

Oregon Department of Education (ODE) --Operations, School for the Deaf, Youth Corrections, Debt Service and Common School Fund

	2011-13 Actuals	2013-15 Leg. Approved	2015-17 CSL LFO	2015-17 Governor's Recommended
General Fund	45,280,673	63,400,825	69,895,035	82,133,628
Lottery Funds	54,160,517	42,371,076	1,434,927	1,434,927
Other Funds	35,260,283	44,011,220	45,662,608	55,542,327
Other Funds Non-Limited	102,877,565	94,331,467	112,394,452	112,394,452
Federal Funds	53,449,697	77,931,532	72,306,237	77,961,074
Total Funds	291,028,735	322,046,120	301,693,259	329,466,408
Positions	397	519	491	543
FTE	374.13	485.39	468.57	519.33

Program Description

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

- *Department Operations* – includes all staff of the agency other than those included in the School for the Deaf and Youth Corrections for a total of 405 positions and 389.49 FTE. The staff is divided into the following divisions and offices: (1) agency leadership, (2) Office of Finance & Administration, (3) Student Services, (4) Education Equity, (5) Instruction, Standards, Assessment, and Accountability, (6) Office of Information and Technology, (7) Office of Research and Data Analysis, (8) Early Learning Division, and (9) Youth Development Division. The Operations budget includes all of the state government service charges and assessments paid by the agency.
- *Oregon School for the Deaf* – located in Salem this school provides educational services to both residential and day program students (82 positions and 75.08 FTE).
- *Youth Corrections* – provides funding for educational services provided on behalf of those students under the jurisdiction of county juvenile programs and the Oregon Youth Authority (4 positions and 4.00 FTE).
- *Common School Fund* – all Non-limited Other Funds recognizing the funding that passes through ODE and is distributed through the school funding formula.
- *Debt Service* – represents all of the Lottery Funds in the display above and is for paying off bonds issued by the State authorized in 1997 for “state education projects” which included school facilities, equipment, and text books.

The following table shows the budget for each of these units for the 2015-17 CSL.

	2015-17 Current Service Level					Total
	General Fund	Lottery Funds	Other Funds	Other Funds Non-Limited	Federal Funds	
Operations	58.39		25.36	2.70	69.57	156.04
Oregon School for the Deaf	11.50		3.80		0.51	15.81
Youth Corrections Education			16.50		2.22	18.73
Common School Fund				109.69		109.69
Debt Service		1.43				

CSL Summary and Issues

The 2015-17 CSL is the same for the initial DAS CSL and LFO’s CSL, and use the same assumptions in its calculation. Major adjustments out of the ordinary include:

- \$40.1 million decrease in Lottery Funds required to pay off bonds authorized in 1997 which are reaching maturity;
- \$2.47 million General Fund phase-in or increase of the funding for the new Smarter Balance Assessment test, only one year of testing is assumed in the base;
- \$700,000 General Fund reduction or phase-out for the one-time 2013-15 appropriation for initial planning and project management work for the Statewide Longitudinal Data System (SLDS);
- \$3.4 million General Fund increase in assessments for ODE which primarily reflects the inclusion of the State School Fund and other grants distributed by the agency in the base for the formula used to calculate the assessment for the state data center. This represents an 85% increase in the total assessments paid by ODE.
- \$2.0 million Federal Funds decrease for transferring CTE related funding from Operations to the Grant-in-Aid budget unit.

Policy Issues

- The agency is implementing a new testing system which replaces the former Oregon Assessment of Knowledge and Skills (OAKS) with an assessment system which incorporates the nation-wide Common Core standards. Oregon and a number of other states have worked together in establishing the Smarter Balance Assessment Consortium. The agency has entered into contracts with Smarter Balance and another contractor who will be responsible for administering the assessments (same one used for OAKS).

Testing of the assessment tool is underway in many districts across the State. There are a number of policy issues relating to this as well as with the overall Common Core standards. There are increased costs with this assessment, and the Legislature established a \$4.6 million General Fund special appropriation to the Emergency Board since the amount of the increased costs had not be finalized. There is also a \$2.47 million General Fund adjustment in CSL for roll-up costs to add to the combination of existing General and Federal Funds in the base budget.

- A related issue to the Smarter Balance Assessment was the inclusion of budget notes (both in the 2013 and 2014 Sessions) which instructed the agency not to purchase or acquire the interim item band and related assessments from Smarter Balance; and to pass on a portion of assessment funding on to school districts so they can locally select interim growth assessments. This has caused numerous issues for the agency and school districts including a \$700,000 “hole” in ODE’s 2013-15 budget. The agency has kept an arms-length distance from the local selection process even as districts have requested assistance. The ESD association has stepped in to assist districts.
- The staffing for the strategic investments added in 2013-15 should be fully funded without adjustment to the CSL. The Network for Quality Teaching is reduced in CSL because of the one-time nature of funding from the Common School Fund. Most of the Common School Fund resources were in the Grant-in-Aid budget unit while the Network related positions were resourced with General Fund. Adjustments may have to take place in working this budget for this reason as well as recognizing that State School Fund portion of the funding is indexed to the growth in the Common School Fund.

Other Significant Issues and Background

- There are significant information system needs for the agency, specifically in the early learning area. Also of some concern is the interface of ODE collected data from districts and other sources with the Statewide Longitudinal Data System.
- One big unknown for this budget is the impact of federal budget actions on the agency’s budget, especially in the area of special education, nutrition programs, child care, and No Child Left Behind.

Co-Chairs’ Budget Framework Discussion

No specific budget details or issues were identified in the Co-Chairs’ budget framework for these budget units.

Oregon Department of Education (ODE) -- Grant-in-Aid Programs

	2011-13 Actuals	2013-15 Leg. Approved	2015-17 CSL LFO	2015-17 Governor's Recommended
General Fund	294,041,835	222,100,333	233,998,493	354,789,819
Other Funds	17,618,200	73,227,494	69,441,148	69,029,148
Federal Funds	736,735,772	786,788,751	813,686,180	811,686,180
Federal Funds Non-Limited	350,935,688	349,992,872	388,007,727	388,007,727
Total Funds	1,399,331,495	1,432,109,450	1,505,133,548	1,623,512,874

Program Description

Grant-in-Aid programs pay out a variety of grants to school districts, Educational Service Districts (ESD) and other entities for educational and support services for students and staff. The table on the next page lists the various Grant-in-Aid programs and the funding for the current biennium and the CSL for 2015-17. Over half of the General Fund in these programs is represented by 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 for students in long term care programs or in hospitals. Federal Funds are the primary source of funding for school lunch and other nutritional programs, federal compensatory education programs (No Child Left Behind), and for special education (IDEA). State educational reform efforts in the past two years have led to the increase in CTE related grants and in a series of strategic initiatives including the Network for Quality Teaching and Learning.

CSL Summary and Issues

- The initial DAS and LFO CSL figures are the same and similar assumptions were used. Generally, the program appropriations and limitations were increased by the 3.0% standard inflation rate. Additional inflation was provided to the Long Term Care and Hospital Programs (Other Funds). There is caseload growth included in the CSL for the Early Intervention and Early Childhood Special Education programs (\$6.67 million General Fund) as well as a \$713,480 Fund Shift since the federal funding is not keeping pace with the program growth in this program. Finally, there is a transfer of federal limitation from the Operations budget unit to this unit to better reflect how payment in the Career and Technical Education (CTE) area is made. The CSL funding for the

Network for Quality Teaching and Learning is reduced by \$10.5 million recognizing the one-time distribution of Common School Fund resources for 2013-15. Funding levels for individual grant-in-aid programs are found below.

	<i>2013-15 Legislative Approved Budget (millions of \$)</i>					<i>2015-17 Current Service Level (millions of \$)</i>				
	GF	OF	FF-NL	FF	TF	GF	OF	FF-NL	FF	TF
Grant-in-Aid Program Unit (SCR 300)										
Nutrition Programs										
Nutrition Programs	1.93	-	349.99	-	351.92	1.99	-	388.01	-	390.00
Farm to School programs (HB 2649 & HB 5008)	1.18	-	-	-	1.18	1.22	-	-	-	1.22
After School Meal/ Snack Program (HB 2729)	0.45	-	-	-	0.45	0.46	-	-	-	0.46
No Child Left Behind Program (NCLB)										
Title II (NCLB)	-	-	-	23.26	23.26	-	-	-	23.96	23.96
Low Income Part A NCLB	-	-	-	345.29	345.29	-	-	-	355.65	355.65
Voc Ed Grant Programs	-	-	-	28.26	28.26	-	-	-	31.12	31.12
Migrant Title I Part C	-	-	-	20.15	20.15	-	-	-	20.76	20.76
CTE Related Grants										
CTE Revitalization Grants	11.11	-	-	-	11.11	9.38	-	-	-	9.38
CTE Student Organization Grants	0.50	-	-	-	0.50	0.52	-	-	-	0.52
Teacher Training & Network of Quality Teaching	-	40.62	-	-	40.62	-	30.16	-	-	30.16
Strategic Initiatives										
Prep for World of Work & Seamless Transitions	6.86	-	-	-	6.86	7.06	-	-	-	7.06
Oregon Reads	7.22	-	-	-	7.22	7.44	-	-	-	7.44
Support for Mid High School	5.67	-	-	-	5.67	5.85	-	-	-	5.85
Seamless Transitions	4.10	-	-	-	4.10	4.22	-	-	-	4.22
Physical Education Grants	0.37	4.00	-	-	4.37	0.38	4.12	-	-	4.50
Other Grants										
Other EII Grant Programs	-	-	-	53.51	53.51	3.06	-	-	57.12	60.18
Student Leader Program & Accelerated College Credit	0.49	-	-	-	0.49	0.50	-	-	-	0.50
For Inspiration & Recognition of Science & Technol	0.64	-	-	-	0.64	0.65	-	-	-	0.65
Start Making a Reader Today (SMART)	0.49	-	-	-	0.49	0.50	-	-	-	0.50
Reach Out to Read Program	0.10	-	-	-	0.10	0.10	-	-	-	0.10
Student Achievement Improvement Grants	2.00	-	-	-	2.00	-	-	-	-	-
School & District Accountability	-	-	-	-	-	-	-	-	-	-
Literacy Initiative	-	-	-	-	-	-	-	-	-	-
IDE A and General Special Education Programs				246.86	246.86				254.26	254.26
Regional Programs	25.92	-	-	30.63	56.55	26.70	0.03	-	31.55	58.27
Long Term Care Program	15.81	20.97	-	2.71	39.49	15.26	21.95	-	2.79	40.00
Hospital Programs	1.28	2.20	-	0.08	3.56	1.32	7.57	-	0.08	8.97
Blind & Visually Impaired Student Fund	0.97	4.70	-	-	5.67	1.00	4.85	-	-	5.85
Early Childhood Special Education/Early Intervention										
Early Childhood Special Education	106.83	-	-	18.80	125.62	112.99	-	-	19.07	132.06
Early Intervention	28.14	-	-	9.20	37.34	33.40	-	-	9.04	42.45
Other Programs										
Students with Disabilities transition (HB 3246)	0.05	-	-	-	0.05	-	-	-	-	-
Other SL&P Programs	-	0.75	-	8.04	8.78	-	0.77	-	8.28	9.05
Total Grant-in-Aid (SCR 300)	222.10	73.23	350.00	786.79	1,432.11	234.00	69.44	388.01	813.69	1,505.14

Policy Issues

- HB 3233 (2013 Session) established the Network for Quality Teaching and Learning to provide additional resources for teacher training in part to meet the 40-40-20 goal. Some of the programs were already in place like teacher mentoring or school collaboration while other programs were new. Total funding for Network was over \$40 million for 2013-15 and was funded from a carve-put in the State School Fund as well as a one-time increase in the distribution from the Common School Fund. Total funding for the Network in the 2015-17 CSL was reduced to just over \$30 million which represents the “carve-out” amount. The State Land Board would again have to vote for an increased distribution (with accompanying statutory language) beyond the standard policy 4% to provide the additional funding to the Network or other educational program (e.g., State School Fund) for 2015-17. The Co-Chairs’ Framework does specifically provide \$12 million for 2015-17 to backfill the one-time Common School Fund distribution.
- HB 3232 established a series of strategic education investments in the areas of: (1) Preparing for or Connecting to the World of Work which including scaling up the Eastern Promise program and various STEM related initiatives; (2) Guidance and Support for Post-Secondary Aspirations which included dual credit and early college credit programs, mentoring and monitoring progress of at-risk students, and funding for the ASPIRE program; and (3) Oregon Reads (Early Reading Program) which included individualized reading support and scaling up of Response to Intervention. Most of the \$29 million funding was in ODE’s budget and was awarded as grants or contracts. Another \$2.0 million was for staffing in ODE for implementing the programs. The funding is continued in the 2015-17 CSL but there has been some discussion of changing the focus of some of the programs. One issue to consider is whether what is basically one year of programming is sufficient time to judge the success of a program.
- There has been increasing discussion of accelerated learning alternatives where high school students could earn post-secondary credits. The alternatives range from AP and IB classes in high school (with corresponding testing), high school students taking classes at community colleges and earning credit, and where college level classes are taught at the high school by post-secondary instructors or as in the case of a program like the Eastern Promise, by high school teachers. The Governor’s budget requested more funding in this area to encourage students or to assist school district and post-secondary institutions for their increased costs.
- During the 2014 Session an additional \$1 million General Fund (one-time funding) was appropriated to the Long Term Care program for providing educational services to students in residential and day treatment centers. A budget note was also included that instructed ODE to assist the School Funding Task Force to formulate recommendations (for the 2015 Session) for funding alternatives for this program.

- Funding for Career Technical and Engineering (CTE) related grants have increased significantly in the past two years – from less than \$2 million in 2011-13 to over \$11 million in 2013-15. All but about \$2.0 million is continued in the 2015-17 CSL, and there is discussion underway to increase the resources for this again in 2015-17. The Governor’s budget requests an additional \$14.7 million for CTE related programs. A basic question is whether there has been sufficient time to evaluate whether the large increases in these grants for 2013-15 have been successful.

Other Significant Issues and Background

- There are either federal matching requirements or maintenance of effort (MOE) requirements for ODE programs including special education, Perkins vocational education, and nutritional programs. At risk are hundreds of millions of federal dollars if these requirements are not met. The most significant one is the MOE for special education with the funding provided by the additional weighting in the school funding formula for special education students.
- Some of these federal programs also have programmatic or performance-based requirements that must be met. The most notable is the No Child Left Behind program.

Co-Chairs’ Budget Framework Discussion

The Co-Chairs’ Framework assumes most of these programs at CSL levels with two exceptions. First, \$12 million General Fund is included to backfill the one-time increase in the Network for Quality Teaching and Learning resulting from a one percentage point distribution from the Common School Fund. The second difference was a \$2 million increase in funding for the educational services provided to students in long-term care facilities.

Oregon Dept. of Education -- Grant-in-Aid for Early Learning & Youth Development

	2011-13 Actuals	2013-15 Leg. Approved	2015-17 CSL LFO	2015-17 Governor's Recommended
General Fund	3,232,943	168,468,749	173,613,623	273,576,291
Other Funds	2,971,960	17,545,321	18,071,680	19,286,221
Federal Funds	136,629,046	140,690,098	133,477,782	133,677,802
Total Funds	142,833,949	326,704,168	325,163,085	426,540,314

Program Description

During the 2013 Legislative Session two new divisions within the Oregon Department of Education (ODE) were established. The grant-in-aid programs of both of these divisions are found on the table on the next page, while the staff is part of the Operations budget unit. The Early Learning Division or ELD (HB 3234) combined programs from elsewhere in ODE, child care programs from the former Child Care Division of the Employment Program, and programs which had been part of the Commission for Children and Families. The Early Learning Council is the governing body for this Division, while the Early Learning Director is appointed directly by the Governor. The ELD's programs in large part rely on a new system of local organizations called Early Learning Hubs for local priority setting, local coordination, and for some programs' local distribution. Funding for most of the major programs is still distributed directly to the local providers. A significant amount of the largest federal funding source – Child Care funding – is transferred to the Department of Human Services for the Employment Related Day Care program (ERDC).

The Youth Development Division (YDD) was also established (HB 3231) in ODE along with the Youth Development Council (division's governing body) and the Division Director is also appointed by the Governor. YDD programs are to provide supportive services to break down the barriers for youth to age 20 who are challenged in their academic and career success. Many of the YDD programs were also part of the former Commission for Children and Families' portfolio. From the various funding sources in the YDD, the Council proposed the establishment of four grant streams starting in 2014: (1) Youth and Community Grant Fund, (2) Youth and Gangs Grant Fund, (3) Youth and Innovation Grant Fund, and (4) Youth and Crime Prevention Grant Fund.

CSL Summary and Issues

- The DAS and LFO CSL figures are the same and similar assumptions were used. Generally, the program appropriations and limitations were increased by the 3.0% standard inflation rate.

- For the Early Learning Division, a total of \$1.5 million General Fund and over \$11 million of Federal Funds was “phased-out” or reduced including; (1) funding for CASA which was transferred to the Housing and Community Services Department (\$0.08 million GF), (2) funding (\$0.73 million GF) for continuing the former Children, Youth and Families program for one year (former Commission model), (3) Service Continuity Funding (\$0.71 million GF) paid generally to counties for local transition from the former Commission Model to the new Hub model, and (4) excess limitation (\$11.1 million FF) related to carryover of federal child care funding no longer available.
- For the Youth Development Division a “phase-in” or increase of \$1.65 million General Fund was added reflecting the roll-up of the 2nd year of funding for the Youth and Innovation Grant Program. Original funding for this was provided during the 2014 Session for the second year of 2013-15.
- Sequestration reductions at the federal level reduced the amount of Title XX funds available to both Divisions – Relief Nurseries in the ELD and the YDD’s Youth and Community Grant program. These reductions have affected these programs in the current biennium and the Governor’ budgets for both include General Fund packages (\$0.32 million in ELD and \$0.63 million in YDD) to backfill lost federal funding for 2015-17. There has not been a general or coordinated state budget-wide backfill of sequestration cuts, but there have been isolated cases (e.g., Older Americans Act funds) where it has been done.

	<i>2013-15 Legislatively Approved Budget (millions of \$)</i>					<i>2015-17 Current Service Level (millions of \$)</i>				
	GF	OF	FF-NL	FF	TF	GF	OF	FF-NL	FF	TF
Early Learning Division Grant-in-Aid										
Oregon Pre-Kindergarten & Early Headstart										
Pre-Kindergarten Grants	127.42	-	-	-	127.42	131.25	-	-	-	131.25
Early Headstart	1.54	-	-	-	1.54	1.59	-	-	-	1.59
Hub Funding & Service Continuity Funding										
Early Hub Funding	4.43	-	-	-	4.43	4.60	-	-	-	4.60
Service Continuity Funding	0.72	-	-	-	0.72	-	-	-	-	-
Healthy Families Oregon	14.13	3.96	-	-	18.09	14.55	4.08	-	-	18.63
Relief Nurseries	6.60	2.25	-	-	8.85	6.80	2.32	-	-	9.12
Other Early Learning Programs										
Early Learning Kindergarten Readiness grants	4.00	-	-	-	4.00	4.12	-	-	-	4.12
Other Early Learning Programs	2.27	-	-	-	2.27	1.49	-	-	-	1.49
Race to the Top	-	-	-	4.19	4.19	-	-	-	9.31	9.31
Other OF & FF Limitation	-	4.54	-	133.52	138.06	-	4.68	-	121.09	125.77
Total Early Learning Division (SCR 500)	161.12	10.75	-	137.70	309.58	164.40	11.08	-	130.40	305.87
Youth Development Division Grant-in-Aid										
Juvenile Crime Prevention Grants	5.66	-	-	2.99	8.64	5.83	-	-	3.08	8.90
Other Youth Development Programs										
Community Schools	0.09	0.06	-	-	0.15	0.10	0.06	-	-	0.15
Youth Investment	1.60	6.43	-	-	8.03	3.30	6.63	-	-	9.92
Casey Program	-	0.30	-	-	0.30	-	0.31	-	-	0.31
Total Youth Development Division	7.35	6.79	-	2.99	17.13	9.22	7.00	-	3.08	19.29

Policy Issues

- The local delivery model for the Early Learning system is the establishment of a series of Early Learning Hubs across the State. For the 2013-15 biennium there was authority to set up 16 Hubs along with start-up funding with 14 established by January 2015. The Hubs are characterized as self-organized consortiums (partially patterned after the Community Care Organizations) whose purpose is to identify priority populations, work with families to identify needs, coordinate programs in the Hub region, and locally monitor the delivery and outcomes of the programs. There is minimal funding available in 2013-15 for each Hub (\$4.60 million GF for all Hubs) for these responsibilities, so Hubs are also relying on other grants and community funding to meet their needs. On the most part the actual program funding (e.g., Oregon Pre-Kindergarten, Relief Nurseries, child care related funding) flow directly to the provider community. The Hub concept is that “one-size does not fit all” so they are allowed to set community/regional priorities and organizational models. This also means that some Hubs are likely more successful than others in coordination and other functions. One issue raised in limited LFO conversations in this area is that as long funds flow directly to the providers and are not “controlled” by the Hubs; providers do not have the same incentive to cooperate. One alternative would be to set aside a portion of the program resources and let the Hub boards distribute these funds locally (based on statewide overall priorities).
- Hubs have not been in existence long enough to evaluate their success or performance. A formal review process must be in place to evaluate their effectiveness over the next few years.
- Originally the Youth Development Council had proposed using approximately \$3 million (annually) of General Fund Juvenile Crime Prevention (JCP) funding to fund the Youth and Community Grants distributed based a set of need based criteria. Historically, this JCP funding had been distributed to county juvenile agencies on a population (age 0-17) based formula. During the 2014 Session there was significant discussion on how these funds were to be used. It was decided at that time to continue to distribute to the county juvenile programs. There appears to be no plans at this time to discontinue this. It may be appropriate to transfer these JCP funds to the Oregon Youth Authority which has a related diversion program.

Other Significant Issues and Background

- There is no central information system in place to collect and monitor information on a child by child basis across the early learning spectrum. This is partially a relic of the former Commission system. The expectation is that such a system needs to be in place for program management/coordination and to provide information to the proposed OEIB Statewide Longitudinal Data System. ODE has started to coordinate these efforts but federal funding is limited in the budget.

- There have been a series of proposed investments in ELD as part of the Governor's budget. These include early learning related General Fund proposals including PreK to Grade 3 literacy (\$85 million), aligned home visiting (\$10 million), increased funding for OPK slots (\$8.1 million), mixed delivery pre-school (\$30 million), Early Learning Kindergarten Readiness Grants (\$5.0 million) and additional resources for Hubs (\$24 million).

Co-Chairs' Budget Framework Discussion

The Co-Chairs' Framework does not specifically address Early Learning and Youth Development programs, but does include \$60 million General Fund for increased investments in education programs. Early Learning and Youth Development investments will have to share these funds with other investments include CTE and STEM programs, accelerated learning, school to work programs and other P-12 investments.