

**HB 5013 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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**Reviewed By:** Julie Neburka, Legislative Fiscal Office

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**Department of Early Learning and Care  
2023-25**

PRELIMINARY

**Budget Summary\***

	2021-23 Legislatively Approved Budget <sup>(1)</sup>	2023-25 Current Service Level	2023-25 Committee Recommendation	Committee Change from 2023-25 Current Service Level	
				\$ Change	% Change
General Fund	\$ -	\$ 465,511,497	\$ 474,170,902	\$ 8,659,405	1.9%
Other Funds Limited	\$ -	\$ 457,602,430	\$ 456,996,614	\$ (605,816)	(0.1%)
Federal Funds Limited	\$ -	\$ 381,135,636	\$ 381,236,579	\$ 100,943	0.0%
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,304,249,563</b>	<b>\$ 1,312,404,095</b>	<b>\$ 8,154,532</b>	<b>0.6%</b>

**Position Summary**

Authorized Positions	0	332	341	9
Full-time Equivalent (FTE) positions	0.00	323.75	332.35	8.60

<sup>(1)</sup> The Department of Early Learning and Care is a new State agency beginning in 2023-25. The Early Learning Division budget for 2021-23 is reflected in the Oregon Department of Education. The General Fund budget for the Employment Related Day Care Program and the budget for the Inclusive Partners Program for 2021-23 are reflected in the Department of Human Services. The budget and associated positions for the Early Learning Division programs, Employment Related Day Care and Inclusive Partners were transferred to DELC in 2023-25.

\* Excludes Capital Construction expenditures

**Summary of Revenue Changes**

The 2023-25 budget for the Department of Early Learning and Care (DELC) is nearly evenly split across General Fund, Other Funds revenue, and Federal Funds revenue. General Fund supports about 36 percent of the budget, Other Funds revenue supports approximately 35 percent of the budget, and Federal Funds revenue supports 29 percent of the Department’s budget. Other Funds revenues include revenue transferred from the Department of Education from the Fund for Student Success for Early Learning Account programs and related staff support. These revenues support approximately one-third of the Department’s budget at just over \$437 million. Federal Funds revenues include funding for the Child Care Development Block Grant and one-time Federal support provided through the American Rescue Plan Act. This 2023-25 budget does recognize the expiration of the majority of COVID-19 related federal assistance funds.

**Summary of Education Subcommittee Action**

In the 2021 Legislative Session, the Legislature abolished the Early Learning Division within the Oregon Department of Education (ODE) and created the new DELC. The Department will begin operating as a standalone department on July 1, 2023. In addition to creating DELC, the

Legislature also moved Employment Related Day Care (ERDC), the state's second largest early learning program, from the Department of Human Services to DELC. House Bill 5013 provides the budget expenditure authority for programs to be administered by DELC as well as associated position authority and funding for operations.

Through House Bill 5013, the Subcommittee recommended a total funding level of \$1,312,404,095 for the Department, which is a 0.6 percent increase from the 2023-25 Current Service Level (CSL) budget, and an increase of nine positions (8.60 FTE). The General Fund budget increase is \$8.7 million or 1.9 percent above CSL.

### **Department Operations**

The Department Operations Unit includes all staff in the agency who are responsible for the administration of early learning programs. The Subcommittee recommended a budget of \$127,819,799 total funds, including \$53,847,979 General Fund, \$12,600,373 Other Funds expenditure limitation, \$61,371,447 Federal Funds expenditure limitation, and 341 positions (332.35 FTE). Total funding for Department Operations increased 1.3 percent compared to 2023-25 CSL.

The Subcommittee recommended the following packages:

Package 090, Analyst Adjustments. This package makes targeted reductions to Services and Supplies and Professional Services budgets in Department Operations, none of which are anticipated to have an impact on direct services or programs. This ongoing reduction to Services and Supplies is \$853,615 General Fund.

Package 107, DELC Operations. This package adds \$1,185,133 General Fund, \$100,943 Federal Funds expenditure limitation, and six positions (5.60 FTE) to support various administrative programs in the Department. These positions resolve gaps in the administrative structure or were requested during the 2022 Legislative Session and were deferred at that time. All positions are permanent and are funded at 0.92 FTE, with the exception of the Research Analyst 2 position, which is funded at 1.00 FTE. The following positions as well as related Services and Supplies costs are included in this package:

- One Safety Specialist 2 position, in order for the agency to have a Safety Officer;
- One Auditor 3 position, in order for the agency to have an internal audit function;
- One Human Resources Assistant position, to provide backup to the agency's single payroll position;
- One Research Analyst 2 position, to make a current limited duration position permanent;
- One Program Analyst 1 position, to provide grants management support for the Preschool Promise program; and
- One Manager 1 position, equivalent to a Principle Executive Manager D, to manage the Suspensions program.

Package 108, Healthy Families Oregon Database. This package provides a one-time, \$800,000 General Fund increase for Services and Supplies for a database solution for the Healthy Families Oregon (HFO) program to remain in compliance with national accreditation requirements. Currently, HFO manages the collection and management of data on 3,000 families, annually, by manually entering information in spreadsheets to meet the program data reporting and the requirements to maintain accreditation. Acquiring a new technical solution for HFO will streamline the way HFO data is collected, tracked, analyzed, and reported and will minimize misreported data.

Package 801, LFO Analyst Adjustments. This package adds \$406,827 General Fund for Personal Services costs and makes three limited duration positions (3.00 FTE) permanent. These positions, including one Office Specialist 2 and two Administrative Specialist 1s, were added on a limited-duration basis during the 2022 Legislative Session (Senate Bill 1547, 2022) to address a backlog of background checks in the Office of Child Care. This backlog was created in part by new provisions in Senate Bill 1547 requiring operators, employees, and certain volunteers in recorded programs to be enrolled in the Central Background Registry. As these requirements are ongoing, the volume of background checks remains high, and the positions are required in order to maintain the agency's current rate of background check approvals.

Additionally, this package adds revenue from a transfer from ODE from the Early Learning Account to DELC to support administrative and operating costs for programs funded with Early Learning Account funds.

#### **DELC Grant in Aid**

The DELC Grant in Aid (GIA) budget unit includes all funding support for community-based programs for children ages 0-6. The grants implement the policies of the Early Learning Council. The following list includes many, though not all, of the DELC GIA programs:

- Baby Promise
- Oregon Pre-Kindergarten
- Early Head Start
- Preschool Promise
- Early Learning Hubs
- Early Learning Kindergarten Readiness and Innovation Program
- Healthy Families Oregon
- Preschool Development Grant (Birth to five)
- Employment Related Day Care (ERDC)
- Relief Nurseries
- Early Childhood Equity Fund
- Coaching/Professional Development
- Other Early Learning Grants
- Mental Health & Behavior Support

DELC's GIA programs are primarily funded with a combination of General Fund, Federal Funds, and Other Funds from the Student Success Act's Early Learning Account. This budget unit includes spending authority for state funds and federal grants received by the Department. Federal Funds are primarily utilized to support ERDC, Baby Promise, and other childcare supports. The Subcommittee recommended a budget of \$1,184,584,296 total funds, including \$420,322,923 General Fund, \$444,396,241 Other Funds expenditure limitation, and \$319,865,132 Federal Funds expenditure limitation.

The Subcommittee recommended the following packages:

Package 090, Analyst Adjustments. This package reduces General Fund and Other Funds expenditure limitation to balance program revenues to budgeted expenditures. This reduction is not anticipated to affect programs or services. The package reduces General Fund Special Payments by \$378,940 and Other Funds expenditure limitation by \$605,816.

Package 102, ERDC Implementation. This package funds interagency agreements with the Department of Human Services related to the ERDC program. A \$3.0 million General Fund increase to Special Payments is provided to support program administration to meet federal requirements (such as audits, fraud review, collection of overpayments, and eligibility determinations), to fund technology system changes required to implement the non-citizen children eligibility requirement, and to address additional policy changes to improve ERDC program administration.

Package 801, LFO Analyst Adjustments. This package provides \$1.6 million General Fund to the Relief Nurseries program and \$1.7 million General Fund to programs funded through the Early Childhood Equity Fund for increasing provider rates by seven percent over CSL in order to recruit and retain qualified staff in these programs. It also adds \$1.2 million General Fund to the Healthy Families Oregon program to restore the program in Lincoln County. Additionally, this package adds revenue from a transfer from the Department of Education from the Early Learning Account to DELC to support programs funded with Early Learning Account funds.

In order to retain qualified staff for Oregon Pre-Kindergarten (OPK) classrooms, Preschool Promise and Healthy Families Oregon, DELC is instructed to allocate up to \$25.6 million of its 2023-25 OPK budget, \$16.7 million of its 2023-25 Preschool Promise budget, and \$2.8 million of its 2023-25 Healthy Families Oregon budget to increases to provider rates by seven percent over CSL for each of these programs.

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The following table shows the final budget figures for Grant in Aid Programs:

<b>GRANT IN AID PROGRAMS (\$ millions)</b>		
	<b>General Fund</b>	<b>Total Funds</b>
<b>Program</b>		
Oregon Prenatal to Kindergarten	171.8	365.4
Preschool Promise (PSP)	39.9	187.7
Early Childhood Equity Fund	1.7	26.6
Early Learning Professional Development	-	26.1
Early Learning Parenting Education	-	4.3
Early Learning Program Supports	-	17.6
Mental Health & Behavior Support	7.9	7.9
Child Care Supports	5.0	63.5
ARPA Discretionary Funds	-	26.2
Baby Promise	-	9.1
PDG Federal Grant	-	12.7
ERDC Subsidy	122.3	241.4
ERDC ARPA Discretionary Funds	-	96.6
Healthy Families (HFO)	31.4	41.0
Relief Nurseries	13.9	24.4
Early Learning Hubs	16.3	22.9
Early Learning Tribal Hub	0.6	0.6
Early Learning KPI	9.5	9.5
Other Early Learning Grants	-	1.3
<b>2023-25 Total Grant In Aid</b>	<b>420.3</b>	<b>1,184.6</b>

**Summary of Performance Measure Action**

See attached Legislatively Adopted 2023-25 Key Performance Measures form.

Department of Early Learning and Care  
Mike Streepey -- 971-283-1198

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2021-23 Legislatively Approved Budget at Jan 2023 **	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
2023-25 Current Service Level (CSL)*	\$ 465,511,497	\$ -	\$ 457,602,430	\$ -	\$ 381,135,636	\$ -	\$ 1,304,249,563	332	323.75
<b>SUBCOMMITTEE ADJUSTMENTS (from CSL)</b>									
<b>SCR 100 - Department Operations</b>									
Package 090: Analyst Adjustments									
Services and Supplies	\$ (853,615)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (853,615)		
Package 107: DELC Operations									
Personal Services	\$ 1,054,506	\$ -	\$ -	\$ -	\$ 88,726	\$ -	\$ 1,143,232	6	5.60
Services and Supplies	\$ 130,627	\$ -	\$ -	\$ -	\$ 12,217	\$ -	\$ 142,844		
Package 108: Healthy Families Oregon Database									
Services and Supplies	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,000		
Package 801: LFO Analyst Adjustment									
Personal Services	\$ 406,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 406,827	3	3.00
<b>SCR 500 - DELC Grant in Aid</b>									
Package 090: Analyst Adjustments									
Special Payments	\$ (378,940)	\$ -	\$ (605,816)	\$ -	\$ -	\$ -	\$ (984,756)		
Package 102: ERDC Implementation									
Special Payments	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000		
Package 801: LFO Analyst Adjustment									
Special Payments	\$ 4,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500,000		
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 8,659,405</b>	<b>\$ -</b>	<b>\$ (605,816)</b>	<b>\$ -</b>	<b>\$ 100,943</b>	<b>\$ -</b>	<b>\$ 8,154,532</b>	<b>9</b>	<b>8.60</b>
<b>SUBCOMMITTEE RECOMMENDATION *</b>	<b>\$ 474,170,902</b>	<b>\$ -</b>	<b>\$ 456,996,614</b>	<b>\$ -</b>	<b>\$ 381,236,579</b>	<b>\$ -</b>	<b>\$ 1,312,404,095</b>	<b>341</b>	<b>332.35</b>
% Change from 2023-25 Current Service Level	1.9%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.6%	2.7%	2.7%

\*\*The Department of Early Learning and Care is a new State agency beginning in 2023-25. The Early Learning Division budget for 2021-23 is reflected in the Oregon Department of Education. The General Fund budget for the Employment Related Day Care Program and the budget for the Inclusive Partners Program for 2021-23 are reflected in the Department of Human Services. The budget and associated positions for the Early Learning Division programs, Employment Related Day Care and Inclusive Partners were transferred to DELC in 2023-25.

\*Excludes Capital Construction Expenditures

# Legislatively Approved 2023 - 2025 Key Performance Measures

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**Agency:** Department of Early Learning and Care

**Mission Statement:**

The Department of Early Learning and Care was created to increase quality and efficiency, bringing Oregon's early learning and care functions under one agency, with support staff to better serve families, children, and providers.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2024	Target 2025
1. Protecting the Health and Safety of Children in Care - Percentage of citations for a serious valid finding that received a timely follow-up visit to confirm compliance		Approved		87%	88%
2. Access to Early Care and Education: Infants & Toddlers - Percentage of infants/toddlers (birth – 2 years) with access to a regulated child care slot		Approved		16.400%	17.400%
3. Access to Early Care and Education: Preschool Age - Percentage of preschool age children (3-4 years) with access to a regulated child care slot. Regulated child care slots include Centers, Certified Family, and Registered Family Providers		Approved		36.650%	37.650%
4. Early Learning Workforce Retention (all) - Percentage of early learning providers who have remained in the workforce		Approved		66.050%	67.050%
5. Early Learning Workforce Retention (by race and ethnicity) - Percentage of early learning providers who have remained in the workforce disaggregated by race and ethnicity	American Indian/Alaskan Native	Approved		67.150%	68.150%
	Asian			69.250%	70.250%
	Black/African American			70.300%	71.300%
	Hispanic/Latino/Spanish			75.550%	76.550%
	Native Hawaiian/Pacific Islander			65.050%	66.050%
	White			71.350%	72.350%
	Multiracial			72.400%	73.400%
	e) Early Learning Workforce Retention (by race and ethnicity)				
6. Timely Central Background Registry (CBR) Approvals - Percentage of Central Background Registry (CBR) applications conditionally or fully approved in four weeks or less		Approved		64.410%	67.410%
7. Customer Satisfaction - Percent of customers rating their satisfaction with the DELC customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	g) Customer Service Overall	Approved		75%	76%
	g) Timeliness			75%	76%
	g) Helpfulness			75%	76%
	g) Expertise			75%	76%
	g) Availability of Information			75%	76%
	g) Accuracy			75%	76%

**LFO Recommendation:**

The Legislative Fiscal Office recommends that the KPMs be approved as presented.



LFO notes that the Department of Early Learning and Care will start as a new agency as of July 1, 2023, and has the opportunity over the next biennium to evaluate its operations and performance with an eye toward which of its KPMs provide useful information for helping the agency to achieve its mission and goals. DELC has proposed one new KPM already (#6) in order to monitor its progress toward resolving and eliminating a backlog of applications for background checks through its Central Background Registry (CBR). The CBR is a comprehensive background check system that is mandatory for obtaining federal funds through the Child Care and Development Fund (CCDF). These background checks involve a multistep process, encompassing in-state, out-of-state, and federal checks, which are based on fingerprints. DELC's goal is to achieve full recovery from the CBR application backlog that began in 2022 and continued into early 2023 and to provide efficient background check services for Oregon's child care work force, approving applicants in four weeks or less. In closely monitoring this KPM over the next biennium and identifying opportunities to increase efficiencies, ensure appropriate staffing levels are in place, and transition to an improved licensing database, DELC expects to achieve three percent increases in timely CBR approvals as part of the Annual Performance Progress Reports in 2024 and another three percent increase again in 2025.

In order to establish baseline data for its customer service KPM (#7), DELC is designing and will launch a customer survey after it begins operations July 1.

**SubCommittee Action:**

The Subcommittee approved the KPMs as presented.

PRELIMINARY