

HB 5047 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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**Department of Education
2019-21**

**Department of Revenue
2019-21**

**Department of Justice
2019-21**

PRELIMINARY

Budget Summary*

	2017-19 Legislatively Approved Budget ⁽¹⁾	2019-21 Current Service Level	2019-21 Committee Recommendation	Committee Change from 2017-19 Leg. Approved	
				\$ Change	% Change
Department of Education					
General Fund	\$ -	\$ -	\$ 5,504,403	\$ 5,504,403	0.0%
Other Funds	\$ -	\$ -	\$ 908,986,836	\$ 908,986,836	0.0%
Subtotal	\$ -	\$ -	\$ 914,491,239	\$ 914,491,239	0.0%
Department of Revenue					
General Fund	\$ -	\$ -	\$ 3,954,361	\$ 3,954,361	0.0%
Subtotal	\$ -	\$ -	\$ 3,954,361	\$ 3,954,361	0.0%
Department of Justice					
Other Funds	\$ -	\$ -	\$ 464,086	\$ 464,086	0.0%
Subtotal	\$ -	\$ -	\$ 464,086	\$ 464,086	0.0%
Total	\$ -	\$ -	\$ 918,909,686	\$ 918,909,686	0.0%

Position Summary

Department of Education					
Authorized Positions	0	0	72	72	
Full-time Equivalent (FTE) positions	0.00	0.00	51.95	51.95	
Department of Revenue					
Authorized Positions	0	0	38	38	
Full-time Equivalent (FTE) positions	0.00	0.00	9.29	9.29	
Department of Justice					
Authorized Positions	0	0	3	3	
Full-time Equivalent (FTE) positions	0.00	0.00	1.76	1.76	

⁽¹⁾ Includes adjustments through December 2018

* Excludes Capital Construction expenditures

Summary of Revenue Changes

Pending passage of the revenue package included in House Bill 3427, House Bill 5047 allocates revenues derived by a commercial activities tax on Oregon businesses effective for the tax year beginning January 1, 2020. Estimated revenues for the 2019-21 biennium total \$1.6 billion from the activities tax minus the cost of a reduction of personal income rates of \$311 million and other changes in the bill affecting General Fund revenues. House Bill 3427 transfers funding to the Department of Revenue (DOR) for the implementation, collection, and administrative costs of the new commercial business activities tax. The balance is transferred to the Fund for Student Success established in House Bill 3427. For 2019-21, House Bill 3427 transfers a total of \$643 million from the Fund for Student Success to the State School Fund of which \$423 million represents the lost General Fund revenues from the tax changes in the bill, \$20 million is for an increase in the High Cost Disabilities Account and the remaining \$200 million is for distribution to the districts through the statutory school revenue formula. The remaining amount in the Fund for Student Success is divided between the Early Learning Account (at least 20 percent), the Statewide Education Initiative Account (up to 30 percent), and the Student Investment Account (at least 50 percent). The 2019-21 spending out of each of these accounts are described in more detail below.

Summary of Education Subcommittee Action

House Bill 5047 provides the budget expenditure authority for programs funded through the new revenue stream established in House Bill 3427. Resources are provided for both the Oregon Department of Education for the various programs and staffing needs resulting from House Bill 3427 and the Department of Revenue for implementing, collecting, and administering the new revenue stream. Limitation is also increased for the Department of Justice for the anticipated increase in the legal work required by the Department of Revenue.

The Subcommittee approved \$9,458,764 General Fund and \$909,450,922, Other Funds expenditure limitation for the three agencies. The General Fund resources are for the upfront costs for the initial development of the programs, systems, and infrastructure prior to the availability of the new revenue stream. The Other Funds expenditure limitation represents the ongoing program and administrative costs for the agencies after the new revenues become available.

Department of Education

The Subcommittee approved \$5,504,403 General Fund and \$908,986,836 Other Funds expenditure limitation for the Oregon Department of Education (ODE) in House Bill 5047. These resources are for; (1) various early learning programs and related costs funded out of the newly established Early Learning Account, (2) education related initiatives such as a portion of 2019-21 Ballot Measure 98 costs and nutritional programs from the new Statewide Education Initiative Account, and (3) resources for school districts and eligible charter schools distributed from the new Student Investment Account through the same allocation formula used for the State School Fund, but with a double weighting for poverty. For development of the 2021-23 biennial budget, current service level calculations for the grant and other programs funded in this bill should be developed based on the funding levels for the second year of the 2019-21 biennium.

Department Operations

A total of \$4,491,936 General Fund, \$21,872,653 Other Funds expenditure limitation, and 72 positions (51.95 FTE) is authorized for staffing, contracts, and other costs necessary to implement the new or expanded programs authorized in House Bill 3427. These costs include the necessary program and business services infrastructure to carry out these programs. The Subcommittee approved resources in Department Operations to support and oversee the following ten areas for new initiatives and four areas to support existing programs.

New Initiatives

- Student Success Teams are established to provide a range of intensive services and additional funding for those school districts with high academic achievement needs. A participating district must commit to a set of requirements and are also eligible to receive additional funding based on a per pupil basis and need. The Student Success Teams will generally include personnel with expertise in school and school district improvement strategies and will primarily be contracted staff, some with local perspectives regarding the district they are assisting. General Fund resources of \$293,895 and \$1,800,748 Other Funds were approved for three positions (2.30 FTE) and \$1,502,605 for needs assessments, contract members of the teams, and onsite assessments for participating districts. A total of \$12 million is included in the Grant-in-Aid section for the additional funding for these districts.
- Student Investment grants are distributed to school districts and eligible charter schools to meet specific needs including meeting students' mental or behavioral health needs and increasing student achievement including for specific groups of students that have historically experienced academic disparities. Grant funds must be used to, (1) increase instructional time, (2) address students' health and safety needs, (3) reduce class sizes or staff caseloads, and (4) broaden curricular opportunities. Funding for the grants is included in the Grant-in-Aid section. In this budget area, funding for positions and related costs is provided for a variety of functions including: (1) providing technical assistance to districts and charter schools applying for the grants, (2) developing the structure of the program to ensure districts are clear on expectations, (3) developing and maintaining the performance indicators and benchmarks for the individual districts to determine their progress and success, and (4) managing and monitoring individual district grants to determine if districts are meeting the terms and requirements of their grant agreements. General Fund resources of \$770,797 and \$3,493,730 Other Funds were approved to fund a total of 22 positions (15.71 FTE). Also approved was \$161,073 General Fund and \$5,125,299 Other Funds for a "coaching" program for assisting districts who do not meet their achievement targets, which are part of the grant agreements between the districts and state for the Student Investment Grants. Four positions (2.72 FTE) are authorized as well as \$4,531,000 for technical assistance contracts for assisting these districts.

Budget Note:

The Oregon Department of Education shall explore the potential for combining grant applications, grant agreements, grant monitoring, and reporting for the School District Investment grants established in House Bill 3427 with other programs or grants administered by the agency including grants made from the High School Graduation and College and Career Readiness Fund (Ballot Measure 98), Title I grants where appropriate, and other grant programs identified by the agency. The agency shall report to the 2021 Legislature on the results of this analysis during their Ways and Means presentation on the agency's budget.

- District transparency. The Subcommittee approved resources for improving school district fiscal management and increasing district transparency. A total of five positions (2.92 FTE) with \$39,209 General Fund and \$925,739 Other Funds were designated to increase the transparency in relation to district spending, development of academic return on investment models for districts, establishing fiscal accountability training standards, and providing information for best practices in fiscal management. Permanent positions include an Operations and Policy Analyst 4 (OPA 4) and an OPA 3, while an Information Specialist 7, a Project Manager 3, and an OPA 3 are limited duration positions. Funding for website development and management as well as district review teams is also included.
- Statewide school safety and prevention system. A statewide school safety and prevention system is included in House Bill 3427 that focuses on bullying prevention, student wellness, suicide prevention, threat and risk assessment, and promotion and implementation of a statewide tip line for students. House Bill 3427 also authorizes grants to Education Service Districts (ESDs) for School Safety and Prevention Specialists, Youth Suicide Prevention and Wellness Promotion Specialists, and Student Threat Assessment Training Assistance Specialists. One position (0.92 FTE) is authorized, funded with \$66,460 General Fund and \$144,378 Other Funds. In addition, \$1,725,119 Other Funds is approved for the grants to the ESDs in the Grant-in-Aid part of this bill.
- Safe and Effective Schools. The Subcommittee approved \$142,068 General Fund and \$581,417 Other Funds to fund four positions (2.84 FTE) to establish a Safe and Effective Schools unit within the agency. This staff will be responsible for assisting school districts and schools to address the behavioral, mental and physical health needs of their students. The authorized amount also includes \$30,000 for surveys and assessment of student and district needs.
- Statewide education plans. Two new statewide education plans are included in House Bill 3427, one for American Indian and Alaskan Native students and one for Latino or Hispanic students. In each case, ODE is to develop and implement a statewide plan which addresses the culturally appropriate best practices for eligible students from early childhood through post-secondary education. For the Latino statewide plan, one position was approved (0.71 FTE) funded with \$34,910 General Fund and \$213,035 Other Funds. There is \$1.0 million included in the Grant-in-Aid section for capacity building grants. It is anticipated that further grant funding will be made available in 2021-23 to implement the plan developed in this biennium. There has been some work completed on the American Indian and

Alaskan Native statewide plan during 2017-19 and this work will continue into 2019-21 with one position (0.71 FTE). Additional resources are added in the second year of the biennium to implement the plan including grants. Overall, \$159,017 General Fund and \$575,850 Other Funds were approved for the staff and contracted resources to complete development of this statewide plan.

- Summer learning grants for Title I schools. A new summer learning grant program is authorized with \$3 million Other Funds for grants made in the second year of the biennium, which is included in the Grant-in-Aid section below. The grants are to be made to Title I schools for increasing instructional time during the summer months for students who are falling behind in their academic progress. One position (0.71 FTE) was approved to develop and implement this grant program at a cost of \$17,223 General Fund and \$135,631 Other Funds.
- Re-engagement grants. House Bill 3427 establishes a re-engagement grant program to reconnect youth age 14 to 21 who are dropouts, not making sufficient progress toward a high school diploma, or are referred to the program are dropouts. School districts or other eligible entities will use the grant funds for academic instruction, career counseling, workforce readiness services, and assistance with accessing resources supporting at-risk youth and reduce barriers to educational success. Four positions (3.39 FTE) are authorized to work with school districts in establishing youth re-engagement programs and to administer and monitor the grants. The positions and related costs will be funded with \$192,405 General Fund and \$560,756 Other Funds. Another \$4.0 million is included in the Youth Development Grant-in-Aid section for the grants to be made in the second year of the biennium.
- Early learning capacity. Early Learning staff is increased by eight positions (5.60 FTE) to support the expansions in the preschool programs (Oregon Pre-Kindergarten, Preschool Promise) and Early Head Start program. These positions will provide support to Early Learning Hubs, providers, and families as well as to provide for grant management and quality monitoring. Funding of \$246,269 General Fund and \$1,113,230 Other Funds is approved to fund these positions and related costs. A total of \$104.3 million Total Funds is also included in the Early Learning Grant-in-Aid section for these expanded programs, as well as resources for capacity building, local administration/planning, and provider training. One position (0.50 FTE) is included starting in the second year at a cost of \$144,925 Other Funds relating to professional development for the early learning workforce.
- Early Childhood Equity Fund capacity. Another two positions (1.63 FTE) are included with \$90,690 General Fund and \$775,232 Other Funds for the development and operation of the new Early Childhood Equity Fund program. Resources are included in this funding for program evaluation (\$250,000 Other Funds) and technical assistance (\$230,000 Other Funds) for providers. Grant funding of \$10 million Other Funds is included in the Early Learning Grant-in-Aid section.

Ongoing Programs

- High School Success (Measure 98). A portion of the funding (\$133,200,000 Other Funds) for High School Success Grants (Ballot Measure 98) is included in this bill in the Grant-in-Aid section. The other \$170,000,000 is to be part of the general budget bill for ODE. The Subcommittee approved \$223,506 General Fund and \$485,545 Other Funds for three positions (2.76 FTE) for the staff associated with the share of total funding included in this bill.
- Nutrition program. An initiative is included to increase the number of students receiving free and reduced breakfasts and lunches starting in the second year of the biennium. The Community Eligibility Provision (CEP) program is expanded to bring all CEP eligible schools up to the 90 percent claiming percentage; and for non-CEP schools, students in households between 186 and 300 percent of the federal poverty level will become eligible for the free and reduced lunch program. Two positions (1.51 FTE) are added at a cost of \$65,490 General Fund and \$285,349 Other Funds were approved to implement this proposal. A permanent Operations and Policy Analyst 1 position is for addressing the additional workload and a limited duration Information Systems Analyst 7 is added to make the necessary information systems changes to carry out this expansion.
- Statewide Longitudinal Data System. Funding of \$1,537,324 General Fund and \$2,647,611 Other Funds was authorized for the Statewide Longitudinal Data System. These funds are to be transferred to the Higher Education Coordinating Commission. These funds are to support the existing eight staff for the entire biennium with the necessary Services and Supplies costs and significant data processing and storage costs. These resources also assume the addition of one Research Analyst position beginning in the second year of the biennium. Overall funding for nine positions were authorized and the position authority will be included in the budget bill for the Higher Education Coordinating Commission.
- Business support and oversight for new funding. To support the programs and staffing for the initiatives included in House Bill 3427 and this bill, funding of \$451,600 General Fund and \$2,864,178 Other Funds along with 10 positions (7.02 FTE) was approved. These positions will provide the necessary personnel, financial, procurement, and information system support to support the programs. All positions are permanent, except for one Project Manager position, which is limited duration. Funding for rent as well as one-time moving costs and information technology infrastructure is also included.

K-12 Grant-in-Aid

The Subcommittee approved a total of \$751,522,833 in Other Funds expenditure limitation for expanding existing or new education programs and initiatives to be funded with the new revenue stream authorized in House Bill 3427. There are nine new investments and four ongoing programs, which are detailed following the summary table below:

K-12 GRANT IN AID (\$ millions)	
Program	Total Funds
Student Investment	
Formula Grants To School Districts	\$ 472.7
Statewide Initiatives	
Statewide School Safety and Prevention System	\$ 1.7
Student Success Teams	\$ 12.0
Native American State Plan	\$ 3.2
African American/Black Student Success Plan	\$ 3.8
Latino State Plan	\$ 1.0
ESD Technical Support for District Improvement	\$ 24.0
Summer Program for Title I Schools	\$ 3.0
Early Warning System for Students Lagging in Progress	\$ 2.8
High School Success (Measure 98)	\$ 133.2
Early Intervention/Early Childhood Special Education (EI/ECSE)	\$ 37.5
Nutrition Expansion	\$ 41.6
Professional and Workforce Development	\$ 15.0
STATEWIDE INITIATIVES SUBTOTAL	\$ 278.8
Total	\$ 751.5

New Investments

- **Student Investment Grants.** These grants are funded from the Student Investment account authorized in House Bill 3427 and are non-competitive grants made to school districts and charter schools. The grants are for specific needs including meeting students’ mental or behavioral health needs and increasing student achievement including for specific groups of students that have historically experienced academic disparities. Grant funds must be used to: (1) increase instructional time, (2) address students’ health and safety needs, (3) reduce class sizes or staff caseloads, and (4) broaden curricular opportunities. A total of \$472,740,000 Other Funds was approved for the grants in the second year of the biennium, which are distributed to districts and charter schools based on the same formula as the State School Fund is distributed, but with double the poverty weight. Districts must have a plan approved by the Oregon Department of Education to receive these grants.

- Student Success Teams. These are established to provide a range of intensive services and additional funding for those school districts with high academic achievement needs. A participating district must commit to a set of requirements and are also eligible to receive additional funding based on a per pupil basis and need. The Student Success Teams will generally include personnel with expertise in school and school district improvement strategies and will primarily be contracted staff, some with local perspectives regarding the district they are assisting. A total of \$12,000,000 is included in this section for the additional funding over and above the Student Investment Grants for these districts.
- Statewide school safety and prevention system. A total of \$1,725,119 Other Funds was approved for grants to Education Service Districts (ESDs) as part of a state-wide school safety and prevention system. The grants for the second year of the biennium are for School Safety and Prevention Specialists, Youth Suicide Prevention and Wellness Promotion Specialists, and Student Threat Assessment Training Assistance Specialists.
- Equity statewide education plans. Grant-in-Aid funding totaling \$8,000,000 Other Funds is available for the second year of the biennium for three of the state-wide Equity Initiatives. First, \$3,810,000 Other Funds is directed for an expansion of the existing African American/Black Student Success Plan grants made to entities providing programs and services to decrease the achievement gap for this population. Another \$3,190,000 Other Funds is for grants to early learning hubs, school districts, education service districts, post-secondary institutions, and community-based organizations to implement the American Indian or Alaskan Native education plan. Finally, \$1,000,000 is available to implement the statewide Latino or Hispanic education plan. While ODE staff have been working on the American Indian/Alaskan Native education plan during the 2017-19 biennium, work will begin in the 2019-21 biennium on the Latino or Hispanic education plan with resources included in this bill.
- Educational Service District technical assistance. A total of \$24,000,000 Other Funds is designated for grants to ESDs to assist school districts in the grant application and implementation of the School District Investment Grants. Funds are distributed based on ADMW with a double weighting for poverty. These funds must stay with the ESDs; and if a school district does not seek assistance from the ESD for these purposes, the ESD will use the funding to assist other districts in their service area. The Oregon Department of Education may start distributing these additional funds before the second year of the biennium to assist school districts in their applications for the School District Investment grants for the 2020-21 school year. An annual report is required by each ESD on how these funds were used.
- Summer learning program for Title I schools. A new summer learning grant program is authorized with \$3,000,000 Other Funds for grants made in the second year of the biennium. The grants are to be made to Title I schools for increasing instructional time during the summer months for students who are falling behind in their academic progress.
- Early Warning System. A total \$2,750,000 Other Funds was approved for an Early Warning System or early intervention systems in school districts to track student achievement progress toward high school graduation. The funds are for technical assistance to districts in

setting up and maintaining these systems and for grants to districts for the systems. Non-competitive grants are available to districts for these systems in the amount of the Average Daily Membership (ADM) as defined in ORS 327.006 multiplied by \$3.

Ongoing programs

- Ballot Measure 98. Approved by the voters in 2016, Ballot Measure 98 is to provide additional grants over and above the school funding formula payments out of the High School Graduation and College and Career Readiness Fund for three specific areas for high school students: dropout-prevention, college-level education opportunities or accelerated learning; and career and technical education. The budget bill for ODE is to have \$170,000,000 General Fund for this purpose. Another \$133,200,000 Other Funds is included in this bill to bring total funding to \$303.2 million. The ODE may start distributing these additional funds before the second year of the biennium.
- Early Childhood Special Education (ECSE)/Early Intervention (EI). The ECSE program is a mandated program where ODE and its local partners must provide services including preschool and therapeutic services to eligible children age 3 until they enter school. The EI program is a companion program serving eligible children up to age 3. Over time, these programs have not provided the full range of services to the eligible population. The Subcommittee approved an increase of \$37,500,000 Other Funds for the second year of the biennium to provide the anticipated full level of services to the identified current eligible estimated population. The funding available for the 2017-19 biennium represented just over 81 percent of the need and the current service level funding for 2019-21 was estimated to meet 75 percent of the total need. The increase included here is estimated to bring funding to a level by the end of the biennium meeting 100 percent of the identified need. The additional funding comes from the Early Learning Account.
- Nutrition program. A total of \$41,607,714 Other Funds is included to increase the number of students receiving free and reduced breakfasts and lunches starting in the second year of the biennium. First, the Community Eligibility Provision (CEP) program is expanded to bring all CEP eligible schools up to the 90 percent claiming percentage at a cost of \$27.9 million Other Funds. It is estimated that 479 schools will join the CEP and an additional 228,859 students will be affected. Secondly, for non-CEP schools, students in households between 186 and 300 percent of the federal poverty level will become eligible for the free and lunch program adding another estimated 34,128 students at a cost of \$12.6 million. Finally, a one-time investment of \$1,176,000 in equipment grants will enable more schools to add "Breakfast after the Bell."
- K-12 professional and workforce development. A total of \$15,000,000 Other Funds was approved for professional development related programs for K-12 educators and other staff for the second year of the biennium. A separate amount is provided for early learning staff. House Bill 3427 requires a plan to be ready for the 2020 Legislative Session proposing the most effective set of programs and initiatives for K-12 educator professional and workforce development. The plan is to consider educator retention, a greater diversified education workforce, mentoring and coaching, participation of educator preparation programs, and educator scholarships.

Early Learning Grant-in-Aid

The Subcommittee approved a total of \$1,012,467 General Fund and \$131,591,350 Other Funds expenditure limitation for expanding existing or new early learning programs and initiatives to be primarily funded with the new revenue stream authorized in House Bill 3427. There are four preschool investments and five other early learning investments described in the narrative following the summary table below:

EARLY LEARNING GRANT IN AID (\$ millions)	
Program	Total Funds
Early Learning	
Relief Nurseries	\$ 2.8
Equity Fund	\$ 10.0
Preschool Expansion	
Capacity and Infrastructure	\$ 6.8
Grants for Oregon Pre-Kindergarten	\$ 44.4
Grants for Preschool Promise	\$ 30.8
Grants for Early Head Start	\$ 22.3
Healthy Families	\$ 2.0
Parenting Education	\$ 1.0
Professional and Workforce Development for Early Learning Workers	\$ 12.5
TOTAL	\$ 132.6

Preschool Investments

- Oregon Pre-Kindergarten. Funding of \$44,399,232 Other Funds was authorized for expanding the Oregon Pre-Kindergarten program. These additional funds may be used in the second year of the biennium for expanding the number of part-time and full-time slots, converting existing half-time slots to full-time slots, increases in the compensation for early learning educators and others providing services under the program, and for transportation costs associated with the participants under the program. The number of slots established or converted to full-time slots will depend on decisions made by the Early Learning Division staff. In making this determination, the Division should consider the area's capacity to create new slots.
- Preschool Promise. Funding of \$30,795,390 Other Funds was approved for expanding the Preschool Promise program in the second year of the biennium, which provides preschool services for families above 100 percent of the federal poverty level. The preschool services are provided by a mix of providers including center-based providers, home-based providers, and school-based providers. This amount of funding should add another approximately 2,565 slots to the current 1,300 slots.

Budget Note:

The Early Learning Division is instructed to examine the potential and provide recommendations for implementing a co-pay system for the Preschool Promise program. The report and recommendations must consider the income levels of families participating in the program, the level of the copay, whether it should be sliding fee or not, and the impact on the families, providers and the agency. The Division shall submit the report including recommendations to the Legislature by January 15, 2020 for consideration during the 2020 legislative session.

- Early Head Start. To address the developmental needs of young children, \$22,353,688 Other Funds is designated for the Early Head Start program for the second year of the biennium. This program provides home visitation and center-based services to children up to age 3. These funds are anticipated to provide approximately an additional 1,200 slots to the current 2,340 federal and state slots.
- Capacity and infrastructure. To ensure that the provider network for the preschool programs and Early Head Start program is sufficient to meet the demand this new slot funding will generate, a total of \$1,012,467 General Fund and \$5,753,040 Other Funds was approved for early programs for the second year of the biennium. These funds will be used for local coordination and other activities through the early learning hubs (\$291,667 General Fund; \$2,187,500 Other Funds), providing professional learning and coaching for providers (\$1,897,500 Other Funds), assess community early learning needs (\$400,000 General Fund; \$600,000 Other Funds), monitoring of the system (\$586,840 Other Funds), and providing funds to upgrade facilities and equipment (\$320,800 General Fund; \$481,200 Other Funds).

Other Early Learning Investments

- Relief Nurseries. A total of \$2,800,000 Other Funds is included to expand the services provided by Relief Nurseries in the second year of the biennium. This level of funding is anticipated to provide the resources for opening two new Relief Nurseries and seven additional satellite sites. Also included in this funding is an amount anticipated to provide services for more than another 1,000 children at Relief Nursery sites across the state.
- Early Learning Equity Fund. In the second year of the biennium, \$10,000,000 Other Funds were approved for grants to eligible organizations to address the early learning needs of children and families of traditionally underserved populations to improve kindergarten readiness. Grant funds can be used to provide early childhood and parent-engagement programs designed to meet the cultural and linguistic needs of diverse communities.

- Healthy Families Oregon and parenting education. An additional \$2,000,000 Other Funds is designated for the Healthy Families Oregon program for expanding this intensive home visiting program to more eligible families. Another \$1,000,000 Other Funds is directed to parenting education programs and resources to increase skills and strategies for parenting, strengthening parent-child relationships, and promoting positive child development and school readiness. The resources for these two programs are available in the second year of the biennium.
- Early learning professional and workforce development. The Subcommittee approved \$12,500,000 million Other Funds available in the second year of the biennium for professional development, education opportunities, and related services for the early learning workforce.

Budget Note

The Early Learning Council, Early Learning Division staff, and Educator Advancement Council shall consult with other units of the Oregon Department of Education, Higher Education Coordinating Commission, and representatives of early learning Hubs, providers and families in developing a plan on the most effective set of programs and initiatives for early learning educator professional development and expanded education/training opportunities. The plan shall include consideration of workforce retention, recruitment, a greater diversified education workforce, early learner educator scholarships, and the potential for a coordinated stackable system of programs incorporating work experience, community college credits and public university credits. The Division shall submit the report to the Legislature by January 15, 2020 for consideration during the 2020 Legislative Session.

Youth Development Grant-in-Aid

A total of \$4,000,000 Other Funds was authorized for youth re-engagement grants in the second year of the biennium. House Bill 3427 establishes a re-engagement grant program to reconnect youth aged 14 to 21 who are dropouts, not making sufficient progress toward a high school diploma, or are referred to the program. School districts or other eligible entities approved by the Youth Development Council are eligible to receive grants for academic instruction, career counseling, workforce readiness services, and assistance with accessing resources supporting at-risk youth and reduce barriers to educational success.

Department of Revenue

The Subcommittee approved \$3,954,361 General Fund and the establishment of 22 permanent full-time positions (5.43 FTE) and 16 limited duration positions (3.86 FTE) related to implementation of the Corporate Activities Tax (CAT) (House Bill 3427). Of this amount, \$2,789,361 will be for program and program support costs and \$1,165,000 will be for the acquisition of an information technology modification and vendor maintenance costs.

The Subcommittee's approved startup funding and position authority providing sufficient resources for DOR to implement the measure through April 30, 2020. The Legislature in 2020 may provide additional resources for the remainder of the biennium, which would be funded from gross corporate activities tax proceeds. The costs for May 2020 to June 30, 2021 is estimated to total \$9.5 million Other Funds (corporate activity tax) and an additional 30 positions (18.33 FTE).

A new division ("Corporate Division") would need to be established within the agency to administer the CAT and to allow for the tracking of budget and actual expenditures. The Department of Administrative Services is instructed to establish a new Summary Cross Reference program in the Oregon Budget Information Tracking System entitled: *Corporate Division Program*.

The Subcommittee approved \$700,000 General Fund for a commercial-off-the-shelf product (GENTAX) that provides integrated system support for state-wide tax, revenue collection and is otherwise known as the Core Systems Replacement Project. DOR would amend the current GENTAX vendor contract to acquire the following modification or system enhancements related to a CAT: the configuration and testing of registration; financials; revenue accounting; case workflow; Revenue Online; and payment processing. An additional \$300,000 General Fund was included for ongoing operation and maintenance costs, as the first such payment is due in February 2020. The actual contract amendment cost may change depending upon contact negotiations. There is an additional \$165,000 General Fund for independent quality assurance oversight of the implementation.

Internal DOR information technology staff were approved for non-vendor supported GENTAX system requirements, design, configuration, and development. This includes one permanent full-time Information Systems Specialist 8 (0.33 FTE) one permanent full-time Information Systems Specialist 7 (0.33 FTE), one permanent full-time Information Systems Specialist 6 (0.13 FTE) to support processing of paper returns (i.e. document imaging). Also approved were two limited duration Training Development Specialist-1 positions (0.67 FTE) and five limited duration Operation and Policy Analyst 3 positions (1.67 FTE).

Staffing and related costs were approved for general program administration, including assistance with GENTAX system configuration, assisting with website content, consulting on configuration of online system, and integrated tax accounting taxpayer forms, letters, and website development, responding to appeals, coordination of program-related legislation, administrative rule development, and coordination of configuration changes related to ongoing program administration. This includes: one permanent full-time Principal Executive Manager D (0.42 FTE); three permanent full-time Operation and Policy Analyst 3 (1.25 FTE); one limited duration Operation and Policy Analyst 3 (0.13 FTE); three permanent full-time Operation and Policy Analyst 2 (0.96 FTE); one limited duration Operation and Policy Analyst 2 (0.42 FTE). DOR anticipates use of the Department of Justice for administrative rule development, administrative and legal appeals.

Communications staff would organize and coordinate media outreach activities, including taxpayer communication, television, and radio commercials. This work will be done with one permanent full-time Public Affairs Specialist 2 position (0.42 FTE).

Customer service, or tax services, will answer phone inquiries specific to the tax using a dedicated phone line. This will be done by two permanent full-time Public Services Representative 3 (0.25 FTE) and three limited duration Public Services Representative 3 (0.38 FTE).

Non-electronic filing of paper returns and payments will need to be processed, including the document imaging of filings and the depositing of funds. This work will be overseen by one limited duration Operation and Policy Analyst 2 (0.21 FTE).

Account suspense staff will perform taxpayer account maintenance and work with businesses to reconcile discrepancies between submitted payments and taxes due (i.e. payment and return suspense processing). Staff will also perform administration duties of filing enforcement and taxpayer account maintenance. This work will be done by seven permanent full-time Administrative Support Specialist 2 positions (0.88 FTE) and three limited duration Administrative Support Specialist 2 positions (0.38 FTE).

Accounting services would account for gross tax revenues, tax adjustments or refunds, DOR's administrative expenditures, and distribute the net revenue to the Fund for Student Success. This will be done by one permanent full-time Accountant 3 position (0.04 FTE).

Due to the increase in positions to the agency, one permanent full-time Human Resource Analyst 2 (0.42 FTE) is added to support the ongoing needs of the program.

The program will have \$676,473 General Fund Services and Supplies, which is largely comprised of mailing costs, and \$88,512 General Fund for Capital Outlay expenses for office furniture. This excludes the costs for the GENTAX modification and maintenance contract (\$1 million) independent quality assurance (\$165,000), and legal service charges (\$365,274).

The auditing of tax returns will begin in Spring 2021 upon approval of the position authority by the Legislature or the Emergency Board in 2020.

Activities related to filing enforcement and collections will begin with the 2021-23 biennium.

Department of Justice

The Subcommittee approved \$464,086 Other Funds expenditure limitation and the establishment of three permanent full-time positions (1.76 FTE) to support the Department of Revenue's anticipated need for legal services related to implementation of the Corporate Activities Tax (House Bill 3427).

The positions include: one permanent full-time Assistant Attorney General (0.88 FTE), one permanent full-time Legal Secretary (0.44 FTE), and one permanent full-time Paralegal position (0.44 FTE) with associated Services and Supplies. These costs are estimated to total \$464,086 in the 2019-21 biennium and \$527,428 in the 2021-23 biennium; however, DOJ will bill DOR for actual legal services provided under the standard legal services hourly billing model, which will also include an administrative overhead charge.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Department of Education
 Lisa Pearson -- 503-373-7501

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2017-19 Legislatively Approved Budget at Dec 2018 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	0.00
2019-21 Current Service Level (CSL)*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	0.00
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
Department of Education									
SCR 100- Operations									
Personal Services	\$ 2,020,746	\$ -	\$ 8,575,584	\$ -	\$ -	\$ -	\$ 10,596,330	72	51.95
Services and Supplies	\$ 933,866	\$ -	\$ 10,229,458	\$ -	\$ -	\$ -	\$ 23,663,324		
Capital Outlay	\$ -	\$ -	\$ 420,000	\$ -	\$ -	\$ -	\$ 420,000		
Account 6443 (Transfer to HECC)	\$ 1,537,324	\$ -	\$ 2,647,611	\$ -	\$ -	\$ -	\$ 4,184,935		
SCR 300- Grant in Aid									
Special Payments									
Account 6040	\$ -	\$ -	\$ 751,522,833	\$ -	\$ -	\$ -	\$ 751,522,833		
SCR 500- Early Learning Division									
Special Payments									
Account 6040	\$ 1,012,467	\$ -	\$ 131,591,350	\$ -	\$ -	\$ -	\$ 120,103,817		
Account 6085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
SCR 550- Youth Development Division									
Special Payments									
Account 6040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Account 6085	\$ -	\$ -	\$ 4,000,000	\$ -	\$ -	\$ -	\$ 4,000,000		
Department of Revenue									
SCR 150-010 - Corporate Division Program									
Personal Services	\$ 1,659,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,659,102	38	9.29
Services and Supplies	\$ 1,041,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,041,747		
Capital Outlay	\$ 88,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,512		
SCR 150-030 - Core System Replacement									
Services and Supplies	\$ 1,165,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,165,000		
Department of Justice									
SCR 137-050-- General Counsel									
Personal Services	\$ -	\$ -	\$ 349,802	\$ -	\$ -	\$ -	\$ 349,802	3	1.76
Services and Supplies	\$ -	\$ -	\$ 114,284	\$ -	\$ -	\$ -	\$ 114,284		
TOTAL ADJUSTMENTS	\$ 9,458,764	\$ -	\$ 909,450,922	\$ -	\$ -	\$ -	\$ 918,909,686	113	63.00
SUBCOMMITTEE RECOMMENDATION *	\$ 9,458,764	\$ -	\$ 909,450,922	\$ -	\$ -	\$ -	\$ 918,909,686	113	63.00
% Change from 2017-19 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Change from 2019-21 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

*Excludes Capital Construction Expenditures