

State School Fund and Common School Fund					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	6,904,804,561	7,653,853,380	7,582,892,067	8,150,549,940	8,315,287,484
Lottery Funds	447,703,907	464,758,594	535,719,907	535,719,907	550,545,402
Other Funds	1,175,156	85,248,393	85,248,393	85,248,393	106,574,570
Total Funds	7,353,683,624	8,203,860,367	8,203,860,367	8,771,518,240	8,972,407,456
Common School Fund					
Other Funds (NL)	136,579,249	116,260,269	116,260,269	116,260,269	116,260,269
Total Funds	136,579,249	116,260,269	116,260,269	116,260,269	116,260,269
* Includes Emergency Board and administrative actions through December 2018.					

Program Description

The **State School Fund (SSF)** is the major source of funding for the general operations of School Districts and Educational Service Districts (ESDs) for grades K through 12. SSF resources and local school revenues (e.g., property taxes) are combined and form the basis for the distribution of the combined school formula revenues based on a statutorily defined allocation formula. The SSF amount represents roughly 2/3s of the total school formula revenues. 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 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 based on need. Districts may also have local option levies, but only approximately 20 districts out of the 197 K-12 districts take advantage of this option. If one of these districts qualifies, the state may provide further assistance through the Local Option Equalization Grant. While the formula distribution provides the largest share of resources for school districts and ESDs, ODE distributes over \$2.3 billion of federal and state funding through the grant-in-aid programs for purposes such as child nutrition, special education, various education initiatives, Ballot Measure 98, professional development, and compensatory education.

The **Common School Fund**, which is administered by the State Land Board, represents the corpus and other revenues, including earnings, from state owned properties (e.g., Elliot Forest) and unclaimed property. The Fund's resources are to be used to the benefit of schools in the state. The State Land Board designates an amount each biennium for distribution. Funds are transferred to the Oregon Department of

Education's budget (ODE) and designated as Non-limited Other Funds. These funds then are recognized as local revenues for the purposes of the school funding formula.

CSL Summary and Issues

- The CSL calculation is based on adjustments for anticipated growth in; (1) school district employee compensation (5.52% growth in the 2019-20 school year and 2.8% in the 2020-21 school year) which factors in estimated PERS increases (latest available statewide average for districts from the PERS actuary at the time CSL is set), teacher longevity and turnover, health benefits increases based on information from the Oregon Education Benefits Board (OEBB), and salary changes, (2) 1.88% annual adjustment for non-employee compensation spending in each school year, (3) changes in the amount of property taxes and other local revenues as determined by LRO, and (4) changes in the ADMw estimates (0.21% in each school year). The calculation uses the 2018-19 school year SSF amount as the "jump-off" point for determining the 2019-21 CSL.
- The 2019-21 CSL estimate of \$8.77 billion total funds for the SSF represents an increase of \$568 million or 6.92% over the 2017-19 Legislatively Approved Budget. After the factoring in the local revenues in the school funding formula, the total state and local formula revenue available to districts represents an increase of 7.40% or a total of \$12.9 billion.
- Other organizations (e.g., Oregon School Boards Association) have their own estimates of the CSL for the SSF but are based on different assumptions from what the Executive and Legislative Branches have used for years. Major differences include the "jump-off" amount, different estimates for PERS and health benefits increases, and treatment of Pension Obligation Bonds. Their information is based on 12 or 13 of the largest districts, while the estimate above is based on statewide averages.
- The CSL for the SSF does not include the Ballot Measure 98 resources dedicated for CTE/STEM, decreasing absenteeism, and increasing the graduation rate. For the 2017-19 budget, this is an additional \$170 million distributed to schools; and \$303 million is assumed in the 2019-21 CSL which is part of the Grant-in-Aid budget area for ODE.

Policy Issues

- The Quality Education Model (QEM) estimates the level of funding sufficient to meet Oregon's educational goals. In its August 2018 report, the Quality Education Commission, using the QEM, estimated that the total 2019-21 CSL for the SSF was approximately \$1.96 billion less than what the QEM generated as the amount necessary to meet the educational goals. The percentage gap between the QEM amount and the actual amount or estimated CSL has ranged from a high of 38% in 2011-13 to 21.6% for 2017-19. The gap increases slightly to 22.4% for 2019-21.
- In the past, the State Land Board policy was to distribute 4% of the Common School Fund's balance for distribution to school districts. SB 1566 (2018) changed how the Common School Fund is distributed redirecting certain earnings related to unclaimed property into the special PERS unfunded liability account for school districts. Based on an actuarial review on the impact of this change requested by the Board, the Board adopted a maximum 3% distribution.

Other Significant Issues and Background

- The CSL for the State School Fund includes an adjustment for the growth in PERS and other costs for the biennium. Although the K-12 spending funded through the school revenue formula represents the largest share of district spending, other programs are funded through other state, local and federal sources. There is little or no increase in funding due to increased PERS and other costs beyond the standard inflation rate for these programs. Many of programs face the same cost structures that the programs funded under the SSF do.
- The Governor's budget includes \$8.97 billion total funds for the SSF -- \$8.32 billion General Fund, 550.7 billion Lottery Funds and \$106.6 billion Other Funds, primarily Marijuana related revenues. Marijuana related revenues increased by \$21.3 million over the 2017-19 amount.
- In addition, The Governor's budget assumes that \$100 million General Fund is to be deposited in thee special PERS unfunded liability account for school districts. It is unclear how this funding will affect districts in 2019-21 or whether it will have its impact in later biennia.

K-12 Grant-in-Aid and Youth Corrections					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	258,340,727	453,220,802	454,059,489	608,016,099	479,818,425
Other Funds	76,818,559	273,506,378	273,506,378	413,190,095	410,486,408
Federal Funds	669,120,834	851,958,120	851,958,120	881,883,384	877,883,384
Federal Funds (NL)	402,949,244	388,007,727	388,007,727	407,115,946	407,115,946
Total Funds	1,407,229,364	1,966,693,027	1,967,531,714	2,310,205,524	2,175,304,163
Positions	2	-	-	-	-
FTE	2.00	-	-	-	-
* Includes Emergency Board and administrative actions through December 2018.					

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 students with special educational needs. Almost half of the General Fund in these programs is represented by Ballot Measure 98's High School Graduation and College and Career Readiness Act which represents over \$303 million of the 2019-21 CSL. Ballot Measure 98 is also responsible for the significant General Fund and Other Funds growth starting in 2017-19. The next largest program (\$194 million) is the Early Childhood Special Education (ECSE) and Early Intervention (EI) programs which assists children with disabilities and their families to improve developmental status and increase their school readiness. The ECSE 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 for educational services are provided in long term mental health programs or in hospitals. Federal Funds are the primary source of funding for school lunch and other nutritional programs, federal compensatory education programs (Every Student Succeeds Act or ESSA), and for special education (IDEA). 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 (professional development), and student achievement initiatives directed to specific groups of students such as English Language Learners, Native Americans, or African Americans.

The Youth Corrections program provides funding for educational services provided on behalf of those students under the jurisdiction of county juvenile programs and the Oregon Youth Authority. In the past, ODE has hired staff in some areas to provide these services

(positions/FTE in 2015-17), but the state staff had been phased out completely by 2017-19. ODE contacts with ESDs and others to perform these services.

CSL Summary and Issues

- Generally, these programs have been increased at the standard inflation rate of 3.8%. There were also one-time grants for 2017-19 totaling \$2.3 million General Fund that are not continued for 2019-21. These include funding for a Tribal History Curriculum, funding for transportation grants under HB 4130 (2017), and funding for the Mike McLaren Center for Student Success in the Salem Keizer School District.
- The funding level included in the 2017-19 budget for the High School Graduation and College & Career Act or Ballot Measure 98 (2016) was only \$170 million or roughly 60% that was assumed in the Ballot Measure's original language. For 2019-21, CSL funding is increased to the level included in the voter passed measure to \$303.2 million for distribution to school districts. There is also a similar adjustment in Other Funds since the program must expend the grants to districts as Other Funds given the language of the Ballot Measure. The Governor's 2019-21 budget holds the funding level at the 2019-21 level.
- 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 primarily staff compensation like general K-12 spending, and subject to the same factors like increases in PERS and health insurance costs. As a result, the program's services have been "thinned" to meet budgeted resources. In both 2015-17 and 2017-19, the Legislature did add additional resources to partially address this issue. For 2019-21, the CSL includes an estimated caseload adjustment along with an adjustment for inflation over the standard amount. ODE estimates that it still will take up to an additional \$75 million to fully fund the costs of meeting the caseload and level of service the program participants would need without "thinning the soup".

Policy Issues

- The Long Term Care and Treatment (LTCT) program provides funding for educational services only for students in select day and residential mental health related 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 (Special Education) and Title I-D dollars. The LTCT program only funds educational services in 39 of the over 200 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 specific 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. ODE estimates this LTCT funding only funds roughly 75% of the costs under the current funding model for the

39 designated programs which serve between 30 and 40% of the total number of students that are participating in all programs. Costs to fully fund the current 39 programs would be significant and funding all 200 plus programs would be substantially more. (Note: these are rough estimates).

Other Significant Issues and Background

- Over the past two to three biennia there have been major changes in what programs are included in this budget unit. 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, professional development and achievement gaps have been changed significantly. The major reasons for this is changing priorities of Governors and Legislators on various 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. This likely to continue for the 2019 Session as the Executive Branch reviews funding for teacher professional development through an Educator Advancement Council proposal and the Joint Legislative Committee on Student Success will also come forward with recommendations.
- 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 actives 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. In addition, it is unclear how the full “roll-out” of Ballot Measure 98 should affect this. For 2017-19, there was a one-time decision to not apply the HB 3072 requirements to these grant programs.
- There is 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 in part by the additional weighting in the school funding formula for special education students. At this time, there is not risk of not meeting this unless major reductions are made to existing state-funded programs.
- The 2019-21 CSL includes \$4.5 million total funds for grants to districts for physical education (PE) related grants. Over the next few biennia starting with elementary grades in 2019-21, new requirements will kick-in on how many hours per week must be spent on PE related activities for students. This amount of funding will likely not cover the net new costs for these requirements including facility related costs. The more significant challenge will be when middle school grades are subject to the new requirements.
- The Governor’s 2019-21 budget makes numerous changes from 2019-21 CSL in this budget area including:
 - Eliminate inflation on most programs unless protected like the EI/ECSE;
 - Eliminated General Fund (and in many cases the entire program) for Supporting Accelerated Learning Opportunities, Vision Screening, and Farm to School program (nutrition);

- Significantly reduced General Fund for Ballot Measure 98, Physical Education grants, Regional Programs, CTE Revitalization grants, and Long-Term Care and Treatment;
 - Significantly added General Fund for Accelerated Learning, Regional Promise grants, and African American Education Plan;
 - Establish new programs including Safe Schools, Native American Curriculum (was designated a one-time expenditure in 2017-19), state funding for School Improvement grants, and American Indian/Alaskan Native State Plan.
- The Governor's Investment budget, that does not have an identifiable revenue source, includes additional funding in this budget area including bringing funding for Ballot Measure 98 back to CSL (133.2 million) and bringing the Farm to School program back to CSL and then doubling the funding (\$9.2 million). In addition, the Investment budget includes a \$794 million School Improvement Fund including funding for what is referred to as Full School Year (\$537.2 million) and Class Size Reduction for K-3 grade levels (\$265.5 million).

Early Learning and Youth Development Grant-in-Aid					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	232,917,267	261,091,792	261,091,792	270,964,891	280,964,891
Other Funds	14,419,717	17,862,277	17,862,277	18,541,044	18,541,044
Federal Funds	112,935,829	121,785,508	134,435,414	126,413,357	144,663,903
Total Funds	360,272,813	400,739,577	413,389,483	415,919,292	444,169,838

* Includes Emergency Board and administrative actions through December 2018.

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 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 Department, 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, and local coordination. A significant amount of the largest federal funding source – Child Care Development Block Grant funding – 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.

2019-21 Current Service Level -- Millions of Dollars

	General Fund	Other Funds	Federal Funds	Total Funds		General Fund	Other Funds	Federal Funds	Total Funds
Early Learning Programs					Youth Development Programs				
Oregon PreK and Early Head Start	158.1			158.1	Juvenile Crime Prevention	6.1		0.8	6.9
Healthy Families Oregon	25.7	4.8		30.5	Gang Prevention/Invention Grants	0.8			0.8
Relief Nurseries	9.3	2.1		11.4	Youth and Community Grants	3.4	6.4		9.8
Kindergarten Preparedness	9.4			9.4	Youth Innovation Grants	3.3			3.3
Early Learning Hubs	15.5	2.9		18.4	Community Schools	0.1	0.1	-	0.2
Preschool Promise	37.1			37.1	Total Youth Development Programs	13.7	6.5	0.8	21.0
Other including ERDC	2.2	2.1	125.6	129.9					
Total Early Learning Programs	257.3	11.9	125.6	394.8					

CSL Summary and Issues

- There were no adjustments for phase-ins and phase-outs in the CSL for both early learning and youth development programs. There are changes in the September and December Emergency Board actions to the funding for early learning programs. The roll-up for these changes both in staffing (in the Operations budget area) and for programs in this budget area will have to be made as the 2019-21 budget is developed during the 2019 Session.
- The CSL estimate does include a \$10.4 million General Fund adjustment (\$9.4 million in early learning and \$0.5 million in youth development) at the standard inflation rate of 3.8% for the various programs.
- Not included in the CSL is a recently identified \$600,000 estimated “hole” in federal Title XX funding used for the Relief Nursery program and various grant programs in the Youth Development grants. These programs will need to be backfilled with General Fund or reduced for the 2019-21 budget.

Policy Issues

- Current preschool programs like Oregon PreK and Preschool Promise serve only a portion of the children eligible for the programs. The Oregon PreK and the companion federal Head Start program serve about 12,500 of the roughly 20,000 eligible children under 100% of the Federal Poverty Level (FPL). The Preschool Promise program serves 1,300 of the roughly 40,000 children under 200% of the FPL. While there will likely be proposals to increase the capacity of these programs, the growth will be partially constrained by finding enough child care workers and suitable facilities. Recent federal and state changes have increased the importance of quality in the mix which also can increase the costs of these programs.

Other Significant Issues and Background

- In the second half of the 2017-19 biennium, a further \$25.6 million in Child Care Development Block Grant funding was made available to Oregon. It is assumed that this is an ongoing increase in this federal funding. All this increase for FFY 2018 must be spent or obligated prior to the end of September 2019. The September 2018 Emergency Board approved increases of \$7.2 million in Federal Funds limitation for 12 positions and additional funding for greater support for child care providers, more training and technical assistance. During the December 2018, the Emergency Board approved another \$0.2 million Federal Funds for four positions for the remainder of 2017-19 and \$7.1 for a transfer to DHS for the Employment Related Day Care program. More of this additional federal funding may be requested early in the 2019 Session to establish a program to build child care capacity for babies and toddlers which is in short supply across almost all the state.
- For 2017-19, the budget for the Healthy Families Oregon, a home visiting program, was increased from \$18 million total funds to \$29.5 million. 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 which are mandated programs which have been significantly underfunded in past biennia. A recent estimate for getting the EI and ESCS to the level of funding necessary to meet both the demand in number of child and the level of service required is up to \$75 million General Fund.

- Depending on the amount of resources available, there will likely be requests for significant increases in funding for early learning programs various legislative groups including the Joint Committee on Student Success.
- The 2019-21 Governor’s budget has made early learning a priority. The budget includes increases of \$10 million General Fund and \$13.1 million in CCDBG funds for a new Babies Promise program which is to fund infant and toddler day care by providers who meet certain quality standards. There is a statewide shortage of these providers. There is also a \$15.2 million increase in Office of Child Care for greater support for child care providers, more training and technical assistance, much of which is roll-up of funding approved by the September 2018 Emergency Board (there are similar increases for staffing in the Operations budget area).
- The 2019-21 Governor’s Investment budget (which does not have an identifiable funding source) proposes \$359 million in greater funding for early learning programs including:
 - \$285 million for expanding preschool programs including \$169.7 million for Preschool Promise, \$63.3 million for Oregon PreK, \$37.9 million for Early Head Start, and \$15 million for an Equity Fund which directs funds for families of culturally underserved populations;
 - \$5.0 million for Relief Nurseries;
 - \$2.0 million for expanding Healthy Families Oregon;
 - \$2.0 million for parenting education; and
 - \$18.3 million for Early Learning Preschool Networks.

Operations, Educator Advancement Council and the Oregon School for the Deaf					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	80,652,209	88,375,291	92,134,259	101,770,276	131,313,391
Other Funds	38,047,450	45,660,771	46,955,887	50,205,997	91,982,311
Other Funds (NL)	2,821,551	2,704,452	4,104,452	4,104,452	4,104,452
Federal Funds	70,236,445	79,400,604	82,389,756	81,913,731	91,261,867
Total Funds	191,757,655	216,141,118	225,584,354	237,994,456	318,662,021
Positions	554	551	584	548	639
FTE	521.14	537.54	550.43	535.78	618.34
* Includes Emergency Board and administrative actions through December 2018.					

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 for a total of 466 positions and 460.01 FTE (2019-21 CSL). This budget unit includes funding for the staff, IT functions, assessment activities, and all state government service charges paid by the agency. It also includes the staffing related to the various grant-in-aid programs paid to school districts and other entities relating to K-12, early learning and youth development. Major offices within Ops include the Office of the Deputy Superintendent, Office of Student Services, Office of Teaching and Learning, Early Learning Division, and Office of Finance and Administration.
- **Oregon School for the Deaf (OSD)** – located in Salem, this school provides educational services to roughly 110 residential and day program students with 82 staff positions (75.77 FTE). The capital expenditures and debt service for the School for the Deaf are included in another section of the budget.

2019-21 Current Service Level -- Millions of Dollars						
	General Fund	Lottery Funds	Other Funds	Other Funds NL	Federal Funds	Total Funds
Operations	89.1	-	43.9	4.1	81.7	218.8
Oregon School for the Deaf	12.6	-	6.3	-	0.2	19.1
Total	101.7	-	50.2	4.1	81.9	238.0

- The Governor’s budget includes a new entity -- the **Educator Advancement Council (EAC)**. Only the 2019-21 Governor’s budget column includes funding for this Council. The EAC was authorized in 2017 and has been working on establishing a network of local entities to promote and coordinate educator advancement or professional development efforts. This EAC replaces the Network for Quality Teaching and Learning (NQTL) which was established in 2013 and currently (2017-19) funds a number of programs including mentoring and school district collaboration.

CSL Summary and Issues

- Several one-time positions are phased-out (17 net positions in Operations, none in School for the Deaf). Some of the positions were funded with Race-to-the-Top (Early Learning) and other federal grant funds, while others were tied to one-time appropriations for Ballot Measure 98 start-up, vision screening, chronic absenteeism and other programs. The corresponding overall net FTE decrease is only 8.98 FTE primarily due to the offset of the phase-in of continuing positions which were funded for a portion of the 2017-19 biennium, many in the Early Learning Division for increasing quality and monitoring initiatives.
- Reductions totaling \$1.3 million General Fund are made for one-time investments including Native American Curriculum, Early Indicator and Intervention System, and new Science Standards.
- Over \$7.1 million General Fund is included in the Operations CSL for inflation and increases in various assessments. State Government Service Charges represent almost \$6.0 million of this increase.

Policy Issues

- New federal regulations and state law changes relating to child care providers continue to drive increases in 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). An additional 18 positions were added in the original 2017-19 budget, and further funding will be required as these positions phase-in for the full 24 months. Another 26 positions were established during the 2018 Session and by the September Emergency Board. The Division received a further four positions during the December Emergency Board and has requested more positions as part of the Governor’s budget. Most of these positions have been funded with federal Child Care Development Block Grant funding. Any position added after the February 2018 Session were limited duration and will have to be re-established and funded during the 2019 Session if they are to continue as permanent positions.
- Many of the positions added in the past three biennia relate to education reform efforts and the resulting new grant programs including those for CTE/STEM, educator effectiveness and professional development, and closing achievement gaps. Most 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 at some level including those programs that have federal funding attached.
- Further “education reform” efforts will have an impact on the Operations budget and ODE staffing. For example, ongoing work related to the Educator Advancement Council outlined in SB 182 (2017) would dramatically change the way funds are distributed for professional

development. Currently, there is the Network for Quality Teaching and Learning (NQTL) “carve-out” from the State School Fund of roughly \$40 million that funds a few grant programs in the Grant-in-Aid budget unit (e.g., mentoring, school district collaboration) as well as several positions in Operations. If the Educator Advancement Council concept is implemented, it would establish a statewide council and likely several regional councils to distribute the current NQTL funding and any additional funding appropriated for this purpose. There are several positions currently funded with NQTL funding, so these positions would have to be eliminated, transferred to the new Council, or find another resource to pay for the positions. The Governor’s budget included \$19.7 million General Fund as well as \$39 million NQTL Other Funds for the EAC along with 10 positions.

- Another effort underway that could mean major changes to agency operations is the Joint Committee for Student Success which will have specific education related recommendations.

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 summative assessment system tied to the Common Core standards. Oregon uses the test developed and maintained by the Smarter Balance Assessment Consortium (SBAC). Any change in the testing system (e.g., transfer to the SAT) 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, but still requires testing for many grade levels (3rd through 8th and 11th). In addition, the agency has phased in assessments for English Language Learners and in the sciences subject area. Formative and interim assessment remain an interest for many and the Governor’s budget has a package for rolling out funding for the SBAC interim assessment tool as well as professional developing training for the use of formative assessments.
- There are several “infrastructure” needs for the agency, specifically in staffing for various Information Technology and business services functions. ODE staff has grown by almost 190 FTE since 2011-13 while business services staff has grown by less than 10%. Much of the growth of in overall agency staff is due to the transfer and growth of the Early Learning Division staff which came to the Department with very little business services staff. Other infrastructure needs include deferred maintenance needs for School for the Deaf facilities.
- A pilot program (SB 111 -- 2017) provided staff to assist school districts to increase the Medicaid billing for certain eligible health related services provided by districts. There is an ongoing opportunity for districts to offset costs with Medicaid funding. For that reason, it may be cost effective to continue or expand the pilot during 2019-21.
- The Governor’s budget includes several items affecting these budget areas including those already discussed above. Other areas funded in her budget include increased funding for African American/Black Student Success Plan; an American Indian/Alaska Native student success plan; continued funding for Native American curriculum; funding for the recommendation of a task force on student safety; civil rights compliance and monitoring staffing; funding for addressing chronic absenteeism; backfill for school and district improvement efforts (lost NQTL and federal funding); additional fiscal, procurement, human resource and other administrative support staff; and additional Early Learning Division staff as noted above. Funding for the Grant-in-Aid components of these “investments” are found in other budget areas.

Bonding Program and Debt Service					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	-	18,263,417	18,239,116	32,479,290	32,479,290
Lottery Funds	1,434,923	651,225	651,225	692,870	692,870
Other Funds	-	104,297,558	143,634,175	130,000,000	230,935,000
Total Funds	1,434,923	123,212,200	162,524,516	163,172,160	264,107,160

* Includes Emergency Board and administrative actions through December 2018.

Program Description

This budget area includes all debt service and expenditure limitation related to bonds issued by the state on behalf of the agency and school districts. Most of the General Fund represents the debt service required to pay off the Article XI-P general obligation bonds issued through the Oregon Capital Improvement Matching Program (OCIM). This program provides matching grants to school districts for capital costs including construction, improvement, remodeling, equipment purchase, maintenance, and repair of facilities. Districts must match the state grants with funds from local voter approved bonds and grants are capped at \$8 million. Almost all the Other Funds expenditure limitation represents the XI-P bond proceeds and are paid out to districts as grants or special payments. This is two-year limitation. In 2015-17, \$125 million in XI-P bonds were issued and \$100 million was authorized for the 2017-19 biennium. Staffing for this program is through the Office of School Facilities and is part of the Operations budget unit. Article XI-Q bonds, which require no match, are issued for capital and deferred maintenance projects at the Oregon School for the Deaf (OSD). In 2017-19, \$4.3 million of bonding authority was approved for OSD projects and a small portion of the General Fund in the 2019-21 CSL is for the initial payment of these XI-Q bonds.

The Lottery Funds is the debt services for 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). Funds provided to districts from the bond proceeds were intended for the acquisition, construction, remodeling, maintenance, or repair of school facilities. Schools also could use the proceeds for certain operational expenses, such as textbooks, computers, and instructional training. These Lottery bonds should be paid off completely in 2019-21. The Lottery Funds are from a portion of the investment earnings of the Education Stability Fund. Any of these investment earnings not required for this debt service are dedicated to the Oregon Opportunity Grant program.

CSL Summary and Issues

- While Article XI-P bonds are authorized for issuance for a specific biennium (e.g., \$125 million for 2017-19), not all the bond proceeds are paid out to school districts during the same biennium. Bond sales are usually scheduled to be issued later in the biennium for which they are authorized to save on debt service costs in the “current” biennium. For that reason, in each budget period there are adjustments made to make sure there is the proper amount of limitation for the actual grants made to school districts as their construction projects proceed. For 2019-21, adjustments are made in the CSL development to account for distribution of proceeds of \$30 million for bonds issued in 2015-17 and \$100 million for bonds to be issued in 2017-19. The CSL does not include any Other Funds limitation for any bonds that might be issued during 2019-21 but will be added in the Legislature’s bonding bill at the end of the 2019 Session.

Policy Issues

- Demand for the OCIM program will continue to likely grow as school districts face a growing deferred maintenance/build remodeling need as well as pressure to remodel and construct facilities for CTE programs and to meet new physical education requirements in the near future. If funding becomes available to reduce class size for school districts, this will likely affect the demand for the OCIM program.
- The Governor’s budget recommends authorization of \$100 million in Article XI-P bonds for the Oregon Capital Improvement Matching Program (OCIM) along with the corresponding \$100 million Other Funds for distributing the bond proceeds to districts. There is also \$930,000 Other Funds for issuance costs.