

**Analysis of the
2013-15
Legislatively Adopted Budget**



**Legislative
Fiscal
Office**

**State of Oregon
Legislative Fiscal Office**

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To the Members of the Seventy-Seventh Oregon Legislative Assembly:

Following is the **Analysis of the 2013-15 Legislatively Adopted Budget**, prepared by the Legislative Fiscal Office. This detailed publication provides agency program descriptions; analysis of revenue sources and relationships; discussions of budget environment; and review of budget decisions made by the Legislative Assembly for the 2013-15 biennium. The summary document, **Budget Highlights**, is also available.

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Table of Contents

EDUCATION PROGRAM AREA

Community Colleges and Workforce Development, Department of.....	1
Education, Department of.....	7
Health and Science University Public Corporation, Oregon.....	21
Higher Education Coordinating Commission.....	23
Oregon Education Investment Board.....	25
Student Access Commission, Oregon.....	27
Teacher Standards and Practices Commission.....	30
University System, Oregon.....	32

HUMAN SERVICES PROGRAM AREA

Blind, Commission for the.....	35
Children and Families, State Commission on.....	38
Health Authority, Oregon.....	39
Human Services, Department of.....	73
Long Term Care Ombudsman.....	101
Psychiatric Security Review Board.....	103

PUBLIC SAFETY PROGRAM AREA

Corrections, Department of.....	105
Criminal Justice Commission.....	115
District Attorneys and Their Deputies.....	116
Justice, Department of.....	118
Military Department.....	128
Parole and Post-Prison Supervision, Board of.....	142
Police, Department of State.....	143
Public Safety Standards and Training, Department of.....	153
Youth Authority, Oregon.....	155

ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA

Business Development Department.....	163
Employment Department.....	176
Housing and Community Services Department.....	183
Veterans' Affairs, Department of.....	192

NATURAL RESOURCES PROGRAM AREA

Agriculture, Department of	197
Columbia River Gorge Commission	200
Energy, Department of	203
Environmental Quality, Department of	209
Fish and Wildlife, Department of	213
Forestry, Department of	216
Geology and Mineral Industries, Department of	226
Land Conservation and Development, Department of	228
Land Use Board of Appeals	233
Lands, Department of State	235
Marine Board	238
Parks and Recreation Department	245
Water Resources Department	249
Watershed Enhancement Board, Oregon	252

TRANSPORTATION PROGRAM AREA

Aviation, Department of	255
Transportation, Department of	257

CONSUMER AND BUSINESS SERVICES PROGRAM AREA

Accountancy, Board of	277
Chiropractic Examiners, Board of	278
Construction Contractors Board	279
Consumer and Business Services, Department of	281
Counselors and Therapists, Board of Licensed Professional	291
Dentistry, Board of	292
Health Licensing Agency	293
Labor and Industries, Bureau of	294
Medical Board	301
Medical Imaging, Board of	302
Mortuary and Cemetery Board	303
Naturopathic Examiners, Board of	304
Nursing, Board of	305
Occupational Therapy Licensing Board	306
Pharmacy, Board of	307
Psychologist Examiners, Board of	309
Public Utility Commission	310
Real Estate Agency	314
Social Workers, Board of Licensed	315
Speech-Language Pathology and Audiology, Board of Examiners for	316
Tax Practitioners, Board of	317
Veterinary Medical Examining Board	318

ADMINISTRATION PROGRAM AREA

Administrative Services, Department of	319
Advocacy Commissions Office	330
Citizens' Initiative Review Commission.....	332
County Fairs.....	333
Employment Relations Board	334
Government Ethics Commission	340
Governor, Office of the.....	342
Historical Society, Oregon	344
Library, Oregon State	345
Liquor Control Commission, Oregon	352
Public Broadcasting, Oregon.....	358
Public Employees Retirement System.....	359
Racing Commission.....	367
Revenue, Department of	369
Secretary of State	380
Treasurer, Oregon State	387

LEGISLATIVE BRANCH

Legislative Assembly.....	393
Legislative Administration Committee	394
Legislative Counsel.....	395
Legislative Fiscal Office.....	396
Legislative Revenue Office	397
Commission on Indian Services.....	398

JUDICIAL BRANCH

Judicial Department.....	401
Judicial Fitness and Disability, Commission on	419
Public Defense Services Commission.....	421

EMERGENCY BOARD	429
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Department of Community Colleges and Workforce Development (CCWD) – Agency Totals

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	444,663,139	418,489,968	458,376,927	481,408,441
Lottery Funds	8,307,548	7,144,080	9,779,594	9,521,027
Other Funds	137,636,049	17,509,093	6,164,804	115,912,543
Federal Funds	142,433,655	118,161,396	116,068,422	107,203,669
Federal Funds (NL)	16,431,823	18,968,832	18,968,832	18,968,832
Total Funds	\$749,472,214	\$580,273,369	\$609,358,579	\$733,014,512
Positions	63	62	59	59
FTE	60.58	61.45	58.70	58.70

Agency Overview

The Department of Community Colleges and Workforce Development (CCWD) has two primary focuses: (1) post-secondary education through the community colleges system; and (2) workforce development. The Department provides coordination and financial assistance to the 17 locally based community colleges as well as monitors the effectiveness of the services the colleges provide. In the area of workforce development, the CCWD is the statewide administrator of federal programs such as the Workforce Investment Act (WIA) including the Adult Education and Family Literacy program. Federal workforce funds are distributed to seven Local Workforce Investment Boards who provide or arrange for services at the local level. The Oregon Youth Conservation Corps (OYCC) is also hosted by CCWD. Currently, the State Board of Education is the governing board for the state oversight and policy making as it relates to community colleges. With the passage of HB 3120 (2013), the State Board's authority and responsibilities will be assumed by the Higher Education Coordinating Commission (HECC) starting July 2014.

The combined General and Lottery Funds 2013-15 legislatively adopted budget of \$490.9 million represents an increase of \$65.3 million or 15.3% over the 2011-13 legislatively approved budget. The total funds budget of \$733 million is a 26.3% increase over the same period; but after factoring out the \$108.6 million in Other Fund for capital construction, the increase is 7.6%. Primary reasons for this growth include a \$54.2 million General Fund increase in the State Support for Community Colleges and a \$7.5 million General Fund workforce initiative.

CCWD – Administrative and Program Support

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	3,586,861	6,505,471	6,551,029	13,511,901
Other Funds	6,190,532	7,679,335	6,139,496	6,998,584
Federal Funds	142,433,655	118,161,396	116,068,422	107,203,669
Federal Funds (NL)	16,431,823	18,968,831	18,968,831	18,968,831
Total Funds	\$168,642,871	\$151,315,033	\$147,727,778	\$146,682,985
Positions	63	62	59	59
FTE	60.58	61.45	58.70	58.70

Program Description

This unit includes three primary areas or functions of the agency as outlined in the table on the following page.

	General Fund	Other Funds	Federal Funds	Federal Funds NL	Total Funds	Positions	FTE
Agency Operations	13,511,901	4,059,053	12,981,010	-	30,551,964	56	55.70
Federal & Other Support	-	415,128	93,138,910	18,968,831	112,522,869	-	-
Youth Conservation Corps	-	2,524,403	1,083,749	-	3,608,152	3	3.00
Total	13,511,901	6,998,584	107,203,669	18,968,831	146,682,985	59	58.70

Office Operations includes almost all of the staff for the agency including the business functions of the agency. This staff manages the State Support to Community Colleges budget, and provides leadership in the development and delivery of college transfer and professional/technical course work, adult literacy education, and workforce development services. A large share of the staff manages and coordinates the workforce programs and performs the state responsibilities under the Workforce Investment Act (WIA). The agency also co-administers Carl D. Perkins Professional/Technical programs with the Department of Education. The staff provides for GED testing, Basic Adult Skills Inventory testing, statewide adult basic education programming, course approvals, and oversight of state-supported community college capital construction projects. The workforce initiative (described below) passed by the 2013 Legislature is included in this area.

Federal/Other Support primarily includes the resources that are paid to other entities under the Workforce Investment Act (WIA) and the Carl D. Perkins Professional/Technical programs. The WIA Title IB program provides services to dislocated workers, youth employment training programs, and other workforce training programs for adults. These programs help workers obtain new skills to become more employable, improve their earnings, and decrease welfare dependency. CCWD retains a small portion of WIA Title IB funds for administration, but distributes the bulk of the funds to workforce investment boards and service providers in the state's seven local service delivery areas. Funding is also provided under WIA Title IB for the National Emergency Grant (NEG) program, which addresses mass layoff situations. The Adult Education and Family Literacy (also known as, Adult Basic Education) funds are provided through the WIA as well, but this is a separate program under Title II. These Federal Funds support developmental education for adults, and are distributed to community colleges and other community-based organizations.

Oregon Youth Conservation Corps (OYCC) provides education, training, and employment opportunities based on conservation efforts to disadvantaged and at-risk youth ages 14 to 25.

Revenue Sources and Relationships

Other Funds include fees from applicants for the General Education Development and Tracking Outcomes for Programs and Students System tests; charges to community colleges for the cost of copying Adult Basic Education curriculum materials; funds for project management of state bond financed projects; summer conference fees; and funds from the Oregon Department of Education for Carl D. Perkins Professional/Technical program support. OYCC also receives funding from the Amusement Device Tax levied on the state's video lottery terminals (ORS 320.013), donations, and fees for contract services.

Federal Funds include WIA Title IB, WIA Title II, National Emergency Grants (NEG), and United States Forest Service funding for Oregon Youth Employment Initiatives (OYEI). CCWD must apply to the federal government for any NEG funds, and expenditures of these funds are Nonlimited in the state budget. During the 2009-11 biennium, CCWD received one-time Federal Funds under the American Recovery and Reinvestment Act of 2009 (ARRA) including \$36.6 million under WIA Title IB and \$8.7 million under OYEI.

Budget Environment

Over the past few biennia, there has been an effort to maximize the use of Other Funds and Federal Funds for financing CCWD positions. As a result, there is the equivalent of 8.65 positions (2011-13) out of a total of 58.70 FTE that were funded with General Fund resources, down from 12.52 FTE in 2007-09. The budget for 2013-15 does not significantly change this trend. One consequence of this is that the remaining positions are tied to specific funding sources (mostly workforce related) that generally have restrictions on what they can do or programs they can work on. This limits the flexibility of the agency to take on new initiatives or move staff from one project to another. Most of the General Fund position resources must be used to meet responsibilities relating to the distribution of the State Support to Community Colleges, data collection and research, technical

assistance for community colleges, legislative requirements relating to community colleges, and the general operational activities of an agency.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$146.7 million total funds is \$4.6 million or 3% less than the 2011-13 legislatively approved budget. Most of this decrease is due to a \$8.8 million downward adjustment in Federal Funds anticipating lower WIA Title IB revenues. Both the amount sent to local Workforce Investment Councils and the amount the agency uses to fund agency staff and statewide initiatives are affected. The 2013-15 General Fund of \$13.5 million represents a \$7 million increase from the 2011-13 legislatively approved budget. The primary factor in this increase is the \$7.5 million work force initiative which directs funding to: (1) expand the Back to Work Oregon program (\$2.8 million), which matches jobs with workers whose skill sets meet the requirement of the job and provides on-the-job training; (2) continue the National Career Readiness Certificate, which guarantees new hires have the proper skills for the job (\$1.5 million); (3) implement the Certified Work Ready Communities program (\$750,000), which verifies availability of workers locally who have the proper training or skills; (4) support Sector Strategies (\$1.5 million), which are local employer-driven partnerships intended to grow businesses and employ the available local labor force; and (5) provide technical assistance, marketing, and evaluation of the programs included in this investment (\$525,000). Most of the funds will be sent out to communities or in support of communities. Two positions are created to support the initiative.

Other changes to the budget include a \$150,000 increase in Other Funds for a contract with an outside vendor for monitoring and oversight of the various capital construction projects at community colleges. The Other Funds expenditure limitation was also increased for the anticipated 2013-15 spending from three grants received in 2011-13 (\$831,000 and one limited duration position). Similarly, the Federal Funds expenditure limitation was increased by \$851,813 for a Bureau of Land Management grant received for the Youth Conservation Corps in 2011-13. The budget was reduced by \$44,343 General Fund (\$274,305 total funds) for the PERS savings related to SB 822. The budget was further reduced by \$275,715 General Fund for the purposes of the supplemental ending balance.

CCWD – State Support to Community Colleges

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	432,838,203	396,291,450	432,727,907	451,261,800
Other Funds	11,635	25,308	25,308	25,308
Total Funds	\$432,849,838	\$396,316,758	\$432,753,215	451,287,108

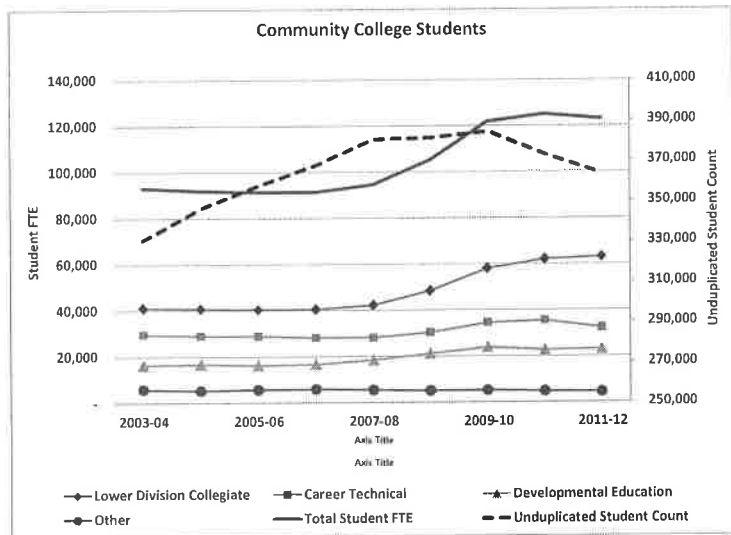
Program Description

All funds in the State Support to Community Colleges program are distributed to the 17 community colleges, except for a small portion allocated to support the Sabin-Schellenberg Skills Center and another skills center at Portland Community College. Starting in 2013-15, a new program is included in this budget unit which provides resources to certain community colleges for specific training for employees of Community Care Organizations (CCOs), which are the primary local health delivery entity for the Oregon Health Plan and other health related programs.

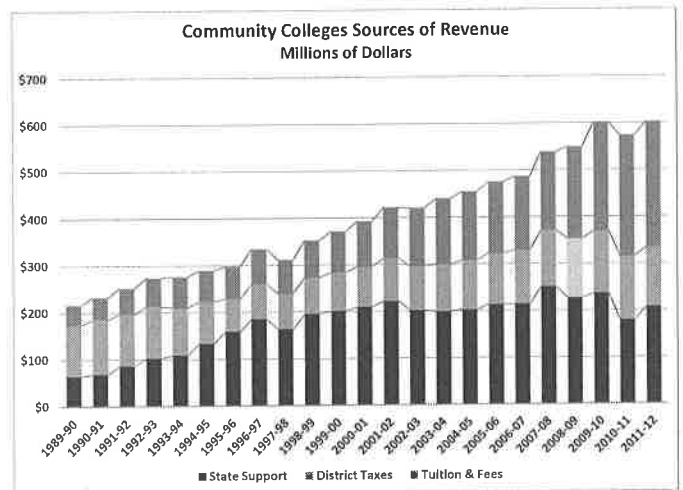
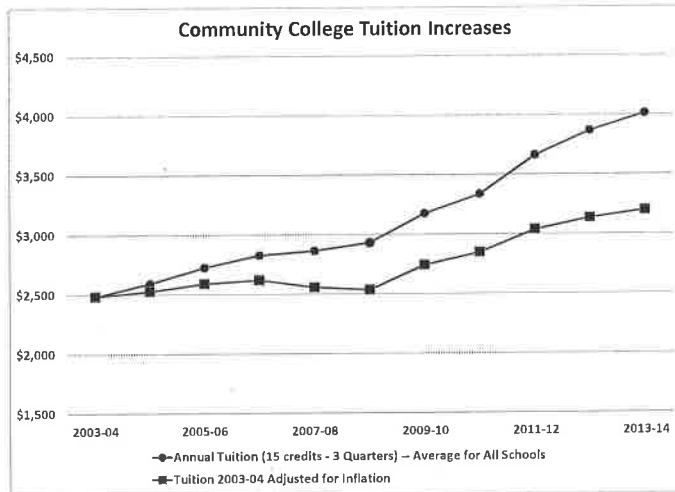
The general purpose state support funds for community colleges are primarily distributed on an adjusted enrollment basis. A small portion is distributed to support contracted out-of-district reimbursements, distance learning, and corrections programs. In addition, up to 1% of the total available is set aside and may be used to for statewide initiatives and activities as well as requests from individual community colleges for assistance in meeting new requirements and expectations. Generally, colleges receive funding for their full-time equivalent (FTE) enrollments in Lower Division Collegiate, Career Technical, Developmental Education, and certain Adult Continuing Education courses. Lower Division Collegiate courses parallel the offerings of the first two years of four-year institutions and carry regular college credit. Career Technical courses generally lead to a certificate or associate degree in a professional program. Developmental Education includes Adult Basic Education, English as a Second Language, GED and Adult High School programs, and post-secondary remedial courses. Adult Continuing Education courses aid in student self-development but do not lead to a degree.

Revenue Sources and Relationships

Other Funds reflect receipts from the state timber tax. Community colleges also collect property taxes to fund their operations. These taxes do not flow through the agency budget and are not included in any budget figures identified here. Approximately \$284.9 million of property tax collections are projected by the Department of Revenue for community colleges for operations in the 2013-15 biennium, up from an estimated \$275.7 million in the 2011-13 biennium. Tuition and fee revenues, which are not included in the state agency budget, also provide funding for community college operations.



The mix of core funding for community colleges between state support, property taxes, and tuition has changed over the past 20 or more years. The chart below shows the source of revenues for the period 1989-90 through 2011-12. What this shows is that community colleges have depended less on local property tax revenues while relying more on state support and tuition. The state support share grew from 30% in 1989-90 peaking at 55% in 1998-99, and falling back to 35% in 2011-12. Tuition and fees have become more and more important growing from 20% in 1989-90 to 44% in 2011-12.



Budget Environment

As demonstrated in the figure at the right, between the 2006-07 and 2011-12 academic years, full-time equivalent attendance at the community colleges has increased by almost 35%, primarily due to students taking lower division collegiate courses similar to what they would receive in the first two years in a four-year college setting. Almost all of this growth is concentrated in the period between 2007-08 and 2010-11 which overlaps with the economic recession. Many have asserted the growth is largely due to the unemployed and underemployed returning to school to attain new skills and post-secondary degrees and certificates. This growth is mainly due to students taking more classes or credits since the total number of students in that same period grows at a slower rate as measured by the unduplicated student count. As the graph shows, most of the unduplicated student count (dashed line) happened before the recession.

As the use of community colleges increases (as measured by student FTE), so did tuition levels. The figure on the left shows that tuition has climbed steadily since the 2003-04 school year, increasing by over 60%, or 6% per year. When adjusted for inflation (the bottom line on the graph), tuition still saw significant growth over the same period or by almost 30%. Tuition growth was especially prevalent after 2008-09 when inflation adjusted

tuition grew by over 26%, or by 5% per year. This corresponds to the period when state support was reduced because of state budget constraints.

HB 3120 (2013) authorizes the Higher Education Coordinating Commission (HECC) to adopt rules for distributing the appropriations for post-secondary education including the State Support for Community Colleges. There has been considerable discussion to look at new factors other than the current enrollment measures to base this distribution. Options include using measures of student success or completion such as the number of diplomas or certificates awarded by individual community colleges. A budget note included as part of HB 5008 (2013) instructed the HECC not to adopt any significant change to the distribution during 2013-15 without consulting with the appropriate legislative committees.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$451.3 million total funds is \$55 million or 13.9% greater than the 2011-13 legislatively adopted budget. All but \$25,308 is General Fund for this budget unit. Of the General Fund, \$450 million represents the general State Support to Community Colleges; while \$600,000 is allocated to the two Skills Centers, and \$673,800 is designated for the specific funding for training community healthcare workers to support the newly formed Community Care Organizations. The healthcare training program is new this biennium and the Skills Centers received \$530,750 in 2011-13.

The \$450 million General Fund for the general State Support for Community Colleges reverses a trend of decreasing state support over the past few biennia when state revenues were tighter. The 2013-15 amount represents a \$54.2 million General Fund increase over the \$395.8 million available for 2011-13, but still does not reach the \$495 million level distributed to community colleges in 2007-09. Based on the PERS policy changes relating to SB 822, \$9.3 million was reduced from the 2013-15 current service level and the community colleges should see lower PERS costs during the biennium as PERS rates have been adjusted. State Support for Community Colleges was not subject to the supplemental ending balance but a total of \$12,000 was reduced for this purpose for the Skills Centers.

CCWD – Community College Capital Construction and Debt Service

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund (DS)	8,238,075	15,693,047	19,097,991	16,634,740
Lottery Funds (DS)	8,307,548	7,144,080	9,779,594	9,521,027
Other Funds (DS)	2,823,882	200,000	0	307,051
Other Funds (CC)	126,610,000	9,604,450	0	108,581,600
Federal Funds (NL)	0	1	1	1
Total Funds	\$147,979,505	\$32,641,578	\$28,877,586	\$135,044,419

DS – Debt Service; CC - Capital Construction

Program Description

This program finances state support for the construction, acquisition, deferred maintenance, and major renovations of community college properties. The 2005-07 biennium legislatively adopted budget included, for the first time since the 1979-81 biennium, state support for community college capital projects. The projects were financed by Article XI-G bonds which are a constitutionally-authorized general obligation debt of the state. The state is required to match the bonds with at least an equal amount of General Fund. In lieu of regular General Fund, the community colleges were required to transfer local matching funds to the state. These matching funds are designated as the General Fund match, and the matching funds are then returned to the community colleges, with the Article XI-G bond proceeds. Lottery bonds are also issued on behalf of community colleges. Lottery Fund revenues are used for the debt service payments on these bonds and there is no required "local" match.

Budget Environment

The table below shows the authorized capital construction amounts for each community college by source on bonding proceeds. This is the authorized amount and in some cases the project has not gone forward at this point and no bonds have been issued for those projects.

Community College Capital Construction State Support (Article XI-G and Lottery Bonds)							
Community College	2005-2007	2007-09		2009-11		2011-13	2013-15
	XI-G	XI-G	Lottery	XI-G	Lottery	Lottery	XI-G
Blue Mountain			2,055,500		7,365,968	465,037	3,331,350
Central Oregon		5,778,000	2,822,250	5,700,000		500,000	5,260,000
Chemeketa		10,707,500	2,982,500	6,255,000	1,000,000	1,000,000	8,000,000
Clackamas		6,450,000	62,000	8,000,000		800,000	8,000,000
Clatsop	7,500,000	4,000,000	1,875,000		1,900,000	281,785	7,990,000
Columbia Gorge	7,500,000		1,595,000	8,000,000		297,193	7,320,000
Klamath	7,700,000		1,600,000			300,000	7,850,000
Lane		6,750,000	8,000,000	8,000,000		1,000,000	8,000,000
Linn-Benton		3,731,250	1,844,750			800,000	8,000,000
Mt. Hood		2,500,000	3,850,000		950,000	800,000	8,000,000
Oregon Coast	4,500,000	3,000,000	500,000	2,000,000		273,235	
Portland		10,827,500	3,087,500	8,000,000		1,000,000	8,000,000
Rogue	4,100,000		4,000,000		1,250,000	500,000	8,000,000
Southwestern	2,300,000		4,000,000			387,200	8,000,000
Tillamook Bay	4,900,000		175,000			300,000	2,000,000
Treasure Valley			1,413,350	3,000,000		500,000	2,830,250
Umpqua			4,000,000	8,500,000		400,000	8,000,000
Total	38,500,000	53,744,250	43,862,850	57,455,000	12,465,968	9,604,450	108,581,600

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget for debt service of \$16.6 million General Fund and \$9.5 million Lottery Funds is a combined 14.5% more than the amount required in the 2011-13 legislatively approved budget. Most of the growth is in Lottery Funds since no XI-G bonds were issued in 2011-13. There was also \$307,051 in Other Funds resources for debt service from interest earned from bond proceeds that are used to backfill General Fund debt service. The budget also reflects that bonds authorized in a previous biennium were not sold for projects at Umpqua and Clackamas Community Colleges so debt service is not required at this time. If and when the institutions have generated the necessary match for the projects, the bonds then can be sold.

The Legislature approved \$108.6 million in new capital construction projects to be financed with Article XI-G bonds. The projects and their planned source of matching funds are in the table below. The Legislature also extended the authority for the two projects (Clackamas and Umpqua Community Colleges) which have yet to gather the local match.

Community College Capital Construction Projects Approved by 2013 Legislature			
Community College	Project	Amount	Source of Required Matching Funds
Blue Mountain	Applied Animal Science Education Center	3,331,350	Grants, donations, corporate scholarships & possibly bond levy
Central Oregon	Academic & Student Services Center	5,260,000	COCC funds
Chemeketa	Applied Technology Classroom Center	8,000,000	Existing bond levy funds
Clackamas	Clairmont Career & Technology education Center	8,000,000	Extension Services revenues, capital campaign & bond levy
Clatsop	Health & Wellness Center	7,990,000	Legal settlement proceeds, tuition surcharge & fundraising
Columbia Gorge	Advance Technology Center	7,320,000	Fund raising & bond levy
Klamath	Student Success and Career Technical Center	7,850,000	Reserve funds, foundation, federal grants & District bonds
Lane	Center for Student Success	8,000,000	Existing bond levy funds
Linn-Benton	Nursing & Allied Health Facilities	8,000,000	Donations and bond levy
Mt. Hood	Student Services Enhancement	8,000,000	Loan paid by future tuition or bond levy
Oregon Coast	No Project		
Portland	Health Professions Center	8,000,000	Existing bond levy funds
Rogue	Health & Science Center	8,000,000	Partnership contributions; grants & capital campaign
Southwestern	Health & Science Technology Building	8,000,000	Private grants/donations & possible bond levy
Tillamook Bay	Career & Technical Workforce Facility	2,000,000	Reserve funds, partnerships, fundraising & District bonds
Treasure Valley	Workforce Vocational Center	2,830,250	Bond Levy or District bonds
Umpqua	Industrial Technology Building	8,000,000	Grants, donations & other sources
Total		108,581,600	

Department of Education (ODE) – Agency Totals

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	316,320,396	340,837,528	367,172,563	436,954,079
Lottery Funds	55,232,892	54,160,517	42,457,585	42,371,076
Other Funds	56,757,548	62,940,399	62,948,708	134,359,784
Other Funds (NL)	103,361,263	109,794,294	107,024,055	94,331,467
Federal Funds	975,253,839	831,354,523	851,766,267	996,058,997
Federal Funds (NL)	327,692,063	357,380,254	349,992,872	349,992,872
Total Funds	\$1,834,618,001	\$1,756,467,254	\$1,781,362,050	\$2,054,068,275
Positions	406	376	376	509
FTE	381.74	357.79	356.80	480.03

The figures above do not include the State School Fund resources which are part of the overall budget for the Oregon Department of Education, but for the purposes of the budget process are appropriated in a separate bill from the remainder of the ODE budget and are included as a separate section in this publication.

Agency Overview

The Oregon Constitution directs the Legislature to “provide by law for the establishment of a uniform and general system of common schools.” The State Board of Education and the State Superintendent of Public Instruction are responsible for adopting rules for the general governance of public schools (ORS 326.051(1)(b)); implementing statewide standards for public schools (ORS 326.011 and 326.051(1)(a)); and making distributions from the State School Fund to districts that meet all legal requirements (ORS Chapter 327). Under changes made with the passage of SB 552 (2011), the separately elected position is eliminated and the Governor is now the Superintendent of Public Instruction. The Governor appoints a Deputy Superintendent who acts as the agency head for Oregon Department of Education. The Chief Education Officer (CEdO) has specific authority over the Deputy Superintendent as it relates to the overall organization of the P-20 system. The Oregon Education Investment Board also has significant roles in defining the activities of the P-20 system as well as the agency.

The Oregon Department of Education (ODE) provides support to the State Board and the Superintendent in carrying out their responsibilities. ODE also is responsible, under federal and state laws, for administering special education programs, including services to disabled children from birth through age 21; pre-school or early learning programs; compensatory education programs; and vocational education programs. ODE’s role, generally, is to provide curriculum content standards, technical assistance, monitoring, accountability, contract and grant administration, and statewide leadership on a variety of education issues. Department staff provides direct educational services at the School for the Deaf and assist in the education program at the juvenile correctional institutions. ODE is currently implementing 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 2013-15 legislatively adopted budget for General Fund and Lottery Funds of \$479.3 million is \$84.3 million, or 21.3%, greater than the 2011-13 legislatively approved budget. The total funds budget of \$2.05 billion is 17.0% greater than the 2011-13 amount. Much of the growth is due to three factors: (1) the creation of two new divisions (Early Learning and Youth Development) which bring new programs to ODE from other agencies; (2) over \$25 million in General Fund for strategic education initiatives; and (3) over \$45 million Other Funds for the establishment of a Network of Quality Teaching and Learning. More detail on these and other changes in the ODE budget are included in the sections below.

As during the 2011-13 biennium, a statewide supplemental ending balance was established by reducing most General Fund budgets by 2%. The supplemental ending balance may be allocated to agencies later in the biennium if financial conditions warrant that action. For ODE, a total of \$8.6 million was reduced from the 2013-15 legislatively adopted budget. The State School Fund was not reduced for the supplemental ending balance calculation.

ODE – Operations

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	35,768,614	34,299,779	34,846,633	45,777,314
Other Funds	11,089,288	14,213,101	16,279,842	23,857,286
Other Funds (NL)	2,814,452	5,271,167	5,271,167	2,704,452
Federal Funds	51,136,469	58,278,523	61,571,238	72,071,879
Total Funds	\$100,808,823	\$112,062,570	\$117,968,880	\$144,410,931
Positions	284	269	272	422
FTE	273.22	264.34	268.27	400.84

Program Description

Department Operations includes the responsibilities and activities of the State Board and the Deputy State Superintendent, administration of most ODE programs, and assistance to and review of local districts. The Board adopts standards for public schools and is the policy-making body. The Superintendent and Deputy Superintendent exercise a general policy direction, monitoring, and oversight of public schools.

The Department is currently developing and implementing a new strategic plan and reorganization of the agency. The newly released Department organization includes the following units which include the staff and the related administrative costs for the various grant-in-aid and other programs found elsewhere in the ODE budget:

- The **Office of the Deputy Superintendent** provides the overall leadership and management of the agency. This office also includes government and legal affairs functions, the State Board of Education administrator, internal audit function, and communications.
- The **Office of Learning** includes the primary K-12 related staff and administrative functions; and is charged with integrating curriculum, instruction, assessment and accountability, equity, and student support services. Its priorities include improving equity as well as the health and wellness for all students. Included in this largest office in the Department are three primary units. First is the *Instruction, Standards, Assessment and Accountability Unit* with responsibility for administering programs related to educator effectiveness, Common Core State Standards, secondary and post-secondary transitions, various federal programs such as No Child Left Behind Act (NCLB), and statewide student assessment related activities. A second unit is the *Student Services Unit*. Programs managed by this unit include special education, child nutrition programs, long-term care and youth corrections/juvenile detention programs, and the Oregon School for the Deaf. The final unit is the new *Equity Unit* which is responsible for activities related to closing the achievement gap, migrant education, civil rights, and English Language Learners support and monitoring.
- Staff assigned to the **Early Learning Division**, established by the 2013 Legislature, administer programs including Oregon Pre-Kindergarten (OPK), Early Head Start, Great Start, Healthy Start, Relief Nurseries, and child care provider licensing, subsidies, and training.
- The staff of the **Youth Development Division**, also established in 2013, administers programs such as the Title XX Youth Investment program, Juvenile Crime Prevention program, Community Schools, Safe and Equitable Foster Care Reduction, and Gang Involved Youth Program.
- The **Office of Research and Data Analysis** will coordinate data analysis and research across ODE as well as coordinate with other researchers in other education-related agencies.
- The **Office of Finance and Administration** provides fiscal and administrative services, such as accounting, budgeting, employee services, and procurement. This office also is responsible for the pupil transportation program and the calculation and distribution of State School Fund payments to school districts and education service districts (ESDs).
- The **Office of Information Technology** will be responsible for the development and maintenance of the agency's technical and information infrastructure including data collection from and reporting on individual schools, school districts, and ESDs.

Revenue Sources and Relationships

Other Funds revenues include indirect cost recovery from federal programs based on cost allocation plans; fees for fingerprinting and background checks; funds from the Department of Human Services and Oregon Health

Authority for health-related and other programs; funds from the Department of Community Colleges and Workforce Development for professional/technical education services and administration; textbook review fees; and miscellaneous fees, contracts, and grants.

Major federal revenue sources include the Individuals with Disabilities Education Act (IDEA), the National School Lunch Program (Nonlimited), NCLB assessment funds, Child Care related funds, Title XX funds, and various compensatory education programs.

Budget Environment

As noted above, the agency is establishing new mission and value statements that are meant to lead the agency to assist and collaborate with educational partners, move toward eliminating the achievement gap, and be “results focused” with less focus on compliance and more focus on customer service. The funding pattern (through 2011-13) of ODE staff is likely a limitation in changing the focus and direction of the agency from one of regulation 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 such as oversight and monitoring as required by federal law. The limited number of positions that were funded with General Fund resources likely limits the ability of the agency leadership to move toward where it wants to be. The 2013-15 legislatively adopted budget does change this trend since positions related to the Network for Quality Teaching and Learning as well as the strategic initiatives are more flexible state resources including General Fund.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$45.8 million General Fund (\$144.4 million total funds) reflects an increase of \$11.5 million or 33.5% from the 2011-13 legislatively approved budget, and a \$32.3 million or 28.8% increase in total funds over the same period. The major factors for this increase include the following:

- The staffing and related costs associated with the new programs to the agency from the establishment of the Early Learning and Youth Development Divisions. A net increase of 116 positions (108.25 FTE) along with \$9 million General Fund (\$32.5 million total funds) is added to Operations for the programs administered under these divisions.
- Over \$1.6 million General Fund and one position (0.88 FTE) are added for ODE’s responsibilities under a Governor’s Executive Order (#13-04) that addresses the needs of individuals with disabilities, specifically in the area of employment.
- For the staffing of the three strategic education initiatives (described under the Grant-in-Aid section below) 10 positions (7.50 FTE) and \$2 million General Fund are included in the 2013-15 budget. A total of \$25.8 million is added overall in the ODE budget.
- The staffing and related costs of the new Network for Quality Teaching and Learning add \$3.7 million Other Funds and 16 positions (13.00 FTE) to the Operations budget. Other funding for this Network is found in the Grant-in-Aid section below. If the State Land Board approves additional distribution through the Common School Fund, an additional \$658,916 Other Funds and three positions (3.38 FTE) will also be added for the Network.
- A number of policy bills were passed that requires additional staffing and increased General Fund resources for the agency including: (1) SB 540 relating to School Capital Improvement Planning (\$425,000 and two positions); (2) SB 739 relating to Oregon Studies standards (\$146,167 and two positions); (3) HB 2644 relating to the reporting of class size (\$267,446 and two positions); (4) HB 2585 relating to the use of physical restraint or seclusion (\$102,674); and (5) HB 2912 relating to Career and Technical Education or CTE grants (\$239,770 and one position).
- \$700,000 General Fund is provided to prepare a business plan and related project management materials for a longitudinal data system covering the P-20 continuum and for replacement of equipment. The business plan is the priority use for these funds. The agency is required to report back to the Joint Committee on Ways and Means during the 2014 session on its progress. Once the business plan is completed, it can be presented to the Legislature and further funding for system development may be considered.

Other increases to this budget include a new position (\$83,342 General Fund) to concentrate efforts for education activities of Native Americans, and \$492,598 Federal Funds for three new positions for child nutrition programs.

Offsetting these increases are a number of items including; (1) the transfer of the Private Career Schools program to the Higher Education Coordinating Commission (-\$1.3 million total funds and four positions); (2) a number of items included in the Governor's budget that reduce the amount available for the State Board of Education, reduce information systems resources, require use of one-time resources or funding shifts, and eliminate the nursing and foreign language specialist positions (-\$1.9 million General Fund and two positions); (3) PERS related reductions resulting from passage of SB 822 (-\$536,274 General Fund); and (4) a reduction of \$909,397 General Fund for the 2% reduction for the supplemental ending balance. This budget also reflects changes in the organization of the Superintendent's office including the replacement of the elected Superintendent position with an appointed Deputy Superintendent position.

ODE – Oregon School for the Deaf

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	10,701,532	10,980,894	11,499,203	10,894,677
Other Funds	2,672,005	8,243,389	3,184,686	3,660,633
Federal Funds	413,048	300,000	335,259	505,778
Total Funds	\$13,786,585	\$19,524,283	\$15,019,148	\$15,061,088
Positions	106	99	96	83
FTE	92.64	85.45	80.53	75.19

Program Description

The School for the Deaf (OSD) is a residential/day program that serves students who are hearing-impaired. OSD provides academic and career education, living skills development, athletics, and leadership training. On average, 115 students receive services per year with approximately 35% in the day program and the remaining 65% residing on the campus during the school year. Currently, OSD is expecting 118 students for the 2013-14 school year.

HB 2834 (2009) directed the closure of the Oregon School for the Blind (OSB) and established the Blind and Visually Impaired Student Fund (BVI) to assist students in receiving services in their communities, providing technical assistance, and professional development for those who serve students who are blind or visually impaired. This Fund had been part of this budget unit; but starting in the 2013-15 biennium, it has been transferred to the Grant-in-Aid budget unit.

Revenue Sources and Relationships

Other Funds revenues reflect receipts from special education billings, donations, Medicaid reimbursements, fees from local school districts for services provided to their students, nutrition reimbursements, and other sources. When the BVI received a General Fund appropriation, those resources are transferred to an Other Funds account and may be carried forward into future biennia. Beginning in 2013-15 this Fund is no longer part of this budget unit. Federal Funds are from IDEA.

Budget Environment

HB 3687 (2010) directed the Department of Administrative Services (DAS) to transfer 50% of the net proceeds from the sale of OSB to ODE for improvements, repairs, and maintenance costs benefitting the health, safety, and housing of the students of OSD. DAS transferred approximately \$2.6 million for this purpose.

There were two budget notes in 2011 that instructed ODE to report during the 2011-13 interim on a staffing model and maintenance plan for the school. The report was finally presented to the 2013 Ways and Means Education Subcommittee during the 2013 session. A staffing model was presented, which has already been partially implemented. The report also presented deferred maintenance needs (see below) along with financing options. There are still a number of policy issues to be addressed regarding the mission and viability of operating a separate residential school for the deaf.

The OSD's facilities are aging and have significant deferred maintenance needs. A recent report estimated over \$3.5 million in deferred maintenance projects that need to be addressed in the next few years including roof replacement or repairs, installation of a new HVAC system to replace the current boiler system, asbestos

abatement, repair/replacement of windows and doors, and a variety of other projects. The report listed the use of the remaining funds transferred from the sale of the OSB, sale or lease of unused property on the school grounds, lease of underutilized OSD facilities, donations, General Fund resources, and the use of state issued bond proceeds as financing alternatives for these needs. The Subcommittee expressed interest in using surplus property at OSD as a means to finance some of the deferred maintenance projects, and directed ODE and the Department of Administrative Services to study whether and how a lease or sale of a portion of the real property at OSD would benefit the school (HB 2322).

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$10.9 million General Fund is less than 1% smaller than the 2011-13 legislatively approved budget. The total funds budget of \$15.1 million represents a 22.9% decrease over the same period, but this is primarily due to the transfer of the Blind and Visually Impaired Student Fund (\$988,426 General Fund and \$5.1 million Other Funds) to the Grant-in-Aid budget unit of ODE. Other changes in the budget include a realignment of the budget to reflect actual budget execution resulting in eliminating 11 positions (3.51 FTE) and transferring these resources to pay for differentials and temporary position funding. Another two positions were eliminated as part of the 2011-13 staffing reductions related to the "span of control" directive. Other Funds expenditure limitation of \$494,614 was added at the agency's request so spending that had been "non-budgeted" or "off the books" (such as that related to the Nightmare Factory) could be incorporated into the budget. PERS related reductions were \$232,375 General Fund (\$255,523 total funds) while another \$222,340 was reduced for the 2% supplemental ending balance.

ODE – Youth Corrections Education Program

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
Other Funds	20,079,684	15,030,552	14,874,525	16,069,050
Federal Funds	1,921,193	2,000,000	1,982,681	2,157,681
Total Funds	\$22,000,877	\$17,030,552	\$16,857,206	\$18,226,731
Positions	16	8	8	4
FTE	15.88	8.00	8.00	4.00

Program Description

ODE is responsible for ensuring that educational services are provided to children in the Oregon Youth Authority's (OYA) close custody facilities and county detention centers. The Department contracts with local education agencies (e.g., ESDs) to provide services to students. A small number of state employees remain connected to the program; and an agreement with the labor bargaining unit provides that as these state positions become vacant, they are eliminated and the financial resources are transferred to the contracts with the appropriate local education agency.

Revenue Sources and Relationships

Funding for the program comes from the State School Fund and is reflected as Other Funds. The program now is treated as a separate school district with per student revenues distributed through the formula. Federal funding is from the Title I Neglected and Delinquent Program and the Individual with Disabilities Education Act or IDEA.

Budget Environment

The Department contracts with seven school districts to administer education programs in nine OYA close custody facilities. Approximately 450 youth are served statewide. Students in these facilities receive double-weighting in the school funding distribution formula.

The Juvenile Detention Education Program provides education services to youth held in county juvenile department detention centers. Approximately 204 students are served on an average day with the average length of stay of four to five days. The Department contracts with 11 districts to provide programs in 12 county detention centers. Students in county detention centers are assigned a weight of 1.5 in the State School Fund distribution formula. Overall, spending for this program area has fallen due to the reduced number of students served in both OYA facilities and in county detention centers.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$18.2 million total funds is \$1.2 million or 7.0% greater than the 2011-13 legislatively approved budget. This budget was increased by \$763,678 Other Funds to reflect the anticipated number of students served in the program. Another \$443,726 Other Funds was added to reflect the program's share of the growth in the State School Fund. Four positions that had been vacant were eliminated and their funding transferred for contracting with the local ESD following the agreement with the labor bargaining unit.

ODE – Grant-in-Aid

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	269,850,250	295,556,855	320,826,727	216,750,714
Other Funds	20,419,731	22,927,624	28,609,655	73,227,494
Federal Funds	921,783,129	770,776,000	787,877,089	786,788,751
Federal Funds (NL)	327,692,063	357,380,254	349,992,872	349,992,872
Total Funds	\$1,539,745,173	\$1,446,640,733	\$1,487,306,343	\$1,426,759,831

Program Description

The majority of the Department's Grant-in-Aid programs purchase educational services for students with specific educational needs. These programs are administered by school districts or entities other than state government. Grants are made for special student services, such as compensatory education, teen parent programs, physical education, and child nutrition services. They also are made for special education services provided by regional programs, Early Intervention/Early Childhood Special Education (EI/ECSE), and private agencies. Other programs include vocational and workforce development, school reform implementation, transition efforts between secondary and post-secondary schools, and training of teachers and other education professionals. The 2013 Legislature approved a number of new programs including the Network for Quality Teaching and Learning which is described in the "Legislatively Adopted Budget" section below.

Regional programs, in collaboration with other entities, provide specialized educational support for children with hearing impairments, vision impairments, autism spectrum disorders, severe orthopedic impairments, and deaf-blindness. These are known as low-incidence disabilities, occurring in the general population at a low rate. There are eight regional contractors (generally an ESD) and each program hires trained, certified staff to provide the needed specialized services. The regional service delivery model provides equal access to services regardless of where the children live in the state.

The Department also is responsible for the delivery of education services to children in day and residential mental health programs as well as hospital programs, which provide educational services to students with severe, low-incidence types of disabling conditions such as burns, head injuries, and other acute or chronic medical conditions. ODE contracts with local school districts or ESDs to provide the required services.

Revenue Sources and Relationships

Other Funds revenues represent receipts from special education billings, state tobacco tax funds from the Public Health Division of the Oregon Health Authority for physical and tobacco education programs, federal funds from the Oregon Employment Department for the Teen Parent program, and miscellaneous grants.

The Department receives substantial federal funding for this program unit, mainly from the U.S. Department of Education for compensatory programs under the No Child Left Behind Act, special education, and teacher quality programs, and from the U.S. Department of Agriculture for nutrition programs. Most of the funding is passed through to local school districts or contractors.

Budget Environment

The EI/ECSE program serves children with disabilities and their families to improve developmental status and increase school readiness for each child. The EI portion of the program serves children from birth through age 2 and is statutorily required. The ECSE component serves children from age 3 until the age at which schooling begins (usually age 5) and is federally mandated (PL 99-457). The Department contracts with education service

districts to provide the services. Within the statewide budget development process, EI/ECSE falls under mandated caseload and receives funding adjustments based on caseload count plus inflation.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$1.43 billion total funds is \$19.9 million or 1.5% lower than the 2011-13 legislatively approved budget, while the General Fund budget of \$216.6 million is \$78.8 million or \$26.7 million less over the same period. The primary factor for this decrease is the \$126.7 million General Fund transfer of the Oregon Pre-Kindergarten program to the newly established Early Learning Division. Partially offsetting this transfer out was the \$988,426 General Fund (\$5.1 million Other Funds) transfer of the Blind and Visually Impaired Student Fund from the Oregon School for the Deaf to this budget unit. This budget also reflects a reduction of \$4.2 million General Fund over most grant-in-aid programs for the 2% supplemental ending balance. A detailed listing by major program is outlined in the table on the next page.

The Legislature approved a \$28.8 million General Fund set of strategic education initiatives with most of their funding in the ODE budget. Over \$23.8 million General Fund is included in this budget unit with another \$2 million in the Operation budget unit for the related staffing and other costs for these initiatives, which are:

- **Oregon Reads** (\$7.4 million), which is a set of early reading programs providing resources to families and caregivers, early literacy instruction, expanded access to libraries, extended time and individualized support for students, and scales up the existing Response to Intervention effort.
- **Guidance and Support for Post-Secondary Aspirations** (\$5.3 million), which provides resources to students to encourage their path to post-secondary education. Services or programs include mentoring for at-risk students and resources for dual credit and early college credit courses for secondary students.
- **Connecting to the World of Work** (\$11.1 million), which is designed to tie together educational activities with future work opportunities. Programs or services include increased funding for Science Technology, Engineering, and Math (STEM) programs, creation of regional STEM and CTE networks, and providing increased STEM and CTE programs to under-served populations. This initiative also includes resources for providing additional funding for the Eastern Promise program and expanding its concept to other regions of the state.

The Legislature also established the \$45 million Other Funds Network of Quality Teaching and Learning (HB 3233) which makes investments in mentoring, school district collaboration, educator preparation, activities to close the achievement gap, and support in implementing Common Core State Standards. A distribution from the school funding formula provides \$33 million Other Funds while the other \$12 million is contingent on a decision by the State Land Board to increase the distribution from the Common School Fund. Included in the Network are the Mentoring and School District Collaboration programs which had received approximately \$9.1 million General Fund in 2011-13. For 2013-15, the General Fund has been replaced with over \$20 million of Network Other Funds; consequently the net increase in Network related programs is \$36 million.

Funding (General Fund) for a number other programs was established or increased including Start Making a Reader Today or SMART (\$500,000), For Inspiration and Recognition of Science and Technology or FIRST (\$500,000), Student Achievement Improvement Grants (\$1.5 million), Farm to School nutrition program (\$990,000), and the Reach Out to Read program (\$100,000). A number of policy bills were passed expanding or establishing new General Fund grant programs including CTE Revitalization Grants (\$7.5 million), CTE Student Organization Grants (\$500,000), and the After School Meal and Snack Program (\$300,000). Funding for grants to districts for physical education was increased by \$4 million Other Funds using proceeds from the Tobacco Master Settlement Agreement.

Grant-in-Aid Programs

	<i>2011-13 Leg. Approved</i>		<i>2013-15 Leg. Adopted</i>	
	General Fund	Total Funds	GF	Total Funds
<i>Nutrition Programs</i>	2.26	287.64	3.61	353.60
Nutrition Programs	2.26	287.64	2.32	352.31
Farm to School programs (HB 2649 & HB 5008)	-	-	0.99	0.99
After School Meal/Snack Program (HB 2729)	-	-	0.30	0.30
<i>No Child Left Behind Program (NCLB)</i>	-	359.63	-	328.31
Title II (NCLB)	-	55.89	-	22.40
Low Income Part A NCLB	-	254.38	-	260.49
Vocational Education Grant Programs	-	27.60	-	28.26
Migrant Title I Part C	-	21.75	-	17.15
<i>CTE Related Programs</i>	1.83	1.83	9.88	9.88
CTE Revitalization Grants	1.83	1.83	9.38	9.38
CTE Student Organization Grants	-	-	0.50	0.50
<i>Teacher Training & Network of Quality Teaching</i>	9.10	9.10	-	40.62
School District Collaboration Grants	4.58	4.58	-	-
Teacher Mentoring	4.52	4.52	-	-
Network for Quality Teaching and Learning	-	-	-	40.62
<i>Strategic Education Initiatives</i>	-	-	23.85	23.85
Preparation for World of Work	-	-	7.51	7.51
Oregon Reads	-	-	7.37	7.37
Support for Mid High School	-	-	5.34	5.34
Seamless Transitions	-	-	3.63	3.63
<i>Physical Education Grants</i>	0.37	0.37	0.38	4.38
<i>Other K-12 Grants including FIRST, SMART & Reach Out to Read</i>	1.10	89.55	3.25	102.49
Connectivity	0.47	0.47	-	-
Innovative Education Title V	-	1.38	-	-
State Scholarships	-	0.07	-	34.33
Other Grant Programs	-	87.01	-	64.91
Student Leader Program & Accelerated College Credit	0.48	0.48	0.50	0.50
For Inspiration & Recognition of Science & Technology (Robotics)	0.14	0.14	0.65	0.65
Start Making a Reader Today (SMART)	-	-	0.50	0.50
Reach Out to Read Program	-	-	0.10	0.10
Student Achievement Improvement Grants	-	-	1.50	1.50
<i>IDEA and General Special Education Programs</i>	-	253.61	-	291.69
Regional Programs	25.83	55.74	26.45	57.08
Long Term Care Program	14.76	37.89	15.12	38.80
Hospital Programs	1.28	4.31	1.31	3.13
Blind & Visually Impaired Student Fund	0.97	5.97	0.99	6.12
Early Childhood Special Education/Early Intervention	115.26	145.34	136.04	164.04
Early Childhood Special Education	91.06	113.73	107.90	126.70
Early Intervention	24.20	30.23	28.14	37.34
Even Start Lit Title I Part C	-	1.37	-	-
Other Special Education Programs	-	5.88	0.05	6.95
Total Grant-in-Aid	172.76	1,256.85	220.91	1,430.92
Supplemental Ending Balance (2%)	-	-	(4.16)	(4.16)
Net Funding Level	172.76	1,256.85	216.75	1,426.76

ODE – Early Learning and Youth Development Divisions

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	0	0	0	163,531,374
Other Funds	0	0	0	17,545,321
Federal Funds	0	0	0	134,534,908
Total Funds	\$0	\$0	\$0	\$315,611,603

Program Description

The 2013 Legislature established two new Divisions for the Department of Education. The Grant-in-Aid components of the Divisions' budgets are in this section while the staffing and other costs are part of the Operations section above. The **Early Learning Division** (HB 3234) was established to consolidate and streamline the various early learning programs across state government. A primary goal for this consolidation was to create an early learning system which would result in children being ready for Kindergarten and

elementary school, both in terms of education readiness and being healthy. An estimated 40% of children are not ready for Kindergarten when they enroll. The governing and advisory entity for this new Division is the Early Learning Council, and the Division is led by the Early Learning Director. While the Division is part of ODE, the Early Learning Director is appointed by the Governor. The programs that are consolidated into this Division include: (1) the Office of Child Care from the Employment Department and the various programs it currently administers; (2) Oregon's Pre-Kindergarten (OPK) and Early Head Start programs in ODE; and (3) various programs formerly part of the Governor's Office, many of which were programs previously administered by the Commission on Children and Families (e.g., Healthy Start, Relief Nurseries, Race to the Top federal grant).

The **Youth Development Division** (HB 3231) was established to provide a focus point for youth-related programs and insure services provided to youth through 20 years of age are provided in a manner that is integrated, measurable, and accountable and supports academic success and reduces criminal involvement. There is also a Youth Development Council to provide direction and governance of the Division's program. The Division is led by a Youth Development Director who is appointed by the Governor. The programs transferred into the new Division are generally programs that had been part of the former Commission on Children and Families, including the Juvenile Crime Prevention Program, Title XX Youth Investment Program, Community Schools, and the Gang Involved Youth Program.

Revenue Sources and Relationships

The Early Learning Division receives Medicaid funding from the Oregon Health Authority for Healthy Start/Healthy Families and Title IV-B(2) federal funds from the Department of Human Services. These funding streams are spent as Other Funds in the Division's budget. Asset Forfeiture funds are used for Relief Nurseries. Federal child care funding is the largest source of federal funds and is used for the licensing, monitoring, and child care subsidies. The largest share of these funds is transferred to the Department of Human Services for the Employment Related Day Care (ERDC) program. The other major federal funding source is the Race to the Top grant, which funds a variety of activities in the Division.

The Youth Development Division receives Title XX from the Department of Human Services for the Youth Investment program as well as funding from the Casey Foundation. Federal resources are used for the Juvenile Crime Prevention program and gang related programs.

Budget Environment

The OPK program, established in 1987 and modeled after the federal Head Start program, serves low-income 3- and 4-year-olds to foster their development and enhance their success in school. State and federal funds, as well as services, are coordinated to serve eligible children. The 2007 Legislature authorized an additional \$39 million General Fund to expand services up to 75% of the eligible children. However, since that time, Head Start eased the entry standards from 100% of the federal poverty line to 130% resulting in an increased number of eligible children and a requisite reduction in the percentages served.

For both Divisions the local delivery systems have yet to be fully developed. The planned local system for the Early Learning Division's programs will depend on Early Learning Hubs designated by regional partners such as counties, school districts, ESDs, post-secondary institutions, nonprofit service providers, and others who come together in a self-defined region and apply to the Early Learning Council. The hope is that they will operate similar to the Coordinated Care Organizations for the Oregon Health Plan. The number of Hubs is limited to 16 by HB 2013 (2013). For the 2013-15 biennium, the Council is to establish Early Learning Hub Demonstration Projects with no more than seven receiving funding for the first year of the biennium. The Council is responsible for defining the selection criteria, developing final requirements and details that Hubs must operate under, and working out any boundary issues.

Legislatively Adopted Budget

The combined 2013-15 legislatively adopted budget for these two Division's Grant-in-Aid programs is \$163.5 million General Fund and \$315.6 million total funds. As shown in the table below, the Early Learning Division accounts for over 96.6% of the total General Fund resources and over 95.1% of the total funds. The Oregon Pre-Kindergarten program is by far the largest General Fund program with almost 80% of the General Fund allocated to the program. Most of the programs are at current service level (CSL); prior to the reduction for the supplemental ending balance, while a few programs received small increases over CSL including Oregon Pre-

Kindergarten, Head Start Collaboration, and Relief Nurseries. A total of \$3.3 million General Fund was reduced in these budgets for the 2% supplemental ending balance.

The brand new programs (not just new to ODE) or grant streams for the Early Learning Division include the Hub Funding, which will be distributed to the local entities designated as Hubs for the administrative and coordinative costs of delivery of services; one-time continuity funding for counties and their contractors for transition from the former structure to the new delivery system; and the Early Learning Kindergarten Readiness Partnership and Innovation grants, which are designed to assist partnerships and others to assist children be ready for Kindergarten or share best practices in professional development and services. For the Youth Development Division there is a \$1.8 million special purpose appropriation for program funding for the second year of the biennium for youth development grants, contracts, and local services. Prior to requesting the funds, the Youth Development Council must prepare and report on a plan on how to invest and distribute these funds.

Early Learning and Youth Development Grant-in-Aid Programs				
	2011-13 Leg. Approved		2013-15 Leg. Adopted	
	General Fund	Total Funds	General	Total Funds
Early Learning Division Grant-in-Aid				
<i>Oregon Pre-Kindergarten & Early Headstart</i>				
Oregon Pre-Kindergarten Grants (in general ODE Grant-in-Aid unit for 2011-13)	123.76	123.76	128.96	128.96
Early Headstart (in general ODE Grant-in-Aid unit for 2011-13)	123.76	123.76	127.42	127.42
<i>Hub Funding & Service Continuity Funding</i>				
Hub Funding	-	-	1.54	1.54
Service Continuity Funding	-	-	5.00	5.00
<i>Healthy Families Oregon</i>				
Healthy Families Oregon	-	-	4.28	4.28
<i>Relief Nurseries</i>				
Relief Nurseries	-	-	0.72	0.72
<i>Child Care Programs</i>				
Child Care Subsidies	-	-	14.13	18.09
<i>Other Early Learning Programs</i>				
Early Learning Kindergarten Readiness grants	-	-	14.13	18.09
Other Early Learning Programs	-	-	6.60	8.85
Race to the Top	-	-	6.60	8.85
Great Start	-	-	0.15	128.13
Children, Youth & Families	-	-	0.15	128.13
Family Preservation	-	-	6.42	11.51
CASA	-	-	4.00	4.00
Race to the Top	-	-	2.42	2.42
	-	-	-	5.08
	-	-	1.30	1.30
	-	-	0.74	0.74
	-	-	-	3.02
	-	-	0.08	0.08
	-	-	-	5.08
Total Early Learning Division	123.76	123.76	161.12	303.42
Supplemental Ending Balance (2%)	-	-	(3.22)	(3.22)
Net Funding Level	123.76	123.76	157.90	300.20
Youth Development Division Grant-in-Aid				
<i>Juvenile Crime Prevention Grants</i>				
Juvenile Crime Prevention Grants	-	-	5.66	8.64
<i>Other Youth Development Programs</i>				
Community Schools	-	-	0.09	6.89
Youth Investment	-	-	0.09	0.15
Casey Program	-	-	-	6.43
	-	-	-	0.30
Total Youth Development Division	-	-	5.75	15.53
Supplemental Ending Balance (2%)	-	-	(0.11)	(0.11)
Net Funding Level	-	-	5.63	15.41

ODE – Debt Service

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
Lottery Funds	55,232,892	54,160,517	42,457,585	42,371,076
Other Funds	2,496,840	2,525,733	0	0
Other Funds (NL)	1,351,778	2,770,239	0	0
Total Funds	\$59,081,510	\$59,456,489	\$42,457,585	\$42,371,076

Program Description

This program provides debt service (principal and interest) on Lottery revenue bonds, including \$150 million of bonds approved by voters in November 1997 and issued in Spring 1999; as well as \$127 million of bonds approved by the 1999 Legislative Assembly and issued in 1999-2001 for state education projects as defined in

HB 2567 (1999). There will be an outstanding balance of approximately \$2.5 million at the end of 2013-15 which will be fully paid over the next few biennia.

Proceeds to schools were intended for the acquisition, construction, remodeling, maintenance, or repair of school facilities. Schools also were allowed to use the proceeds for certain operational expenses, such as textbooks, computers, and instructional training.

Revenue Sources and Relationships

Lottery Funds include direct allocations from available revenues and 75% of the interest earnings from the Education Stability Fund. Other Funds include net unobligated lottery proceeds and interest earnings from the Education Lottery Bond Fund.

Legislatively Adopted Budget

The 2013-15 legislatively adopted Lottery Funds budget of \$42.4 million is \$11.8 million or 21.8% less than the 2011-13 legislatively approved budget. The budget has been adjusted to reflect the latest projections of interest earnings and biennial payment obligations.

ODE – Common School Fund Distributions

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
Other Funds (NL)	99,195,033	101,752,888	101,752,888	91,627,015
Total Funds	\$99,195,033	\$101,752,888	\$101,752,888	\$91,627,015

Program Description

This program reflects the transfers of Common School Fund (CSF) distributions from the Department of State Lands to the Department of Education for distribution to K-12 school districts. Previously, the Department of State Lands distributed these monies to county treasurers, who in turn made payments to school districts. In 2005, the Superintendent of Public Instruction became responsible for making these distributions to the districts. These distributions are then considered local revenues for the purposes of the school distribution formula.

Budget Environment

As of January 2006, fund growth is determined on the basis of a 3-year rolling average. If the growth is 5% or less, a minimum distribution of 2% of the fund’s fair market value is made. If the fund grows between 5% and 11%, the distribution percentage grows incrementally, up to a maximum distribution percentage of 5% if the fund grows by 11% or more. This policy was modified so that, effective with the December 31, 2009 distribution, the amount of the distribution shall be equal to 4% of the average balance of the preceding 3 years if the 3-year rolling average growth is less than 11%.

During the past five biennia, distributions have fluctuated as the change in CSF value has risen and fallen, with the lowest distribution of \$13.3 million in 2004 and a high of \$55.4 million in 2008.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget is based on a 4% distribution. The amount may be increased by \$12 million if the State Land Board votes for a higher increase than the one set out in Board general policy, which the Board also did in 2011-13. The total \$45 million designated for the Network for Quality Teaching and Learning depends on the Board voting for an increased distribution so a further \$12 million is available. Without the increased distribution, the Network will only have \$33 million available.

Oregon Department of Education – State School Fund

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	4,777,824,006	5,168,845,755	5,924,260,594	6,222,625,891
Lottery Funds	609,121,349	545,904,513	391,169,853	327,374,109
Other Funds	3,529,791	340,252	400,826	400,826
Federal Funds	323,893,772	61,000,000	0	0
Total Funds	\$5,714,368,918	\$5,776,090,520	\$6,315,831,273	\$6,550,400,826

For 2011-13 there was \$61 million Federal Funds related to the American Recovery and Reinvestment Act included in the total amount. No new funding was available for the 2011-13 biennium and this amount was included as a contingency if school and education service districts did not fully draw these resources prior to the close of the 2009-11 biennium. ODE estimates that approximately \$22 million of these funds were spent in 2011-13.

Program Description

The Oregon Constitution directs the Legislature to “provide by law for the establishment of a uniform and general system of common schools.” General state support for K-12 schools and Education Service Districts (ESDs) is provided through the State School Fund (SSF) and represents the state share of the amount distributed through the school equalization formula. The Department of Education (ODE) makes distributions of state support to school districts and ESDs that meet all legal requirements.

By far the largest use of the SSF is for distribution through the equalization formula to school districts (95.5% of the net distribution) and ESDs (4.5% of net distribution). Prior to this distribution there are a number of other statutorily defined distributions or “carve-outs” from the SSF including the High Cost Disabilities Account, facilities grants, ESD testing or assessment contract, Talented and Gifted (TAG) programs, funding for speech language pathologists, and Oregon Virtual School District funding. SSF resources are also allocated for students in Youth Corrections and Juvenile Detention programs, the Oregon School for the Deaf, and long-term care facilities and hospitals.

Allocations to school districts include a transportation grant and a general-purpose grant. The general-purpose grant follows a legislatively prescribed distribution formula based on number of students, additional weighting reflecting specific greater education costs (e.g., poverty, special education, and remote schools), teacher experience, and local tax resources. This formula was designed to equalize allocations to schools. Districts may also have local option levies for which the state may provide assistance with if the district qualifies. While the formula distribution provides the largest share of resources for school districts and ESDs, ODE distributes over \$1.4 billion of federal and state funding through the grant-in-aid programs for purposes such as child nutrition, special education, specialized education initiatives, and compensatory education.

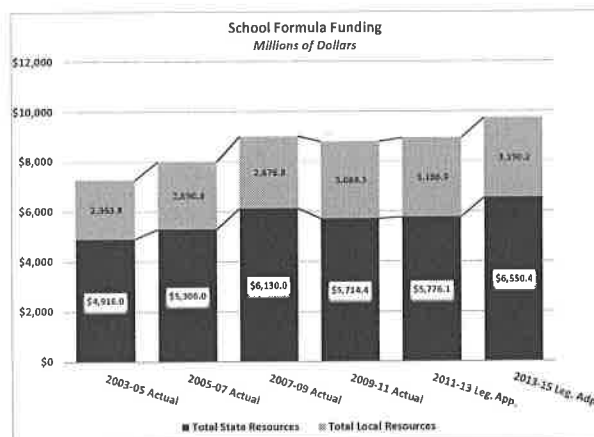
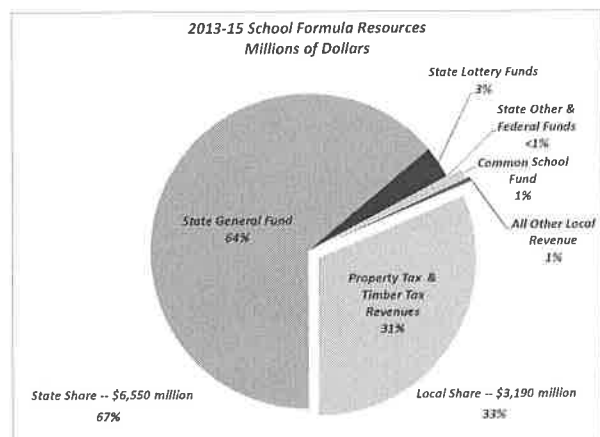
Revenue Sources and Relationships

In 1990, voters approved Ballot Measure 5 that altered the state-local finance structure. Measure 5 phased in property tax limits that substantially reduced local property taxes for schools, and the state increased its share of the funding and passed a new school equalization formula. By the end of the five-year tax limit phase-in, the state primarily funded the school system and virtually eliminated local control over school funding levels. Measure 50 (a rewrite of Measure 47 passed earlier) added another property tax limit more restrictive than Measure 5 and again the state increased its share of the funding. For the 2013-14 school year, the State School Fund share of the distribution amount through the equalization formula for school districts and ESDs represents 67% or two thirds with various local revenues representing the remaining 33%.

The majority of the SSF budget consists of General and Lottery Funds. The Other Funds portion of the reflect receipts from the state timber tax and donations of kicker rebates. The Education Stability Fund, which originates as Lottery Funds, was accessed for the SSF during the 2007-09, 2009-11, and the 2011-13 biennia. The Oregon Rainy Day Fund (General Fund) was used for the SSF in the 2009-11 biennium. Neither Fund was used for the 2013-15 legislatively adopted budget.

As noted above, the majority of the SSF is distributed to school districts and ESDs through an equalization formula with the SSF representing the state portion combined with a variety of local revenues. These local

revenues include local property taxes, local timber tax revenues, revenue from state managed timber, the Common School Fund, payments in-lieu of property taxes, and excess local ESD revenues. The pie chart on the left below demonstrates the breakdown between the distribution formula revenue sources for 2013-15 while the chart on the right provides some historical context of the state/local revenue mix.



Budget Environment

Currently, there are 197 elementary and secondary school districts and 19 education service districts, serving about 536,000 students (ADM) in grades K-12. The School Revenue Forecast Committee estimates enrollment growth of 0.1% per year during the 2013-15 biennium with weighted growth of 0.4% per year. Overall weighted ADM is estimated at 665,000 for the 2013-14 school year.

In 2001, the Quality Education Commission (QEC) was established to: 1) determine the amount of moneys sufficient to ensure that the state's system of kindergarten through grade 12 public education meets quality goals; 2) identify best practices that lead to high student performance and the costs of implementing those best practices in the state's kindergarten through grade 12 public schools; and 3) prior to August 1 of each even-numbered year, issue a report to the Governor and the Legislative Assembly. This report identifies: a) current practices in the state's system of kindergarten through grade 12 public education; the costs of continuing those practices, and the expected student performance under those practices; and b) the best practices for meeting the quality goals, the costs of implementing the best practices, and the expected student performance under the best practices. Based on the QEC's Quality Education model estimates, the legislatively adopted budget's SSF amount is still roughly \$2 billion short of funding Oregon's educational goals currently in law.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget for the State School Fund is \$6.55 billion total funds of which \$6.22 billion is General Fund and \$327.4 million is Lottery Funds. The combined 2013-15 General and Lottery Funds commitment to the SSF is \$835 million or 14.6% greater than the amount available for 2011-13. The 2011-13 amount included over \$182 million from the Education Stability Fund while the 2013-15 amount includes no allocation from this Fund. This 2013-15 legislatively approved budget for the SSF is \$234 million greater than the 2013-15 current service level estimate and \$398 million more than what the Governor proposed in his budget. School districts and other local government budgets will also benefit from the PERS changes assumed as part of SB 822 (2013). It is estimated that school districts and ESDs will see over \$200 million in savings from these PERS changes.

The 2011 Legislature passed SB 250 (2011) which decreased the ESD allocation from 4.75% to 4.5%. Furthermore, of the 4.5% ESD share, a further reduction of 0.25% of the total formula distribution was allocated to the Regional Education Services account within the Office of Regional Educational Services. The same bill provided the opportunity for some school districts to withdraw from their ESD. The Office was never established and only a small amount of ODE spending was financed from the new account, and the remainder went to school districts. HB 2506 (2013) abolished the Office of Regional Educational Services and the account as well as the 0.25% allocation. HB 3401 (2013) provided further opportunity for school districts to withdraw from their ESDs in specific areas of the state.

As noted above, the SSF funds a variety of programs other than the general grants to school districts and ESDs. The table below provides an estimate of the overall 2013-15 resources and distributions of the SSF and local revenues for the equalization formula. These figures are based on the revenue and expenditure estimates projected by ODE at this time.

2013-15 State School Fund & Local Revenues Spending		
<i>Millions of Dollars</i>		
Projected Resources		
State School Fund Appropriation		6,550.40
Local Revenues		3,190.15
Property Taxes & Timber Tax Revenues	3,052.35	
Common School Fund	89.56	
County School Fund	15.72	
State Managed Timber	28.53	
All Other	4.00	
Total Projected Resources		9,740.55
Projected Expenditures		
State-wide Uses		
Oregon School for the Deaf	1.50	
Youth Corrections and Juvenile Detention Programs	21.00	
Long Term Care	22.50	
Skilled Nursing Facility Distribution	0.50	
Talented and Gifted Programs	0.35	
Speech Language Pathologists	0.15	
District Best Business Practices	-	
ESD Testing/ Assessment Contract	0.97	
Virtual School District	1.60	
Network for Quality Teaching and Learning	33.00	
Distributed to Local School Districts and ESDs		
General Purpose & Transportation Grants to School Districts	9,135.77	
General Purpose Grants to Education Service Districts (ESDs)	418.67	
High Cost Disabilities Account	36.00	
Facilities Grants	20.00	
Local Option Equalization Grants	3.54	
Small School District Supplement	5.00	
Reserve Account	40.00	
Total Projected Expenditures		9,740.55

Oregon Health and Science University Public Corporation – Agency Totals

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	77,012,354	66,041,261	69,794,258	72,362,387
Other Funds	30,520,386	31,634,760	31,639,826	31,639,826
Other Funds (NL)	66,435,465	69,307,022	0	0
Total Funds	\$173,968,205	\$166,983,043	\$101,434,084	\$104,002,213

Agency Overview

The Oregon Health and Science University (OHSU) is the only public academic medical center in the state. OHSU's mission includes education, research, clinical care, and public service; and provides services across the state through its full service and trauma center hospital, clinics, research centers, community outreach programs, and health care professional training programs. In addition to its primary site in Portland, OHSU also has clinical facilities throughout the Portland metropolitan area, the Oregon Primate Research Center, and teaching programs in various locations throughout the state. Although operating as a public corporation since 1995, the university is governed by a Board of Directors that is appointed by the Governor and confirmed by the Senate. The Legislature no longer approves the university budget (or limits its expenditures from tuition and other sources), but the state continues to directly support OHSU through grants for academic programs (Schools of Medicine, Dentistry, and Nursing), Area Health Education Centers (AHEC), Child Development and Rehabilitation Center (CDRC), the Oregon Poison Center, and debt service for the Oregon Opportunity Program.

Revenue Sources and Relationships

To finance the Oregon Opportunity Program, an expansion of research programs in genetics and biotechnology, OHSU received \$200 million in Article XI-L bond proceeds in 2001-03 and 2003-05. Other Funds are solely Tobacco Master Settlement Agreement funds for debt service on these bonds. The final payment is scheduled in 2024. The Nonlimited Other Funds in the above table for 2009-11 and 2011-13 represent the expenditures associated with refinancing of the bonds.

Budget Environment

State support for OHSU's education and clinical programs has declined since the institution was reorganized as a public corporation. OHSU received \$125.1 million from the state in 1993-95, the last biennium that it was a part of the Department of Higher Education. The amount of General Fund allocated to OHSU fell between 2007-09 (\$82.2 million) and 2011-13 (\$66 million) – the Legislature increased the amount for 2013-15 to \$72.4 million.

OHSU's educational programs alone do not generate sufficient revenue to cover their operating costs and have been subsidized with operating gains from healthcare or clinical services as well as the state's General Fund. If the General Fund or other sources decrease, tuition often has had to be increased to make up the difference. Based on information provided by OHSU, the School of Medicine's tuition is ranked high compared to schools that have similar quality, program, and mission. For the 2012-13 school year, OHSU's rate was \$43,682 for residents (\$58,480 for non-residents) compared to the mean of a group of comparable schools of \$33,255 (\$55,952 for non-residents). Data provided by OHSU demonstrated that its tuition for 2011-12 was the third highest of public medical schools. Similar trends are demonstrated for the Schools of Nursing (graduate level) and Dentistry where in-state tuition rates are higher than for comparable schools.

According to data provided by OHSU, direct state appropriations make up less than 1.5% of OHSU's total revenues – by far the largest revenue source are patient service revenues which includes indirect state resources through the Oregon Health Plan and state employee health services. In fiscal year 2013, the state's appropriation was 1.4% of OHSU's board approved \$2.1 billion operating budget and accounted for the following percentages of unrestricted budgeted revenues in the School of Medicine – 4%, School of Nursing – 36%, School of Dentistry – 12%, AHEC/Rural Health – 85%, CDRC – 22%, and Oregon Poison Center – 50%.

Legislatively Adopted Budget

After factoring out the 2011-13 one-time Other Funds (Nonlimited) expenditures for debt refinancing of \$69.3 million, the 2013-15 legislatively adopted budget of \$104 million total funds is 6.6% greater than the 2011-13 legislatively approved budget. The General Fund increase parallels the total funds increase while the Other Funds limitation for debt service essentially stays the same between the two biennia. The table below demonstrates the allocation of the General Fund resources between the major programs. The budget for OHSU was not subject to reductions for the supplemental ending balance.

Program/Activity	2009-11 Actual	2011-13 Approved	2013-15 LAB
School of Medicine	27,582,683	22,863,225	23,979,517
School of Nursing	22,684,126	19,787,830	20,738,121
School of Dentistry	11,256,091	9,273,415	9,718,762
Area Health Education Centers/Office of Rural Health	4,451,146	4,054,092	4,248,786
Child Development and Rehabilitation Center	8,622,991	7,239,450	7,710,000
Oregon Poison Center	2,415,320	2,316,624	2,467,201
Health Care Professionals Tuition Assistance (e.g., SB 2)	-	525,000	3,500,000
Total	77,012,357	66,059,636	72,362,387

The Legislature provided an additional \$2.2 million General Fund beyond the amount in the Governor’s budget for the Schools of Medicine, Nursing, and Dentistry as well as for the Area Health Education Centers. This increase was provided with the understanding that it would be used to freeze tuition in the second year of the biennium, maintain the same proportion of Oregon residents in the schools, continue rural rotations for medical students, maintain Office of Rural Health programs at 2013 levels, and continue the rural K-12 “pipeline” programs.

SB 2 established the Scholars for a Healthy Oregon, a program to provide a scholarship to eligible participants who are entering an OHSU training program for physicians, dentists, nurse practitioners, physician assistants, and nurse anesthetists. Participants who agree to serve in medically underserved communities for at least one year longer than they participated in the training program are provided a conditional scholarship. Failure to complete this requirement results in the repayment of the scholarship plus a 25% penalty. The repayment and penalty is reduced proportionately for each year the participant serves in the designated area or community. A total of \$2.5 million General Fund was approved which is estimated to serve 21 students for the 2014-15 school year. Also approved, was \$1 million General Fund to continue the Primary Health Care Loan Forgiveness Program within the Office of Rural Health.

Higher Education Coordinating Commission – Agency Totals

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	0	0	0	3,111,497
Other Funds	0	0	0	1,732,885
Other Funds (NL)	0	0	0	200,000
Federal Funds	0	0	0	342,759
Total Funds	\$0	\$0	\$0	\$5,387,141
Positions	0	0	0	27
FTE	0	0	0	20.65

Agency Overview

The Higher Education Coordinating Commission (HECC) is a 15 member commission appointed by the Governor and confirmed by the Senate. Its primary focus is strategic planning for the entire public post-secondary education system in the state. The Commission also advises the Oregon Education Investment Board (OEIB) on state investments for post-secondary education. Other responsibilities include: (1) develop goals and accountability measures for the post-secondary system; (2) develop a strategic plan; (3) develop a finance model for the higher education based on the strategic plan; and (4) approve and authorize degrees for the public universities.

The passage of SB 270 and HB 3120 also add a number of duties to the HECC portfolio. Starting in 2014, the Commission will take over the current responsibilities of the State Board of Education as it relates to the Community College system as well as assuming the responsibilities of the Oregon Student Access Commission (OSAC) which will be eliminated. The existing state staff for the Community College and Workforce Development Department and the current staff of OSAC will remain separate state agencies, but answer to HECC and its staff director. Two other programs and their budgets have been transferred to HECC. The Office of Degree Authorization, which had been part of the OSAC office, evaluates and approves degree granting institutions and their programs that are not part of the OUS system, who do not have regional accreditation, or offer programs from a base outside of the state. The Private Career School program was transferred from the Oregon Department of Education and licenses career schools, approves their programs, and investigates complaints regarding these schools.

Revenue Sources and Relationships

The General Fund provides the resources for the planning, monitoring, and coordinating functions of HECC. The Office of Degree Authorization and the Private Career School Program rely on fees on the institutions licensed by the two programs. Both programs had fee increases or restructuring approved during the 2013 legislative session. The Tuition Protection Fund of the Private Career Schools Program relies on assessments of the schools under the jurisdiction of the Program; and provides resources to students who attended schools and had funds or services due to them after the school went out of business. The Private Career School Program also has a contract with the U.S. Department of Veterans' Affairs for specific programs for veterans.

Budget Environment

The 2013-15 biennium is the first budget period that HECC is a separate state agency with its own budget. Even though HECC was established in 2011-13, it did not have any budget and consequently any staff. Staff from the Office of the Governor, Oregon Education Investment Board (OEIB), Department of Community College and Workforce Development (CCWD), and the University System's Chancellor's Office provided support for the Commission.

Both the Office of Degree Authorization (ODA) and the Private Career Schools Program have seen growth in the number of schools and programs they are responsible for. The ODA's program growth is primarily due to the number of online and placement programs that have started offering programs to Oregon students. In 2007-09, 39 such institutions were under ODA oversight and the number grew to 60 in 2009-11 and to 147 in 2011-13.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget is \$3.1 million General Fund, \$1.7 million Other Funds, and \$5.4 million total funds. There is no 2011-13 budget for this agency for comparison. The budget (including a reduction of \$45,957 General Fund for the supplemental ending balance) is divided between its general coordination/ planning functions and its regulatory functions as follows.

	2013-15 Legislatively Adopted Budget					Positions	FTE
	General Fund	Other Funds	Other Funds NL	Federal Funds	Total Funds		
Policy and Coordination Functions	2,952,253				2,952,253	15	10.65
Office of Degree Authorization and Private Career Schools Program	159,244	1,732,885	200,000	342,759	2,434,888	12	10.00
Total	3,111,497	1,732,885	200,000	342,759	5,387,141	27	20.65

The Legislature first provided \$2.2 million General Fund (9 positions, 6.96 FTE) for the original planning and coordination functions of HECC. This amount included an Executive Director, three Fiscal or Policy Analysts, an Education Specialist, an Accountant, an Information Systems Specialist, and support staff phased in over a 12 month period. This amount also included \$250,000 for outside contracts and resources for the general operating costs of the agency and Commission. An additional \$859,630 General Fund and policy related staff (6 positions, 3.69 FTE) was added after the passage of SB 270 and HB 3120 to reflect the additional workload of these two higher education governance bills. It should be noted that since this is a new agency with a new set of responsibilities, it is not certain what the exact staffing needs are at this time.

The original staff and budget of the Office of Degree Authorization (ODA) was transferred from OSAC to HECC in the amount of \$117,060 General Fund, \$416,106 Other Funds, and two staff (2.00 FTE). Based on the additional anticipated fee revenue from a restructuring of the Office’s fees, the General Fund was eliminated, an additional \$441,981 Other Funds resources and two additional positions (1.50 FTE) were approved. For the Private Career School Program, the existing five positions (4.00 FTE) and \$996,592 total funds (\$452,228 Other Funds, \$200,000 Other Funds Nonlimited, and \$344,364 Federal Funds) were transferred from the Department of Education to HECC. Similar to the ODA program, the budget for the Private Career School Program was enhanced due to fee increases. An additional \$296,908 Other Funds resources and three new positions (2.50 FTE) were added. To tide the Program over until sufficient fee revenues are collected, a one-time \$162,494 General Fund appropriation was provided for the Program. The budget also includes \$150,000 in Other Funds limitation for development of a new information system which had originally been approved by the Emergency Board in 2012.

Oregon Education Investment Board – Agency Totals

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
General Fund	0	0	0	6,035,608
Total Funds	\$0	\$0	\$0	\$6,035,608
Positions	0	0	0	15
FTE	0	0	0	15.00

Agency Overview

The Oregon Education Investment Board (OEIB) is a 13 member board appointed and chaired by the Governor. It is charged with “overseeing” a unified public education system beginning with early childhood learning and continuing to post-secondary education (P-20). Specific OEIB duties include recommending strategic education investments to ensure the education budget is targeted to outcomes, entering into achievement compacts, and providing an integrated student-based data system to monitor spending and outcomes. OEIB has “direction and control” of the Early Learning Council and the Higher Education Coordinating Council to oversee their activities as they relate to connecting and streamlining K-12 to early learning activities and higher education.

This agency’s budget also includes the Office of the Chief Education Officer (CEdO) which represents the majority of the budget and all of the positions. The OEIB appoints the CEdO who provides the staffing for the OEIB and is seen as the primary focus point for P-20 education for the state. While the CEdO’s position does not have general direct control or hire/fire authority for other education officials in the state, the position does have authority for “direction and control...for matters related to the design and organization of the state’s education system” over these officials. The authority for both the OEIB and the CEdO sunsets on March 15, 2016.

Revenue Sources and Relationships

The agency relies totally on a General Fund appropriation to support its budget.

Budget Environment

The 2013-15 biennium is the first that OEIB is a separate state agency with its own budget. The 2011-13 budget for the Office of the Governor’s budget included approximately \$2.8 million General Fund for the activities of the OEIB and CEdO’s office and staff.

The overall guiding principles for OEIB (and other state education entities) include:

- **Tight/loose relationship between the state and educational providers**, where the state will be tight or more directive in expectations and outcomes, but looser in directing how the outcomes are reached.
- **Integration of the P-20 education system**, centered more on the need to integrate all phases of education from early childhood learning to post-secondary education and the transition between the various components.
- **40-40-20 Goal by 2025**, where ORS 351.009 declares the mission of all education beyond high school is to achieve 40% of adults have earned at least a bachelor’s degree, another 40% have earned a two year associate’s degree or a post-secondary credential, and the remaining 20% have earned at least a high school diploma or its equivalent.

A primary area of work for OEIB is to enter into annual achievement compacts with individual educational entities (e.g., school districts, community colleges, units of OUS, OHSU). The terms of the compacts may include completion rates including high school and college diplomas, certificates, and other “critical stages” in the educational continuum; progress toward the 40-40-20 goal; and validation of the quality of knowledge and skills acquired by students. While the compacts are required, there are no specific consequences if the goals included in the compact are not achieved. The authority for achievement compacts sunsets July 1, 2015.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget is \$6 million General Fund of which \$4.6 million is for the 11 existing positions and general board related costs that had been in the Office of the Governor in 2011-13. These positions

include the Chief Education Officer, a chief of staff, two deputies assigned for general education policy areas, three policy analysts or project managers, a board administrator, and three support positions. Funding is also included for outside contracts the Board may enter into (\$500,000), board expenses (\$24,000), resources to paying the Department of Administrative Services (DAS) for financial and administrative services (\$285,000), and travel and car allowance (\$88,000). The agency will need to identify savings in its budget to partially fund Pension Obligation Bond liabilities. The budget was also adjusted for the PERS changes resulting from SB 822 as well as a \$123,176 General Fund reduction for the supplemental ending balance.

New initiatives in the OEIB budget include four new positions (\$705,587 General Fund) to create a research unit for the P-20 educational continuum. In addition, \$950,000 General Fund was included to fund a portion of the strategic education investments including \$500,000 for grants to assist in convening groups for regional achievement compact, \$200,000 for state education connections conferences, and \$250,000 for a statewide reading campaign. These are part of the total \$27million General Fund in new funding for strategic education investments included in the overall budget.

Oregon Student Access Commission – Agency Totals

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2011-13 Legislatively Adopted
General Fund	87,759,413	99,891,570	108,584,620	115,718,916
Lottery Funds	6,632,734	2,630,172	344,599	246,223
Other Funds	6,814,902	21,659,086	21,107,569	20,094,896
Other Funds (NL)	10,969,513	0	0	0
Federal Funds	917,968	0	0	0
Total Funds	\$113,094,530	\$124,180,828	\$130,036,788	\$136,060,035
Positions	32	29	26	28
FTE	27.00	26.66	24.67	25.67

Agency Overview

The Oregon Student Access Commission (OSAC) is a seven member Commission whose mission is to create a college-going culture for all Oregonians by providing access through information, mentoring, and financial support. The Commission administers the following programs:

- Oregon Opportunity Grants (OOG) program (funded with General and Lottery Funds) makes awards available to students from families earning up to \$70,000 per year based on a Shared Responsibility Model (SRM). The OOG accounts for approximately 96% of the 2013-15 General and Lottery Funds legislatively adopted budget.
- The Private Scholarship program administers over 450 public and private scholarship and grant programs that awarded approximately \$16 million for a variety of entities such as the Oregon Community Foundations and Ford Family Foundation.
- Access to Student Assistance Programs in Reach of Everyone (ASPIRE) program trains volunteers to serve as mentors to middle and high school students in schools across the state with information regarding college and career choices, preparation, and financial aid for post-secondary education.
- A series of smaller financial assistance programs including those directed to or related to foster care youth, student child care, children of deceased or disabled public safety officers, and Jobs-Plus clients.

The Office of Degree Authorization was transferred to the Higher Education Coordinating Commission (HECC) for 2011-13, but its budget remained part of the OSAC budget through the 2011-13 biennium.

Beginning in 2014, the OSAC Commission itself is eliminated and its policy, governance, and other responsibilities are transferred to HECC. The current OSAC programs and staff remain as a separate state agency under the direction and control of HECC, with a new agency name of the Office of Student Access and Completion (still OSAC).

Revenue Sources and Relationships

The Commission receives Lottery Funds based upon one-quarter of the earnings of the Education Stability Fund. Revenue from this source is affected when the state uses the corpus of the Education Stability Fund. The amount available for 2013-15 was limited since the Education Stability Fund was accessed in both 2009-11 and 2011-13. Since the Fund has not been used at this point for 2013-15, there should be a larger amount available for the next budget period.

Other Funds revenues are primarily funds received from private award donations and associated charges for administering privately funded scholarship programs. In the past, there were also fees collected for reviewing degrees from private post-secondary institutions by the Office of Degree Authorization (ODA); but beginning in 2013-15, the budget for ODA was transferred to the Higher Education Coordinating Commission (HECC). Prior to 2011-13, most Other Funds payments for student aid (e.g., Private Award payments, JOBS Plus payments) were Nonlimited but now these payments are limited.

Budget Environment

In 2007, the Legislature approved the OOG Shared Responsibility Model (SRM) where the Commission sets grant awards equal to the difference between its determination of the cost of education (which includes living

expenses as well as tuition and fees) and the student's/family's ability to pay. The ability to pay is based on an amount that varies with the student's financial resources and qualifications for federal student aid (the family share and the federal share). As a result, award amounts will vary by income level and other financial resources and more students from middle income families are eligible. The program does not come close to serving the total number of eligible applicants. Between 2007-08 and 2011-12, the number eligible applicants increased by 272% while program funding increased by 51%. Last year only 18.6% of the eligible students were awarded grants. The Commission estimates that if all eligible applicants were awarded grants, the average grant would have been \$331 instead of the estimated \$1,608 for 2012-13.

Funding for the Oregon Opportunity Grant Program (OOG) has not kept pace with the rising number of students and the cost of tuition. While overall General Fund/Lottery Funds funding for the program has decreased slightly from 2007-09 (\$102.7 million in 2007-09 to \$99.3 million in 2011-13), there was a larger decline in recipients (65,823 in 2007-09 to an estimated 59,884 for 2011-13). Average grant size did increase from \$1,560 in 2009-11 to an estimated \$1,608 in 2011-13. For 2013-15, the average grant is expected to grow to approximately \$1,800. In contrast, average annual tuition increases for the Oregon University System (OUS) was 7.2% during this period and 7.3% for Community Colleges. Enrollment at Community Colleges (based on the Formula Reimbursable FTE count) grew by over 19% between 2008-09 and 2010-11 and OUS institutions also saw significant growth during the same period. Enrollment growth has eased some during the past year. This trend should be reversed somewhat for 2013-15 since the OOG funding increased to \$113.7 million before the reduction for the supplemental ending balance.

The ASPIRE program is primarily dependent on funding from foundations and the federal government; in 2011-13 -- 86% of the funding was from these sources with the remainder from the General Fund. During 2011-13 there were approximately 135 ASPIRE sites across the state serving an estimated 15,000 students on a one to one basis and another roughly 160,000 on a drop-in basis. These foundation and federal funding sources have mostly dried up so for 2013-15 the program will increasingly depend on General Fund resources.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$116 million combined General and Lottery Funds is an increase of \$15.8 million or 13.4% over the 2011-13 legislatively approved budget. The total funds budget of \$136.1 million is a 9.6% increase over the same period. Lottery Funds limitation is reduced substantially from \$2.6 million in 2011-13 to \$246,223 for 2013-15. It should be noted that the agency did not spend most of the \$2.6 million Lottery Funds in 2011-13 and the Legislature may revisit this budget again in 2014 since those resources are still available. These budget figures for 2013-15 reflect the \$2.4 million reduction (most of this in the Oregon Opportunity Grant program) for the supplemental statewide ending balance which "held back" 2% of General Fund resources which may be restored later in the biennium depending on economic conditions. The General Fund and Lottery Funds budget by major program is shown in the table on the next page.

General and Lottery Funds resources for the Oregon Opportunity Grant is \$ 111.4 million for 2013-15. If the amount reduced for the supplemental ending balance is restored, total funding increases to \$113.7 million or \$14.4 million more than the program had available for 2011-13. Under this amount of funding, the agency estimates that it will be able to award 63,000 grants at an average of approximately \$1,800 as compared to roughly 60,000 grants at an average of just over \$1,600 for 2011-13. Given the significant increase in state support for Community Colleges and the added resources for keeping tuition down for the public universities, the increase in the grants should go further in providing assistance to Oregon post-secondary students.

General and Lottery Funding for the Oregon Student Access Commission

Program/Activity	<i>General and Lottery Funds</i>		
	2009-11 Actual	2011-13 Approved	2013-15 Leg Adopted
Oregon Opportunity Grant	90,231,648	99,360,848	111,452,963
ASPIRE -- Portion Going to Schools	160,500	-	499,800
ASPIRE -- Agency Operations Portion	480,222	157,902	874,306
Other Grant Programs	1,365,200	975,776	920,442
Agency Operation (not including ASPIRE)	1,882,498	1,899,594	2,217,628
Office of Degree Authorization	272,079	127,622	-
Total	94,392,147	102,521,742	115,965,139
<i>2013-15 figures reflect the reduction for the supplement ending balance which may be restored later in the biennium depending on economic conditions. Total reduction for this purpose agency-wide is \$2,361,597.</i>			

The Access to Student Assistance Programs in Reach of Everyone or ASPIRE program is expanded for 2013-15 as part of the strategic education investments. Even though a reduction in federal and other funding for the program meant a loss of \$779,354 in Other Funds and three positions (2.00 FTE), the General Fund commitment to the program increased to a total of just over \$1.4 million. The amount sent to school districts to hire local staff and other expenses is increased by \$510,000 while the remaining \$892,149 General Fund will be used to support the program at the statewide level. A net increase of four positions (3.00 FTE) will be available to promote, coordinate, and provide training for the program.

With the passage of SB 242 (2011), the Office of Degree Authorization transferred to the Higher Education Coordinating Commission (HECC) in 2012. The budget remained part of the overall OSAC budget for all of 2011-13, and the 2013-15 budget finally reflects the transfer of the budget to HECC. As a result, \$116,574 General Fund and \$413,820 Other Funds limitation as well as two positions (2.00 FTE) are transferred out of the OSAC budget.

Teacher Standards and Practices Commission – Agency Totals

	2009-11 Actual	2011-13 Legislatively Approved	2013-15 Current Service Level	2013-15 Legislatively Adopted
Other Funds	5,311,522	5,444,612	5,442,725	4,904,153
Federal Funds	0	85,455	35,000	35,000
Total Funds	\$5,311,522	\$5,530,067	\$5,477,725	\$4,939,153
Positions	25	24	22	20
FTE	25.00	24.00	22.00	20.00

Agency Overview

The Teacher Standards and Practices Commission (TSPC), composed of 17 members who are appointed by the Governor and confirmed by the Senate, has three primary areas of responsibility:

- Establish rules for licensure and registration and issue licenses and registrations to teachers, administrators, school nurses, school counselors, and school psychologists.
- Maintain and enforce professional standards of competent and ethical performance and proper assignment of licensed educators.
- Adopt standards for college and university teacher education programs and approve programs that meet such standards.

There are over 62,000 educators licensed by TSPC with teachers representing over 90%. For comparison, there are approximately 30,000 working teachers in Oregon's public schools.

Revenue Sources and Relationships

The agency is primarily supported by Other Funds from licensing and other fees paid by the regulated professionals with the life of a license ranging from three to five years. License fees make up the vast majority of fee revenues with fingerprint related fees being dedicated for that specific purpose. The last licensure increase occurred in January 2006 when the regular license fee increased from \$75 to \$100, the maximum allowed by statute. The current fee structure is an extensive and complicated mix of fees for various educators. The Commission is planning to review this structure and return to the Legislature in the future with recommended changes.

The Commission has faced significant declining fee revenues. The 2011-13 budget for TSPC was passed based on the assumption that total revenues would be \$5.2 million Other Funds but actual revenues were more in the range of \$4.6 million. The 2013-15 budget is based on revenues of under \$4.5 million which is a 12% drop since 2009-11. These declining revenues are due to fewer individuals applying for new licenses or renewing licenses. Applications received dropped from over 27,750 in 2009-10 to just over 22,600 for 2011-12.

Budget Environment

Superintendents or chief charter school administrators who discover possible ethical, criminal, or professional misconduct by licensed educators are required to report the misconduct to the agency. The Commission is required to investigate all complaints received from educators or the public. This is a growing workload area and the Commission has moved staff resources to this area. The number of new cases each year has grown; in 2007 new cases totaled 214 and for 2012 totaled 291. The source of cases has changed with the number reported by school districts growing slower than those coming from other sources such as parents or community partners. The average length of time for all cases from the time the case is submitted to when the Commission hears and takes action on the case is 12.9 months for 2012. This represents a reduction from the 14.3 months in 2009. For those cases that challenge the Commission's decisions; or moves to Office of Administrative Hearings, settlement agreements, or the court system, the total time to "close the case" is longer.

The Commission has relied on using its fund balances and reduced expenditures to stay within its revenue stream. For 2011-13, the Commission took steps by leaving positions vacant and reducing other spending where possible. Of the 24 permanent authorized positions for 2011-13 biennium, only 17 were filled at the end of the biennium. The budget for 2013-15 eliminates a net 4 positions. The licensing related staff has been reduced in part to adjust to the workload, but the staff related to investigations could not be reduced to keep pace with the number of potential disciplinary actions. TSPC has had to use its "ending balances" or reserves to

cover shortfalls. The 2011-13 ending balance was \$985,000 which represented roughly 4.5 months of spending. With the adopted 2013-15 budget and assumed revenues, the estimated ending balance at the end of 2013-15 will be just over \$500,000 which represents just 2.5 months of spending. This amount may not meet the agency's cash flow needs during the entire biennium.

Legislatively Adopted Budget

The 2013-15 legislatively adopted budget of \$4.9 million Other Funds (there is also \$35,000 in Federal Funds) is a decrease of \$541,000 or 10% from the 2011-13 legislatively approved budget. The adopted budget reflects reductions to meet the falling revenues. A total of four fewer positions (24 in 2011-13 to 20 for 2013-15) are included in the budget. The eliminated positions include an Intake Clerk and the Director of Licensure manager position. Two limited duration investigations related positions were continued, but funded with the elimination of an Information Systems Specialist and resources from another position. Staffing responsibilities have shifted among other staff to reflect the workload needs. Other reductions include the PERS related changes due to the passage of SB 822 and reductions in various assessments and user charges common to almost all state agencies.

Two budget notes were included as part of the 2013-15 budget. The first instructs the Commission to report to back to the Legislature during the 2014 session on revenue trends as well as progress in reviewing the fee structure. The second budget note reflects the out-of-date information system that the TSPC staff relies on in its day-to-day work, and instructs the Department of Administrative Services (DAS) and TSPC to work together in identifying alternatives for its replacement as well as options for paying for a new system.

Oregon University System

	2009-11 Actual	2011-13 Legislatively Approved*	2013-15 Current Service Level*	2013-15 Legislatively Adopted
General Fund	729,654,860	668,264,553	715,801,743	727,927,876
Lottery Funds	23,096,954	22,799,521	38,976,643	33,571,489
Other Funds	2,174,667,651	0	0	0
Other Funds (NL)	2,204,966,765	0	0	0
Federal Funds	70,823,654	0	0	0
Total Funds	\$5,203,209,884	\$691,064,074	\$754,778,386	\$761,499,365
Positions	18,619	0	0	0
FTE	12,898.40	0	0	0

* Other Funds and Federal Funds are not reported due to the change in status of OUS to a non-state agency, which moved these expenditures off the state budget.

Agency Overview

For decades the Oregon University System (OUS) was the state agency for the state's public universities and colleges, with a single governing board named the State Board of Higher Education. OUS provided central administration, support services, and public services for Oregon's seven Post-Secondary institutions, excluding Community Colleges. The institutions of OUS consist of the University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), the three regional universities (Eastern [EOU], Western [WOU], and Southern Oregon Universities [SOU]), and the Oregon Institute of Technology (OIT). OSU has also established a branch campus in Bend, OSU-Cascades. This organizational structure and its relationship to the state began to change during the 2011 session with passage of SB 242 when new governance structures were considered.

SB 242 redefined OUS as a non-state agency for purposes of state statutes and constitutional provisions and the seven institutions were reclassified as Public Universities. This change exempted OUS from certain laws that govern state agency operations and is intended to provide operational flexibility and efficiencies. Among the changes included in the measure were: establishing a process for the Board of Higher Education to set enrollment fees, eliminate the requirement of OUS to request Other Funds expenditure limitation for enrollment fees, crediting all interest earned – including General Fund appropriations – to OUS, exempting OUS from participating in the state's risk management and insurance programs, allowing OUS to evaluate options for group health benefit plans and optional retirement plans, purchase property and construct facilities without seeking legislative approval if completed without General Fund, removing OUS from being represented by the Department of Justice, and exempting OUS from paying certain state assessment charges to the Department of Administrative Services. Due to this change, General Fund appropriations must now be made to the Department of Administrative Services as OUS is no longer eligible for direct General Fund appropriations as it is not considered to be a state agency. These changes had the effect of moving non-state funded expenditures and position counts off the state budget. Further dramatic governance change was approved by the 2013 Legislature with the passage of SB 270.

SB 270 allows for the establishment of institutional governing boards for the University of Oregon, Oregon State University, and Portland State University beginning July 1, 2014 and establishes a framework by which the four remaining Public Universities may elect to establish an institutional board. Public universities with institutional boards will no longer belong to OUS as the bill vests institutional boards with specified governance duties and rights including setting tuition and hiring the university president that had previously been the charge of the State Board of Higher Education. Some academic oversight functions were transferred to the Higher Education Coordinating Committee. The bill details the composition requirements of these institutional boards. The bill also allows universities with an institutional board to issue revenue bonds without prior legislative authorization. The bill also establishes a Work Group on University Shared Services to examine how economies of scale efficiencies currently enjoyed under a single provider of many administrative functions can continue in an environment when some universities are no longer part of OUS, the provider of these services. In addition, the bill sets the Governor's role in the board appointment process and clarifies that the Special Committee will be considering questions related to the future academic coordination of the seven universities.

With these changes to public university governance and budgeting, the program units in the state budget for OUS were reorganized to reflect the new budget environment post SB 242 and SB 270. The **Public University Support** program now includes the state funding only for instruction, research, and operating costs of the seven institutions that make up OUS, plus the centralized administration and support services of the system. The Legislature appropriates funds for OUS as a whole rather than to the individual institutions. The State Board of Higher Education had previously allocated these funds to the various institutions and programs in annual budgets through the Resource Allocation Model (RAM). The RAM will likely be used to distribute 2013-14 fiscal year funding. After 2013-14 it is anticipated that the Higher Education Coordinating Commission will develop a new method for distribution of future appropriations based less on inputs such as enrollment, with more emphasis on outcomes such as degrees awarded. A newly created budget unit called **State Programs** includes General Fund support for a variety of institutions, centers, and programs operated by OUS that address economic development, natural resource, and other public policy issues, rather than providing support for OUS institutions and students. Many of these programs have an industry-specific focus, matching state support with funds from the private sector and other sources. Funding for these programs was shifted from the Public University Support Fund budget unit that had historically been named Education and General Services.

Oregon State University, as the state's land grant college, operates three Statewide Public Service Programs, which each receive separate General Fund appropriations:

- The **Agricultural Experiment Station** was organized in 1888 and conducts research and demonstrations in the agricultural, biological, social, and environmental sciences. Research is conducted at a central station at Corvallis and at ten branch stations in major crop and climate areas of the state.
- The **Extension Service** is the educational outreach arm of OSU as Oregon's Land Grant and Sea Grant university. Extension faculty on campus and in county offices throughout the state work with researchers and volunteers to develop and deliver non-credit educational programs based on locally identified needs. Extension Specialists are OSU faculty members who develop educational programs and serve as technical resources for county-delivered programs. Extension Agents are OSU faculty assigned to county field locations. Generally, counties provide office space and operating expenses, including support staff. Programs also use the services of a large number of volunteers.
- The **Forest Research Laboratory** at OSU was established by the Oregon Legislature in 1941. Research is organized into six program areas: Forest Regeneration, Forest Productivity, Protecting Forests and Watersheds, Evaluating Forest Policies and Practices, Wood Processing and Product Performance, and Research Support. A 15-member statutory committee establishes the research priorities of the Laboratory.

The **Sports Lottery** began in 1989 when the Legislature authorized a special Sports Action game and directed that 88% of the proceeds from the game, not to exceed \$8 million annually, were to be used to finance intercollegiate athletics. The remaining 12% are for graduate student scholarships that are not awarded on the basis of athletics. Of the athletic funds, 70% must be used for non-revenue producing sports, and at least 50% must be used for women's athletics. The 2005 Legislative Assembly abolished the Sports Action lottery game which had previously been the revenue source for Lottery Funds, and instead dedicated 1% of net lottery receipts to the Oregon University System Sports Action Lottery program area. Due to budget constraints, the Legislature has passed legislation preempting the dedicated 1% amount and allocated less Lottery Funds than would have been generated without legislative action to limit funding.

The **Debt Service** program area now reflects only state funded debt service expenditures for capital construction projects financed by bonds. General Fund appropriations are made to pay the debt service on Article XI-G bonds, traditionally used to finance instructional and public service facilities. Capital repairs have been financed using lottery backed bonds since 2001. Revenues from self-supporting programs and student building fees are the sources of debt service for repayment of Article XI-F(1) bonds, which are traditionally a revenue source for construction of student unions, dorms, parking structures, and similar self-supporting programs such as the new sports arena at the University of Oregon. While the sale of these bonds must be approved by the Legislature, the debt service is paid with non-state funds and therefore does not appear in the state budget. The Legislature also approves the use of Small-Scale Energy Loan Program (SELP) bonds to finance campus capital projects. SELP bonds are general obligation bonds that may be authorized for deferred maintenance capital construction project expenses that generate energy savings. The debt service on SELP bonds is primarily paid with General Fund. General Fund for SELP bond debt service is only appropriated to the extent that the debt service charges exceed the energy cost savings resulting from the deferred maintenance capital project.

Revenue Sources and Relationships

The only source of revenue for the Oregon University System remaining in the state budget after passage of SB 242 is state funding (General Fund and Lottery Funds). Other Funds expended by Public Universities are no longer counted in the state budget.

Budget Environment

After a number of years of facing unprecedented growth in enrollment, enrollment growth has begun to flatten. At the same time public universities were experiencing high levels of growth, state funding levels were not adequate to support the higher levels of student enrollments without significant tuition increases. While enrollments have grown 26% over the last 10 years, the percentage of the General Fund funding for the Public University Support area has fallen from around 50% in the 2001-03 biennium to 25% for 2011-13, with the vast majority of this difference being made up through tuition increases. In the last 10 years, the average tuition and fees for resident undergraduates has more than doubled, with graduate tuition going up even more significantly.

Legislatively Adopted Budget

The 2013-13 legislatively adopted budget level of \$761.5 million represents a \$70 million (10%) overall increase from the 2011-13 legislatively approved budget. General Fund levels are higher due to the inclusion of standard inflation increases and the addition of \$15 million to "buy-down" proposed tuition increases for Oregon resident undergraduate students. Lottery Funds are higher due increased debt service to pay for Lottery backed bonds approved for sale in 2011-13 for various OUS capital construction projects. Public University funding was exempted from the 2% supplemental statewide ending balance hold back reduction on total General Fund and Lottery Funds support, which were taken in other agencies as part of the final legislatively adopted budget.

The 2013-15 legislatively adopted budget for the state's Public Universities incorporates the following changes:

- The Public University Support Fund, which includes the instruction, research, public service, and operating costs of the seven institutions that make up OUS, plus the centralized administration and support services of the system that were not transferred to the Higher Education Coordinating Commission (HECC), totaled \$497 million General Fund, which is more than a 7% increase from the 2011-13 legislatively adopted levels.
- The Public University Support Fund had two significant adjustments. The Legislature added \$15 million General Fund to "buy-down" proposed tuition increases for resident undergraduates. This increase was accompanied by a budget note stating that the Legislature intends increases in the rates for tuition and resource fees paid by resident undergraduate students paid at the state's seven Public Universities may not exceed 3.5% in any given year of the 2013-15 biennium. The second adjustment was an \$856,000 General Fund reduction for oversight responsibilities that were transferred to the HECC.
- Funding for programs in the new State Programs budget unit were increased by 6.5% on average over the 2011-13 legislatively adopted funding levels when these programs were housed in the old Education and General Services program unit along with the Public University Support Fund support.
- General Fund support for the Statewide Public Services programs, which are the Agriculture Experiment Station (\$55.2 million), Extension Service (\$39.9 million), and the Forest Research Laboratory (\$6.1 million), totaled over \$101 million General Fund for 2013-15. This is about \$6 million, or 6.5%, more than the 2011-13 legislatively approved budget.
- General Fund support for debt service payments was increased to \$89.2 million, which is 2.7% over the 2011-13 total and Lottery Funds debt service payments were increased to \$25.6 million, which is 78% over 2011-13, for bonds sold to finance capital construction projects approved in previous biennia.
- Sports Lottery funding was limited by law to \$8 million total for the 2013-15 biennium, with Oregon State University and the University of Oregon capped at \$1 million each.