	0	0.0%
Federal Funds	975,253,839	831,354,523	851,766,267	987,696,859	0	2.5%
Federal Funds Nonlimited	327,692,063	285,380,254	349,992,872	349,992,872	0	22.6%
<b>TOTAL FUNDS</b>	<b>\$1,837,693,959</b>	<b>\$1,681,697,276</b>	<b>\$1,781,362,050</b>	<b>2,028,493,752</b>	<b>\$0.0</b>	<b>5.9%</b>
Positions	406	376	376	475	0	0.0%
FTE	381.74	357.79	356.80	448.26	0	-0.3%

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none"> <li>The majority of General Fund is for various grant-in-aid programs (\$320.8 million in CSL) including Early Intervention/Early Childhood Special Education, and OR Prekindergarten. Other General Fund uses include departmental operations (\$34.8 million) and the School for the Deaf (\$11.5 million).</li> <li>All of the Lottery Funds listed above are for debt service.</li> <li>Other Fund resources include fee revenues and transfers from the State School Fund to programs like the Deaf School and long-term care educational programs. Nonlimited Other Funds is primarily the Common School Fund.</li> <li>Almost 93% of the Federal Funds are for Grant-in-aid programs. Nonlimited Federal Fund resources are for nutrition related programs.</li> </ul>	<ul style="list-style-type: none"> <li>Current reorganization discussions include moving many more Early Childhood Learning programs and Youth Development programs to the Department of Education.</li> <li>The former elected Superintendent of Public Instruction position is replaced by the Governor; and he appoints a Deputy Superintendent as the agency head.</li> <li>Almost ODE's entire budget is pass-through funding to school districts and other providers. Employee compensation makes up less than 5% of the budget outlined above and just over 1% when the State School Fund (which is part of the ODE budget but not included here) is factored in.</li> </ul>	<p style="text-align: center;"><b>DEPARTMENT OF EDUCATION</b></p> <table border="1"> <caption>DEPARTMENT OF EDUCATION Budget Components (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>General Fund/Lottery</th> <th>Other Funds</th> <th>Federal Funds</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$375</td> <td>\$160</td> <td>\$1,303</td> </tr> <tr> <td>2011-13</td> <td>\$395</td> <td>\$170</td> <td>\$1,117</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$410</td> <td>\$170</td> <td>\$1,202</td> </tr> <tr> <td>2013-15 GB</td> <td>\$485.4</td> <td>\$205.4</td> <td>\$1,337.7</td> </tr> </tbody> </table>	Year	General Fund/Lottery	Other Funds	Federal Funds	2009-11	\$375	\$160	\$1,303	2011-13	\$395	\$170	\$1,117	2013-15 CSL	\$410	\$170	\$1,202	2013-15 GB	\$485.4	\$205.4	\$1,337.7
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**MAJOR CHALLENGES AND DECISION POINTS**

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| <ol style="list-style-type: none"> <li>1. The Oregon Department of Education (ODE) is currently completing an agency-wide strategic plan including establishing new mission and value statements. The statements stress that ODE is to assist and collaborate with educational partners, move toward eliminating the achievement gap, and be “results focused” with less focus on compliance where possible and more focus on customer service. The plan may likely lead to a reorganization of the agency in the future.</li> <li>2. The current funding pattern of ODE staff is likely a limitation in changing the focus and direction of the agency from one of a regulatory and compliance to one of technical assistance and collaboration. Over the past few biennia, ODE staff resources have moved from being funded with almost 50% General Fund (a much more flexible funding source) in 2007-09 to just over 36% in 2011-13. The limitation is that the positions funded with Federal and Other Funds are tied to specific programs and functions. The limited number of positions funded with General Fund resources may limit the ability of the agency leadership to move toward where it wants to be.</li> <li>3. *The Governor is the new Superintendent of Public Instruction but the agency is headed by the appointed Deputy Superintendent. In addition, there is a Chief Education Officer (CEdO) who has specific authority over the agency head as it relates to the overall organization of the P-20 system. The Oregon Education Investment Board and the State Board of Education also have significant roles in defining the activities of the agency. The transfer of Early Childhood Learning programs and Youth Development programs bring two other high level officials into the agency. What are not entirely clear at this point are how all the reporting lines and accountability measures will be finally defined.</li> </ol> | <ol style="list-style-type: none"> <li>4. The 2011 Legislature instructed the agency to report on the deferred maintenance needs and a staffing model for the School for the Deaf by the 2012 session. These two reports are linked since a staffing model will drive what facilities are required long-term. The agency has yet to make these reports and should be ready to present this information early in the 2013 session. There are several deferred maintenance issues at the aging school campus. A portion of the proceeds from the sale of the former School for the Blind property are designated for these maintenance needs, but these resources are likely insufficient to meet the overall needs completely. Complicating this is that a portion of these proceeds have been used to fund maintenance positions at the school leaving less to address the deferred maintenance needs. The agency is looking at alternative funding to meet all of the needs including leasing some of the School’s property currently not being used.</li> <li>5. The agency is currently checking to see if all of the maintenance of effort (MOE) requirements are met by the agency and schools under the Governor’s budget for federal programs like special education. It does not appear that there will be a significant problem under the CSL, but in the past additional funding has had to be added to the budget to meet the requirements. One area of concern is how the Governor’s proposal to use up to \$120 million of the ESD State School Fund resources for Student Achievement Centers will affect MOE.</li> <li>6. Adjustments to the budget may need to be made before final passage as other budget decisions are made. For example, depending on the number of beds funded at the Oregon Youth Authority (OYA), the budget for the Youth Corrections program, which funds the educational activities at OYA facilities, may have to be altered. A final figure for the Common School Fund will have to be determined.</li> </ol> |
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7. \*The Governor's budget assumes the transfer of Early Childhood Learning programs currently in the Governor's Office and the Child Care Division of the Employment Department to ODE. Almost \$41 million General Fund and almost \$200 million total funds are proposed to be transferred into the agency's budget with another \$266 million General Fund (\$295 million total funds) transferred from other units within the agency to the new Early Childhood Learning Division. Overall, 106 positions are transferred into the agency, most related to the transfer of the Child Care Division. There are several issues yet to be determined, including what the local delivery system (structure and accountability) for this set of programs will be.
8. \*A new Youth Development Division is also proposed in the Governor's budget transferring a variety programs currently part of the Governor's Office budget. Overall, \$8.4 million General Fund (\$19.6 million total funds) and ten positions are transferred into this new division.
9. The Governor's budget includes \$25.8 million General Fund in new initiatives proposed by the Chief Education Officer and the Governor. They include (1) *Oregon Reads* (\$8.8 million in ODE's budget) which is focused on getting children to read at the corresponding grade reading level; (2) *Connecting to the World of Work* (\$8.0 million) designed to strengthen technical, engineering, math and science offerings; (3) *Support for Post-Secondary Aspirations* (\$4 million) to provide transitional support for incoming 9<sup>th</sup> graders as well as mentoring and other services for at risk students; and (4) *Seamless Transitions* (\$5 million) to promote innovative approaches in grades 9 through 14 including expansion of the Eastern Promise and other collaborations between various educational entities. These are part of the ODE proposed budget, but program design and implementation will likely be directed by others. There are no specific staff resources included in the budget for these new initiatives.
10. The Governor's budget includes \$700,000 General Fund to begin the development of a longitudinal data system which is proposed to collect information on outcomes and other data elements necessary to redesign and operate a P-20 educational system; \$200,000 is designated for preparation of a business case for the system in the first year of the 2013-15 biennium, \$500,000 is for purchase of equipment for the system, and \$10 million has been designated in General Obligation bonding authority for development of the system based on the results of the business case.

\* See attachment for additional information on this item.