

ODE -- Operations, School for the Deaf, Common School Fund, Youth Corrections, and Debt Service

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	63,400,829	81,107,510	103,242,240	110,272,875
Lottery Funds	42,371,073	1,434,927	651,225	651,225
Other Funds	34,520,074	178,780,279	94,923,055	226,971,017
Other Funds (NL)	107,265,246	112,916,253	112,916,253	112,916,253
Federal Funds	70,628,861	93,109,704	92,514,579	93,798,836
Total Funds	\$318,186,083	\$467,348,673	\$404,247,352	\$544,610,206
Positions	544	555	530	571
FTE	505.71	520.90	510.80	553.60

*Includes Emergency Board and administrative actions through December 2016.

Program Description

This grouping includes the following programs and functions of the Oregon Department of Education (ODE):

- **Department Operations (Ops)** – includes all the staff of the agency other than those included in the School for the Deaf and Youth Corrections for a total of 446 positions and 443.03 FTE (2017-19 CSL). This budget unit includes funding for the staff, IT functions, assessment activities, and all state government service charges paid by the agency.
- **Oregon School for the Deaf (OSD)** – located in Salem, this school provides educational services to both residential and day program students (82 positions and 75.77 FTE).
- **Youth Corrections** – provides funding for educational services (almost all contracted for) provided on behalf of those students under the jurisdiction of county juvenile programs and the Oregon Youth Authority (2 positions and 2.00 FTE).
- **Common School Fund** – all Non-limited Other Funds recognizing the funding that passes through ODE and is distributed through the school funding formula.
- **Debt Service** – represents all of the Lottery Funds in the display above and is for paying off bonds issued by the State authorized in 1997 for “state education projects” which included school facilities, equipment, and text books. In 2015, the Office of School Facilities was established to provide matching grants to school districts for the construction and improvements to school facilities financed with the sale of XI-P general obligation bonds. The General Fund in the table for debt service is for these XI-P bonds.

2017-19 Current Service Level -- Millions of Dollars						
	General Fund	Lottery Funds	Other Funds	Other Funds NL	Federal Funds	Total Funds
Operations	71.0	-	73.8	2.7	89.7	237.2
Oregon School for the Deaf	12.4	-	4.0	-	0.5	16.9
Youth Corrections Education	-	-	17.1	-	2.3	19.4
Common School Fund	-	-	-	110.2	-	110.2
Debt Service	19.9	0.7	-	-	-	20.6

CSL Summary and Issues

- A number of one-time positions are phased-out (22 in Ops and 3 in OSD). Many of the positions were funded with Race-to-the-Top federal grant funds for early learning and child care quality related activities. New grant funding from this source is not expected to continue. The corresponding overall net FTE decrease is only 10.1 FTE primarily due offsetting continuing positions which were funded for a portion of the 2015-17 biennium.
- There is a phase-out of over \$125 million Other Funds representing the bond related expenditure limitation for the program established in 2015-17 to assist school districts in the construction or remodeling of school facilities. This reduction is offset in part by a phase-in of \$39.4 million Other Funds for payments to districts for financed by bonds sold in 2015-17, but not paid out to districts until 2017-19. This program also accounts for a \$20.5 million General Fund phase-in for the first debt service payments for bonds sold during 2015-17.
- The CSL does not include \$3.8 million General Fund that will needed to backfill lost federal funding for assessment related functions to maintain current levels.

Policy Issues

- New federal regulations on child care providers require an increase of the Early Learning Division’s staffing for monitoring the quality of child care providers. These regulations increase the monitoring of most providers including those under the Employment Related Day Care (ERDC) program administered by the Department of Human Services (DHS). Additional positions were included in the 2015-17 budget, but further funding will be required as these positions phase-in for the full 24 months and additional positions may be requested. Funding could be used to fill this need, but reductions elsewhere (e.g. ERDC) would need to be reduced.
- Many of the positions were added in the past two biennia relating to education reform efforts and the resulting new grant programs including those for CTE/STEM, educator effectiveness and professional development, and closing the achievement gap. Many of these grant programs were competitive in nature. There are efforts underway outside of the agency to move away from competitive grants in these areas which may change the staffing needs of the agency. Oversight of these programs will need to continue including those programs that have federal funding attached. The staffing needs related to this will continue. In addition, the staffing needs after the passage of Ballot Measure 98 will need to be factored into the overall staffing for the agency.

Other Significant Issues and Background

- Student assessment continues to be an issue in the education community. The current budget includes General Fund and Federal funding for the current testing system tied to the Common Core standards. The 2015-17 budget used federal funds which are not available for 2017-19 to fully fund this area. Oregon uses the test developed and maintained by the Smarter Balance Assessment Consortium. Any change in the testing system or approach in student assessment and testing would have an impact on the budget. The recently enacted federal education bill (ESSA) includes flexibility in this area.
- The agency faces challenges in the information systems area. The 2015-17 budget included limited duration positions in various areas including early learning financed with federal funding which is limited at best in the future. To fully complete and maintain systems, some of these positions will need to be continued. The agency has been working on the information technology (IT) system which is used to distribute the \$8 billion in State School Fund resources to districts. This project is not complete and may require further resources.
- Oregon School for the Deaf facility maintenance and improvements (e.g. replacement of roofs) needs are significant even with the investments over the past two biennia. The Governor's budget is requesting \$9.4 million in XI-Q bonds for various projects at the School.
- The Governor's budget adds resources in a number of areas including; (1) three new assessments including one for science and further enhancement of the Kindergarten assessment (\$3.5 million General Fund), (2) funding for a new Tribal Curriculum grant program (\$200,000 General Fund), (3) adding staff for implementation for Ballot Measure 98 (\$2.1 million General Fund & 12 positions), reorganization of staffing net \$0 General Fund across agency), (4) early learning workforce investments (\$729,783 General Fund), (5) staff and other resources for meeting federal guidelines for child care regulations (\$9.0 total funds, mostly federal funds), and (6) General Fund backfill for early learning positions which have lost their federal funds(\$1.7 million).
- These budget enhancements were offset by reductions in most units of agency Operations equivalent to 12% except for the Information Technology, Early Learning and Youth Development units. Overall reductions total \$6.7 million General Fund and 10 positions. The majority of the reductions were in Services and Supplies.
- The new matching program for local district facilities would continue under the Governor's budget with \$117 million in XI-P bonds authorized for issuance in 2017-19 with a cost of \$5.6 General Fund in debt service for 2017-19. The Governor's budget also includes adjustments to debt service for the program based on when bonds were sold and their final interest rates in 2015-17 (-\$5.0 million).

ODE -- K-12 Grant-in-Aid

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level**	2017-19 Governor's Recommended
General Fund	219,712,124	262,195,671	273,247,093	395,811,179
Other Funds	63,578,246	81,230,986	82,055,806	81,347,466
Federal Funds	672,914,427	811,686,180	840,923,122	840,923,122
Federal Funds (NL)	372,416,650	388,007,727	388,007,727	388,007,727
Total Funds	\$1,328,621,447	\$1,543,120,564	\$1,584,233,748	\$1,706,089,494

*Includes Emergency Board and administrative actions through December 2016.

**The Current Service Level for 2017-19 does not include Ballot Measure 98 funds.

Program Description

Grant-in-Aid programs pay out grants to school districts, Educational Service Districts (ESD) and other entities for educational and support services for students, often with special educational needs. Over half of the General Fund in these programs are represented by the Early Childhood Special Education (ECSE) and Early Intervention (EI) programs which assist children with disabilities and their families to improve developmental status and increase their school readiness. The ECSE program is federally mandated and serves children from age 3 to when they begin school, while the EI program serves students from birth to age 3. The Regional Programs provides specialized services to children with hearing and/or vision impairments, autism spectrum disorders, and severe orthopedic impairments. Grants also include those for educational services are provided in long term care programs or in hospitals. Federal Funds are the primary source of funding for school lunch and other nutritional programs, special education (IDEA), and federal compensatory education programs (formally known as No Child Left Behind now Every Student Succeeds Act or ESSA). State educational reform efforts in the past few years have led to the increase in CTE related grants and in a series of strategic initiatives including the Network for Quality Teaching. Many of the original strategic initiatives were not funded in 2015-19.

CSL Summary and Issues

- Generally, these programs have been increased at the standard inflation rate of 3.7%. There were also one-time grants for 2015-17 that are not continued for 2017-19. These include programs like World of Speed, Teaching With Purpose, and enhancements to School Nutrition programs.
- The only mandated caseload program in this area is the Early Childhood Special Education (ECSE) and Early Intervention (EI) programs. While CSL calculations in previous biennia have included adjustments for estimated caseload growth, they have not kept pace with the actual caseload growth. In addition, the previous CSL calculations have not included adjustments for cost increases beyond the standard inflation rates. This program's cost structure is based on primarily staff compensation similar to general K-12 spending and subject to the same factors like PERS and health insurance costs. As a result, the program's services have been "thinned" to meet budgeted resources.

In 2015-17, the Legislature did add additional resources to partially address this issue. For 2017-19, the CSL includes an estimated caseload adjustment along with the 3.7% inflation adjustment. ODE had requested a policy package for the cost related increase with the understanding that future CSL calculations will include both caseload and cost adjustments. The Governor's budget did not include that package. There is also a \$713,480 fund shift adding General Fund since the federal funding is not keeping pace with the program growth in this program.

Policy Issues

- The Long Term Care and Treatment (LTCT) program provides funding for educational services only for students in select day and residential treatment programs. Funding comes from a combination of General Fund dollars, a carve-out from the State School Fund which is treated as Other Funds in this budget area, and Federal IDEA and Title I-D dollars. In 2015-17, a budget note outlined a new funding allocation model to be applied to participating LTCT programs based on a minimum staffing level. For the 2015-17 budget, reserve funds in the LTCT budget were used to partially fund the budget based on the model. Those reserve funds are no longer available for 2017-19. To continue the program under the new funding model for 2017-19, it will take an additional approximately \$4 million General Fund.
- The LTCT program only funds educational services in 41 of approximately 209 day and residential programs run throughout the state. Those LTCT funded programs are included on the "Christie List." This list was created in the early 1990s when the LTCT program was established by the Legislature and included the day and residential programs that were in place at the time. Since then, additional day and residential treatment programs have been created; but because of funding constraints the newer programs have not been added to the "Christie List" and therefore do not received ODE LTCT funding. ORS 343.961 requires the school district in which the programs not on the "Christie List" reside must pay for the educational services in these programs utilizing local school formula revenue and other available funds to the school district.
- HB 3072 (2015) established the Connecting Education to Careers Account which is to fund CTE/STEM programs starting in 2017-19. 40% of the Account is to go to STEM activities and 60% for CTE activities. ODE is to distribute the funds based on recommendations of the STEM Investment Council and a CTE related committee. The issue to consider is whether the Legislature should transfer its authority to designate the use of funds appropriated by the Legislature to this degree. Also with a portion of Ballot Measure 98 funding (see below) designated for CTE, a further complication is introduced.
- Over the past two biennia there have been major changes in what programs are funded or not in this area. While most of the core federal programs and those dealing with special populations have been retained, programs dealing with Early Literacy, Post-Secondary Aspirations/Accelerated Credits, STEM/CTE, Educator Effectiveness, and Achievement Gap have been changed significantly. The major reasons for this is changing priorities of Governors/Legislators and school reform efforts. Partially because of this, many districts have raised the concern of the changing nature of grants and their dislike of the competitive grants generally.
- Ballot Measure 98 passed in November 2016 which provided specific funding starting for the 2017-19 school year for students in grades 9-12 student (at least \$800 per student for each school year adjusted for cost increases each year) to be spent on updating and expanding CTE programs, expanding access to college-level courses, and preventing students from dropping out and keeping them on track to

graduate. The estimated cost of the measure is \$294 million General Fund for 2017-18. The Governor added \$139.4 million General Fund or less than 50% of the estimated cost of the Measure into this budget area for these purposes. In addition, the Governor's budget eliminating funding for a number of CTE related programs such as CTS Career Pathway Fund, CTE Summer Programs and CTE Mentoring Development, in part assuming that Ballot Measure 98 funds distributed to districts would be used for these or similar functions instead.

Other Significant Issues and Background

- There are either federal matching requirements or maintenance of effort (MOE) requirements for ODE programs including special education, Perkins vocational education, and nutritional programs. At risk are tens of millions of federal dollars if these requirements are not met. The most significant one is the MOE for special education with the funding provided by the additional weighting in the school funding formula for special education students.
- Some of these federal programs also have programmatic or performance-based requirements that must be met. The most notable is the programs under the Every Student Succeeds Act (formally No Child Left Behind now ESSA).
- Beginning for the 2017-18 school year, new requirements are being put in place for physical education (PE). Students in grades K-5 will be required to spend 150 minutes per week in PE activities, and students in grades 6-8 the requirement is 225 minutes per week. PE will be the only subject area where there is time related requirements. Districts will face costs for this that they currently do not have in their budget or they will have to shift spending from some other area of their budget. There is a Physical Education grant program, but its total CSL funding is \$3.8 million (combination of GF and resources from the Tobacco Master Settlement Agreement). The Governor did add almost \$800,000 total funds to the program.
- Beyond the CTE related programs mentioned above, the Governor's budget eliminated General Fund resources for the SMART, Reach Out to Read Program, and the Farm to School nutritional program. Other programs serving students with special needs such as special education and programs designed to close achievement gaps among students saw no reductions from CSL. Most other programs with General Fund resources were reduced by 12%.

ODE -- Early Learning & Youth Development Grant-in-Aid

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	167,202,328	236,788,258	263,040,856	267,917,082
Other Funds	15,482,977	17,224,953	17,862,277	17,862,277
Federal Funds	136,931,930	133,477,802	125,171,559	119,051,297
Total Funds	\$319,617,235	\$387,491,013	\$406,074,692	\$404,830,656

*Includes Emergency Board and administrative actions through December 2016.

Program Description

During the 2013 Legislative Session, two new divisions within the Oregon Department of Education (ODE) were established -- Early Learning and Youth Development. The grant-in-aid programs of both of these divisions are found in this budget area, while the staff is part of the Operations budget unit. The Early Learning Division (ELD) combined programs from elsewhere in ODE, child care programs from the former Child Care Division of the Employment Program, and programs which had been part of the Commission for Children and Families. The ELD's programs in large part rely on a system of local organizations called Early Learning Hubs for local priority setting, local coordination, and for some programs' local distribution. Funding for many of the major programs, including the Oregon PreK program which is the largest program by far, are still distributed directly to the local providers. A significant amount of the largest federal funding source -- Child Care Block Grant -- is transferred to the Department of Human Services for the Employment Related Day Care program (ERDC).

The Youth Development Division's (YDD) programs are designed to provide supportive services to break down the barriers for youth to age 24 who are challenged in their academic and career success. Many of the YDD programs were also part of the former Commission for Children and Families' portfolio. From the various funding sources in the YDD, the Council proposed the establishment of three grant streams starting in 2014 and maintained one: (1) Youth and Community Grant Fund, (2) Youth and Gangs Grant Fund, (3) Youth and Innovation Grant Fund, and (4) Youth and Crime Prevention Grant Fund (often referred to as the Juvenile Crime Prevention program).

CSL Summary and Issues

- Generally, these grant-in-aid programs have only been adjusted for 2017-19 CSL by the 3.7% inflation factor. The Great Start funding was consolidated into the Hub funding since the two funding streams were being used for similar functions. The federal "Race to the Top" grant is longer available so that expenditure limitation has been eliminated from the CSL. It is possible that not all of these grant funds will be used prior to the end of the 2015-17 biennium and limitation may be required.
- The CSL for the Mixed Delivery Pre-School program (Pre-School Promise), established in the second year of 2015-17, reflects two-year funding compared to one year for 2015-17. For 2017-19 CSL the amount is \$35.7 million General Fund which is double the 2015-17 with

the 3.7% inflation adjustment. There is no adjustment to expand the areas of the State which is currently served by this program. There may be interest to expand the program's footprint, but the program's performance and efficacy should be evaluated prior to this.

- The largest program in this budget area is the Oregon Pre-Kindergarten (OPK) program representing over \$152 million General Fund in the CSL. This amount assumes the same number of "slots" as in 2016-17 (8,156), but an increased average cost growing from \$8,908 for 2015-17 to an assumed \$8,156 for the 2017-19 CSL.

Policy Issues

- The local coordination and delivery Hub system (16 Hubs) for early learning programs has been in place for up to at least two years across the State. There is \$16.8 million General Fund (and \$2.8 million Other Funds) available for 2017-19 to be used for the coordination, monitoring, and administration functions of the Hubs as well as for local programs identified by each Hub. The success of each Hub appears to vary across the State. It is likely the time to assess their performance.
- The Employment Related Day Care (ERDC) program at the Department of Human Services uses the largest share (well over 50%) of the federal Child Care Block Grant funding. The transfer of these funds will likely decrease in 2017-19 given the new federal requirements on monitoring (performed by ODE staff) of child care.

Other Significant Issues and Background

- Some of the Race-to-the-Top federal grant funding has been used to develop an information system for integrated tracking of early learning clients and program dollars. This system is still not completed and may take additional funding. A long-term goal for this system is to generate data for the Statewide Longitudinal Data System that can be used for evaluating and studying the P-20 education system.
- For 2015-17, there was a significant increase in funding for the Healthy Families home visiting program from \$18.1 million total funds in 2013-15 to \$29.5 million total funds in 2015-17 CSL. There is concern by some that this will increase the demand for some services including the Early Childhood Special Education (ESCS) and Early Intervention (EI) programs.
- After significant increases in various early learning program in both 2013-15 and 2015-17, increases in the Governor's budget are limited to the standard inflation adjustment and the roll-up costs of the Preschool Promise program. The exception to this is a \$7.3 million General Funds increase for early learning workforce development and workforce cultural diversity.
- For the Youth Development grant programs, the Governor's budget reduces the General Fund in the Juvenile Crime Prevention program, Youth and Community Fund, and the Youth and Innovation Fund. Reductions in these programs range from 9.7% to over 19%.