

Education Subcommittee

Orientation Presentation

February 6, 2017

Subcommittee Operations

Informational & Procedural Issues

Attendance

- Please be in attendance at the 8:30 AM starting time. If you are unable to attend a meeting, please notify the Ways and Means front desk at 986-1828 or with Subcommittee staff. Doug Wilson's number is 503-986-1837 and Julie Jensen's (Committee Assistant) number is 503-986-1822. Given the quorum and voting majority requirements, attendance is very important.

Subcommittee Rules

- The Subcommittee will use the Joint Committee on Ways and Means rules which are included in your OLIS materials today. The Subcommittee does not have to formally adopt the rules.
- This Subcommittee has three Senate members and five House members. This means two Senate members and three House members are required to make a quorum and to report out or pass legislation from the Subcommittee to the full Joint Committee. Full Committee Co-Chairs are also deemed voting members of the Subcommittee.
- Subcommittees must have a quorum to begin A Subcommittee meeting and for work session votes. There will be no use of the "Subcommittee of the Subcommittee" practice.

Meeting Operations

- Subcommittee members, staff, presenters and audience members should turn off audible pagers, cell phones or other electronic devices. Also please note that the microphones can be very sensitive, and may pick up side conversations.
- Roll call votes should only be used when a decision is in doubt, but may be requested by a Subcommittee member. If a roll call for votes is needed, the roll will be called by the Committee Assistant.
- Most meeting materials will be provided using OLIS or the Oregon Legislative Information System. **Subcommittee staff will not be providing “paper” materials that are available on OLIS. It is up to individual Members’ staff to make sure the materials are available, but they should almost always be available on OLIS.**

Agendas and Notifications

- Meeting Notice is required 72 hours ahead of the first public hearing on a bill and 48 hours for subsequent public hearings and work sessions. Bills can be carried over to the next day in cases where the work is not completed with the Subcommittee chair's announcement.
- A daily agenda will be distributed in the Subcommittee for that day. LFO will generally provide a weekly agenda for the following week each Friday, but please remember schedules are subject to change.

Budget Hearing & Work Session Process

- A list of all budget bills assigned to this Subcommittee is in your meeting materials for today on OLIS. The Legislative Fiscal Office (LFO) analyst assigned to each agency is listed, with their phone number. If you have questions about specific budget or policy issues, check with the LFO analyst for that agency. The CFO analyst assigned to the agency is also listed for reference.
- The Subcommittee will spend approximately two and a half months doing “Phase 1” budget hearings on each agency. Each agency hearing will include the following:
 - LFO will introduce the agency and describe major policy and budget issues.
 - The agency will present, including:
 - Mission and goals
 - How the agency uses its budget, including major policy and budget issues
 - How the program(s) have been performing
 - Outcomes expected from the budget request
 - Actions taken to improve program delivery
 - Governor’s budget staff from CFO will present a high-level summary of the Governor’s Budget
 - Public testimony

Budget Hearing & Work Session Process Continued

- Phase 2 hearings will take place beginning in April, and may not include all agencies. The purpose of this phase is to prepare for the work session by going over specific major budget issues and decisions that need to be made. More time will be spent on the Governor's budget during this phase. There may also be special presentation topics that come up during Phase 1 that need further discussion.
- Phase 3 will be the agency work sessions, and could start earlier in Session for smaller agencies such as the Health Related Licensing Boards.
- The ***tentative*** order of budget presentations (not necessarily work session order) is below. Please keep in mind that this order may (likely) change: Various Licensing Boards (roughly the first two weeks); Education Program Area Overview; Chief Education Office; Teacher Standards and Practices Commission; Oregon Department of Education and State School Fund; and the Higher Education Coordinating Commission (HECC) including Student Financial Assistance, Community Colleges, Workforce Development, Public Universities, and the Oregon Health Sciences University.

Budget Hearing & Work Session Process Continued

- Before each agency's budget hearings begin, Subcommittee members should receive electronically through OLIS the following materials:
 - Agency Ways and Means presentation documents including the PowerPoint presentation and supporting documents.
 - LFO's 2013-15 budget review documents.
- These materials will be posted on OLIS on the first day of the hearing for each agency. They will not be posted on following days so the Subcommittee will need to return to that first day for that material.
- For work sessions, LFO will provide a summary memo and work session documents to Subcommittee members in advance of the work session. Based on the Subcommittee's action, staff will develop proposed amendments to the budget bill. A budget report is prepared to document the Subcommittee's recommendations for the full Committee and for floor action in each Chamber.

Budget Hearing & Work Session Process Continued

- **Budget Notes** may be included in the budget report if essential to clarify or expand on administrative requirements directly related to the budget. Proposed budget notes should be channeled through the Subcommittee Chairs and must be jointly approved by the Full Committee Co-Chairs. LFO also strongly suggests submitting language to LFO staff for comment and form. LFO analyst can also draft these budget notes based on content recommendations from members. There is a Budget Information Brief (2007-3) on the LFO website which outlines the uses and form for Budget Notes.
- The Subcommittee Chair will assign members to carry the Subcommittee's recommendations to the Full Committee on Ways and Means and to the floors of each chamber. LFO will prepare a "pony" for the carrier for the Full Committee on Ways and Means and the floors of each chamber. LFO will be available on the floor to provide staff support for floor discussions. Staff will sit on the side aisle unless requested by the carrier or other subcommittee member to sit at their desk.

Oregon Legislative Fiscal Office and State of Oregon Budget

Constitutional Responsibility of Legislature: To balance the budget

Article IX, Section 2 - Legislature to provide revenue to pay current state expenses and interest.

The Legislative Assembly shall provide for raising revenue sufficiently to defray the expenses of the State for each fiscal year, and also a sufficient sum to pay the interest on the State debt, if there be any.

Article IX, Section 4 - Appropriation necessary for withdrawal from treasury.

No money shall be drawn from the treasury, but in pursuance of appropriations made by law.

Article IX, Section 6 - Deficiency of funds; tax levy to pay.

Whenever the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year.

Oregon's Budget Policy

Based on principles of:

- Balancing estimated revenues and proposed expenditures
- Allocating resources to achieve desired outcomes
- Measuring program outcomes and progress toward desired outcomes
- Encouraging savings and investments that reduce or avoid future costs
- Planning for the short term and the long term, using consistent assumptions on demographics and trends
- Providing accountability at all levels for meeting program outcomes

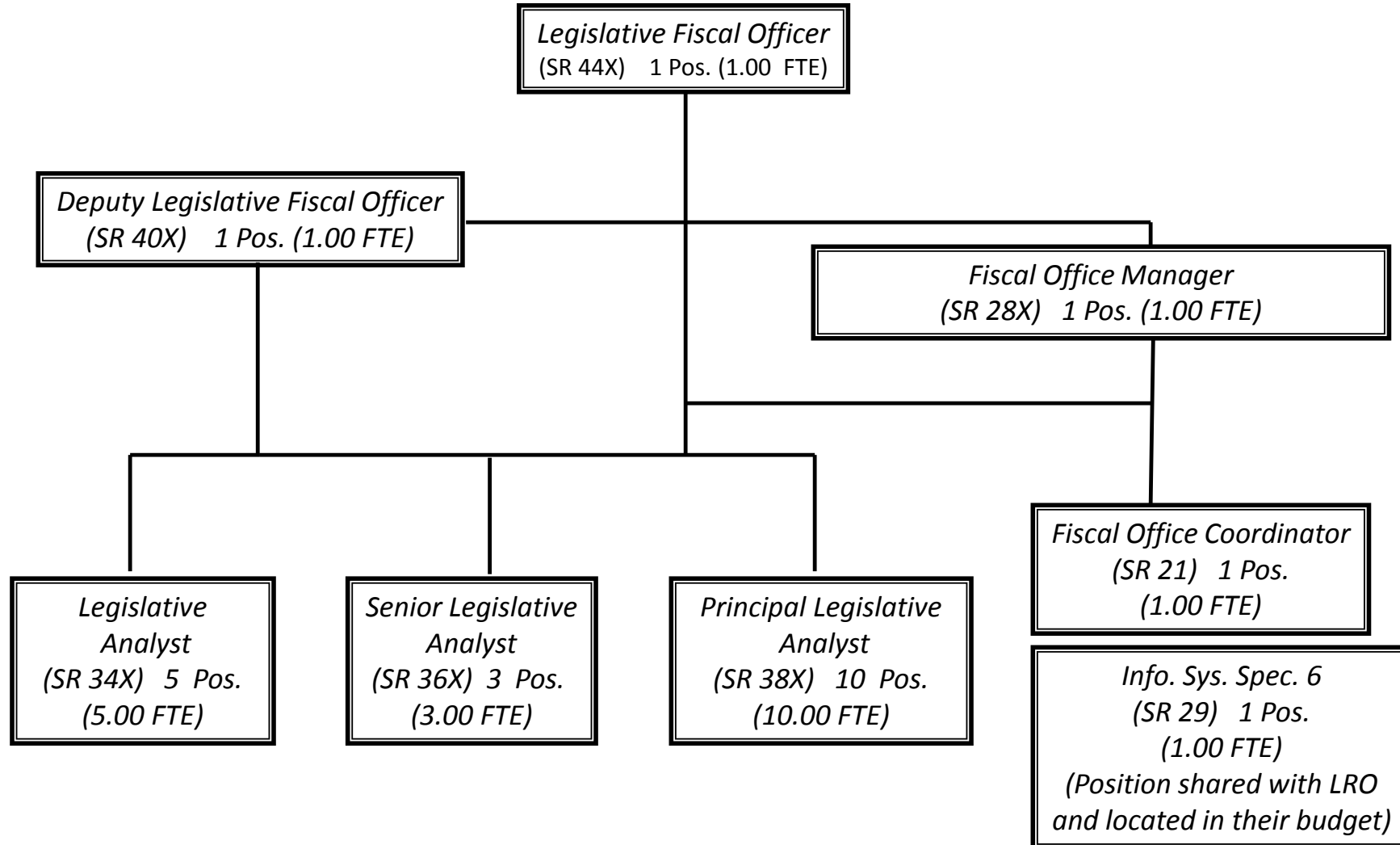
Mission

The Legislative Fiscal Office's mission is to promote state fiscal accountability.

The Legislative Fiscal Office (LFO) provides objective research, analysis, and evaluation of state expenditures, financial affairs, program administration, and agency operations. LFO also provides staffing to several legislative committees.

LFO was created in 1959 as a non-partisan, independent, permanent professional support staff office to the Legislature.

LFO Organization Chart



Session Responsibilities

- Review agency budgets for accuracy
- Analyze fiscal and policy issues
- Examine revenue sources, expenditure limitations, expenditure patterns, staffing levels, and proposed law changes
- Review impact of budget reductions or enhancements
- Make recommendations to the Legislature related to agency budgets
- Prepare fiscal impact statements
- Respond to questions and collect information requested by legislators
- Facilitate bill amendments, budget note and budget report finalization, and presentation of Ways and Means Subcommittee decisions for the Full Ways and Means Committee
- Assist bill carriers on House and Senate floors

Interim Responsibilities

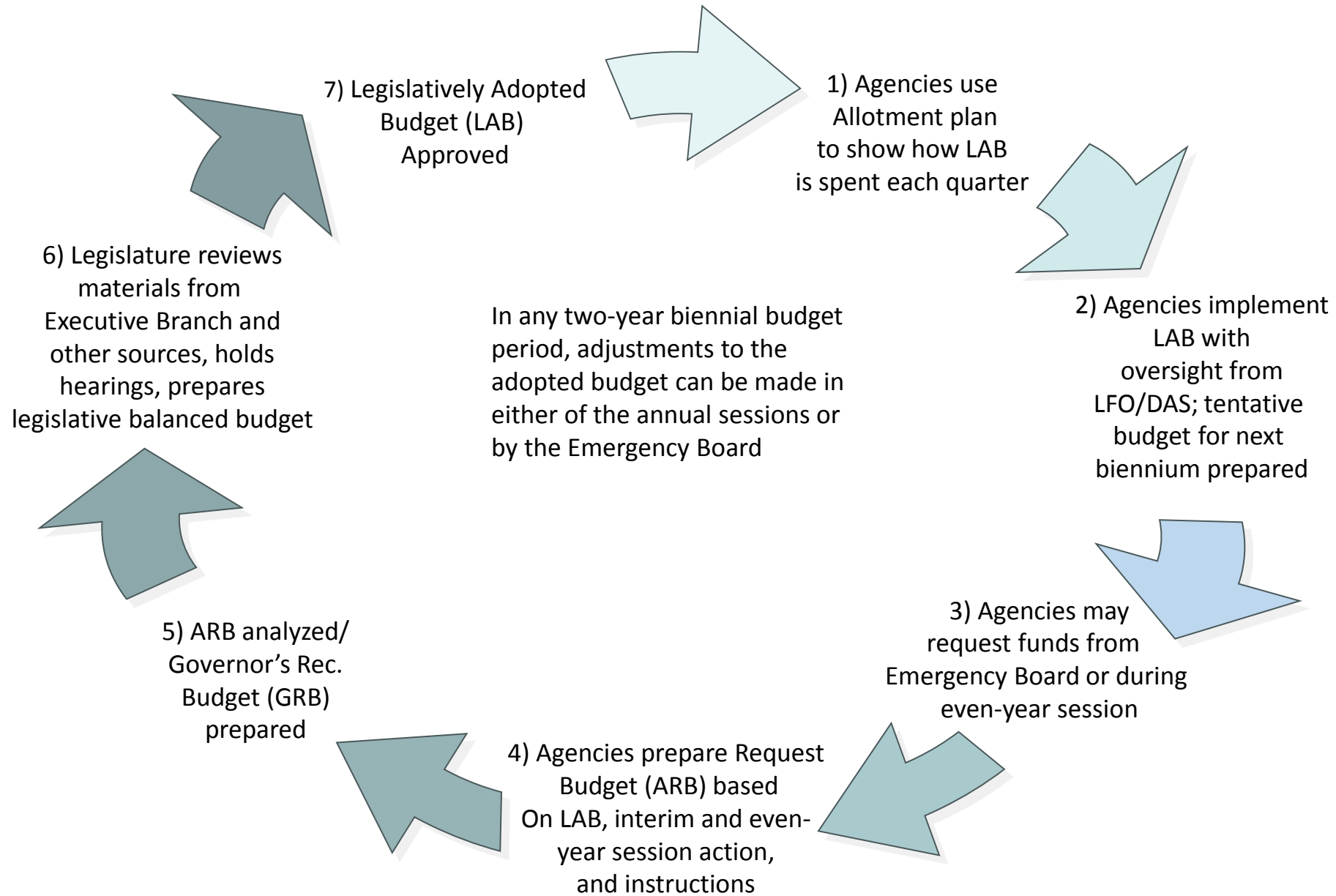
- Analyze and make recommendations on agency requests to the Emergency Board and interim Joint Committee on Ways and Means
- Evaluate and audit programs when issues are identified or as directed by the Legislature
- Analyze reports and make recommendations on major information technology projects and investments
- Publish briefs on budget-related topics and issues of interest to the Legislature
- Produce regular reports on Liquidated and Delinquent Accounts and on Semi-Independent State Agencies
- Review state agency budget execution and operations
- Work to enhance the effectiveness of Oregon's statewide key performance measurement system
- Other duties as assigned (e.g. Task Force on Reserve Funds)

LFO Staffing

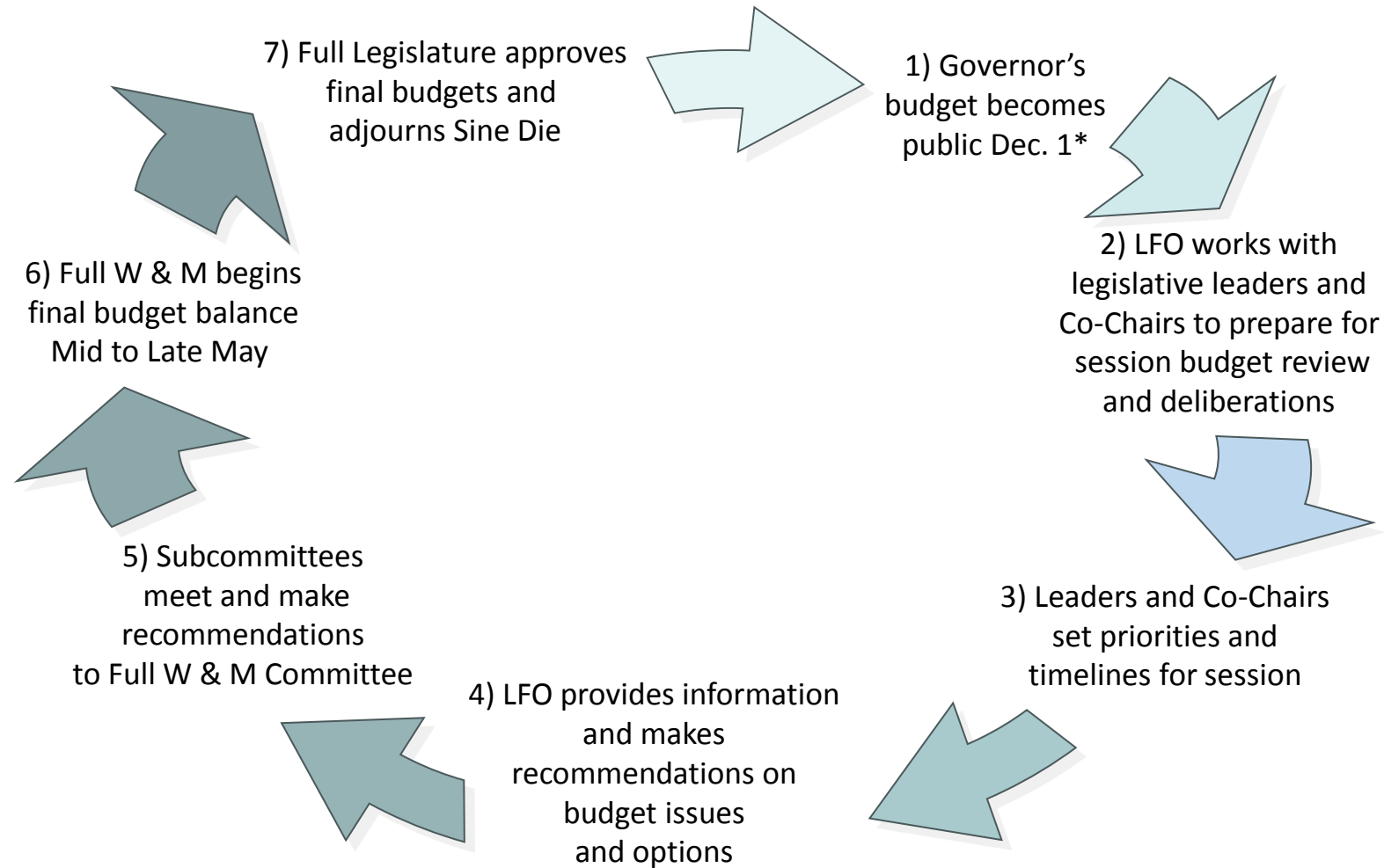
- **Emergency Board** is a constitutional body responsible for making certain allowable budget adjustments when the Legislature (and the Joint Committee on Ways and Means) is not in session.
- **Joint Legislative Audit Committee** is responsible for reviewing audits, conducting evaluations, and making recommendations for change based on audit findings.
- **Joint Legislative Committee on Information Management and Technology** is responsible for establishing statewide policy on information systems and technology and making recommendations on information resource management programs and information technology acquisitions.
- **Transparency Oregon Advisory Commission** is responsible for advising and making recommendations to the Department of Administrative Services on the creation, contents, operations, and enhancements to the state's transparency website.

Oregon Budget Process – Two Year

Oregon budgets on a biennial basis (July 1st of odd-year to June 30th of next odd-year)



Oregon Budget Process – Odd-Year Session



*Required by February 1st for Newly Elected Governor

Budget Process Detail

- Budget consists of four fund types (General Fund, Lottery Funds, Other Funds, Federal Funds)
- **General Fund** is “fungible”
- **Lottery Funds** dedicated to economic development, education, parks/salmon habitat
- **Other Funds and Federal Funds** dedicated by law for specific purposes
- Other Funds and Federal Funds broken into **limited and non-limited** categories

Budget Process Detail

Budget tracks expenditure categories:

- **Personal Services** includes personnel costs (wages, PERS, benefits, social security, etc.)
- **Services & Supplies** includes operation costs (travel, office supplies, rent, legal expenses, contracts, expendable property, etc.)
- **Special Payments** includes revenue transfers and other payments
- **Capital Outlay** includes products with value of more than \$5,000, life of more than 2 years, used more than once
- **Capital Improvement** includes construction, remodel, improvement costs of less than \$1 million
- **Major Construction/Acquisition** (or Capital Construction) includes construction, remodel, improvement costs of more than \$1 million (\$3 million or more for OUS projects); established for a six-year period
- **Debt Service** includes principal and interest payments on bonds and certificates of participation

Budget also tracks positions and FTE (full-time equivalent)

Budget Process Details

- Appropriation bills are the budgetary control
- Appropriation bills are session law (Oregon Laws)
- Appropriation bills are not detailed to the expenditure category level
- Appropriation bills are by fund type and may be total agency or detailed to program within agency
- Budget Reports provide information on the budget but do not have force of law
- Budget Notes are directives within the Budget Report

Budget Process Detail

- Appropriation bills generally agency specific (House bills in 5000, Senate bills in 5500 series)
- Oregon has about 90 agencies
- Agencies range from small (\$400,000 biennial budget) to large (\$20 billion biennial budget)
- Budget for bonding and capital construction in bills separate from agency budget bills
- Article IX, Section 7, Oregon Constitution limits appropriation bills to state current expenses (no other subject allowed)
- Final bills of session are commonly known as the Program Change bill and the Emergency Fund bill

Subcommittee Role and Responsibilities

- Agency Budget Presentations – Phase 1, Phase 2, and Phase 3 (Work Session).
- Budget or Appropriation Bills
- Budget Report – Corresponds to a specific appropriation bill.
- Budget Notes – Included in a Budget Report to provide budget execution to agency. Cannot be used lieu of legislations.
- Federal Grants – Required by statute to have Joint Committee on Ways and Means or Emergency Board approval. Subcommittee makes recommendation to Full Committee.

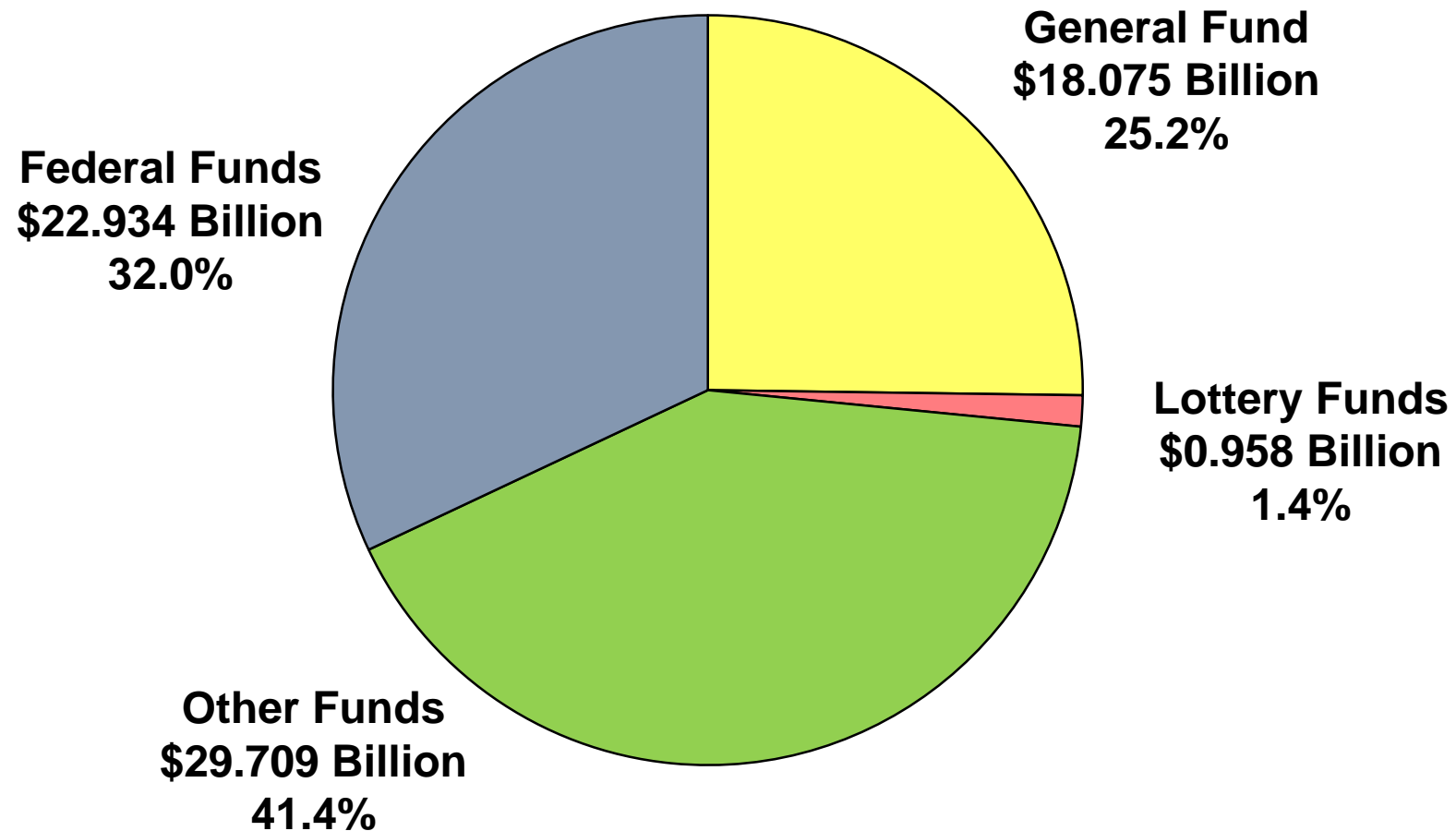
Subcommittee Role and Responsibilities (cont.)

- Reports – Often required by Budget Report or Subcommittee instructions. If formally, required by a Budget Report or statute, Subcommittee makes formal recommendation to Full Committee.
- Informational Hearings
- Fee Related Bills – Generally tied to an agency's budget request.
- Policy Bills – Referred to Joint Committee on Ways and Means by legislative leadership or a policy committee. Assigned to a Subcommittee by Full Committee Co-Chairs. Often has a financial impact or may be tied to assumptions in an agency budget.

Oregon 2015-17 Budget Information

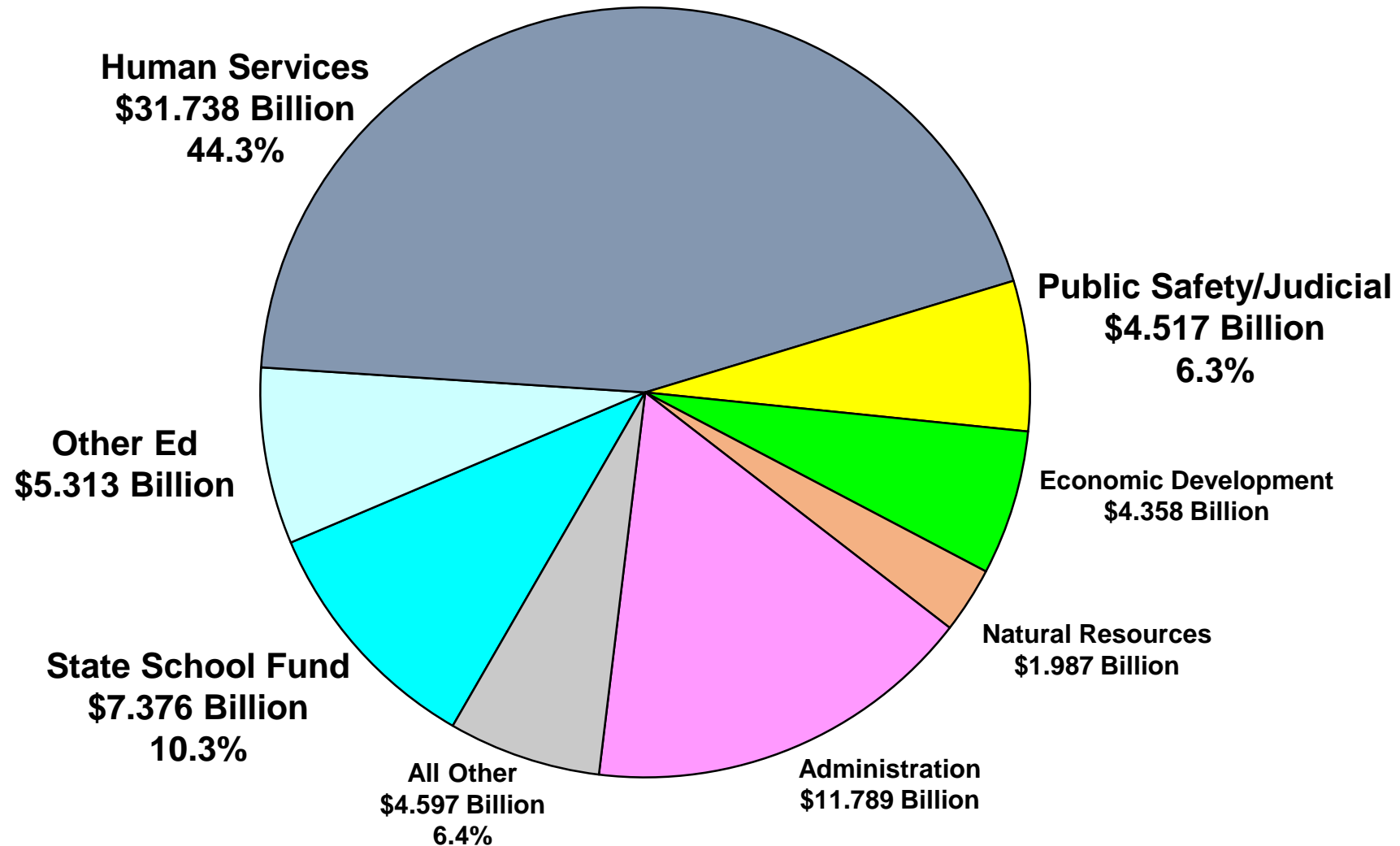
2015-17 Legislatively Approved Budget Totals \$71.676 Billion

8.5% Increase from 2013-15 Approved



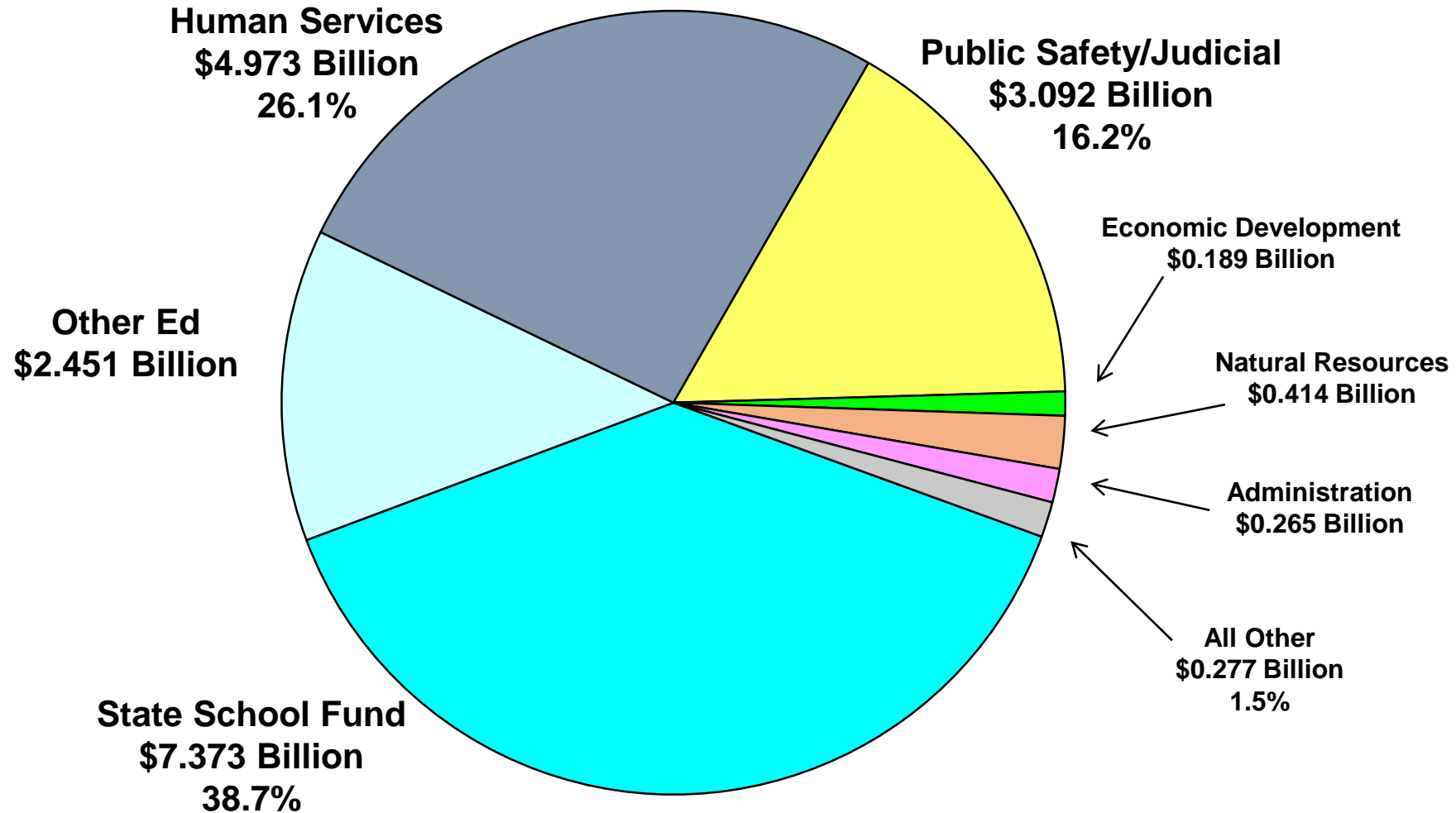
2015-17 Legislatively Approved Budget - Total Funds \$71.676 Billion

8.5% Increase from 2013-15 Approved
(through Dec. 2016 Emergency Board)

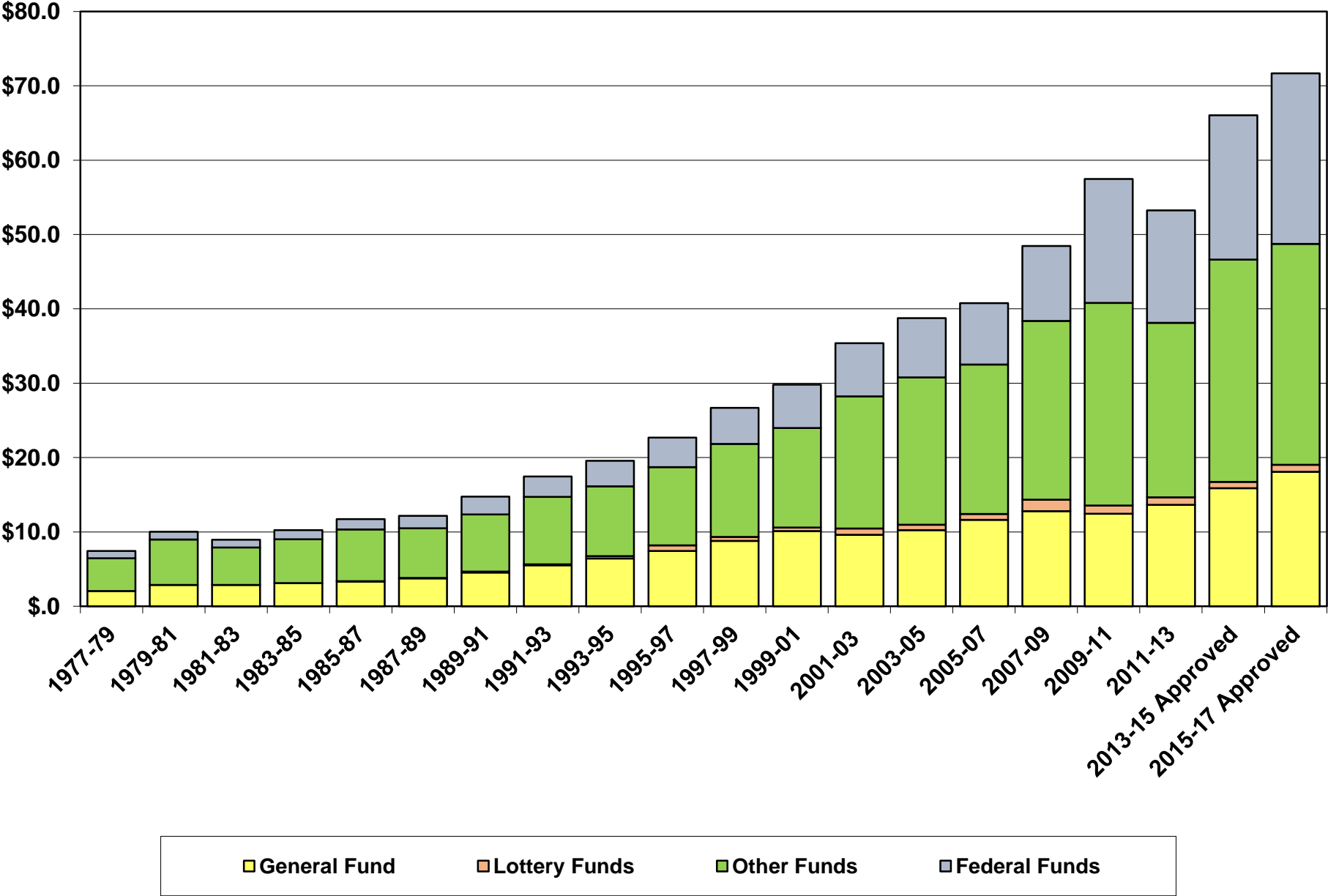


2015-17 General Fund & Lottery Funds Approved Total \$19.033 Billion

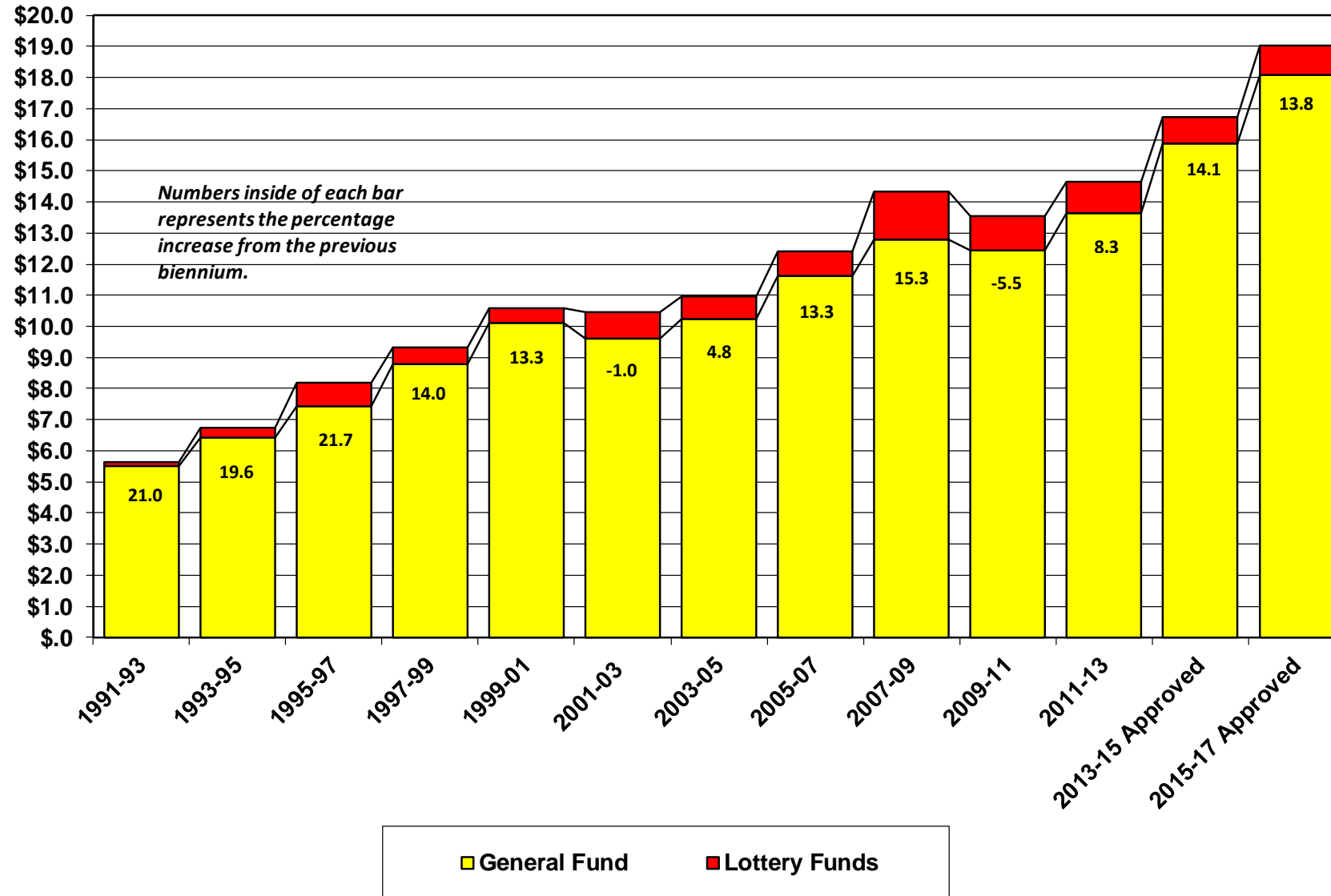
13.8% Increase from 2013-15 Approved
(through Dec. 2016 Emergency Board)



Oregon Budget History -- All Funds
(Billions \$)

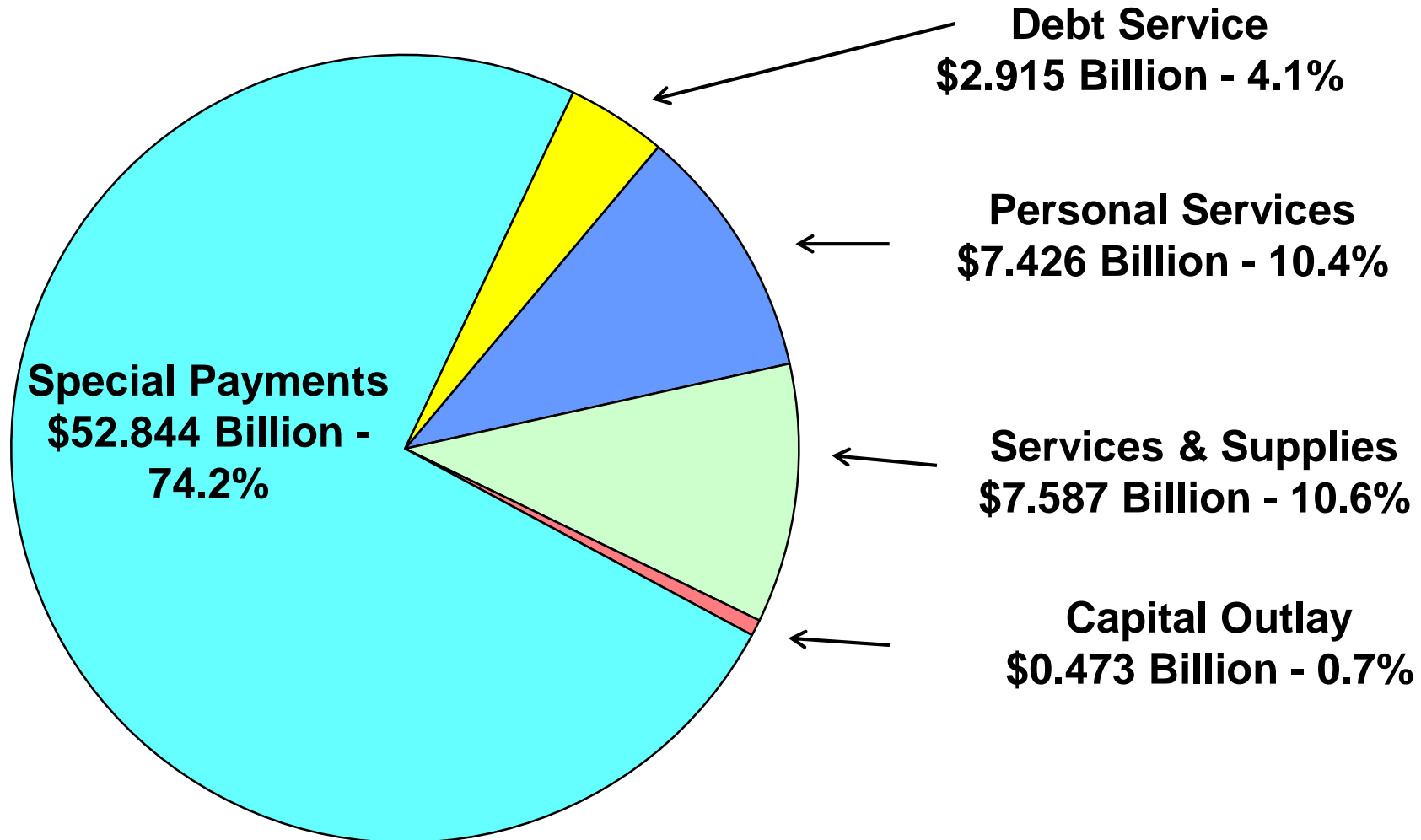


Oregon Budget History -- General Fund and Lottery Funds (Billions \$)



Expenditures by Category

**Total Funds - 2015-17 Legislatively Approved Budget
(through May 2016; \$71.2 Billion)**



Budget Issues

Key Drivers of Budget Change:

- Population Growth
- Demographics
- Inflation
- Health Care Costs
- Mandated Caseloads
- Federal Policy Changes
- Lawsuits
- Initiatives
- Rollup Costs
- Public Employees Retirement System
- Replacement of One-Time Revenues
- State Policy Decisions

Budget Issues Facing 2017 Legislature

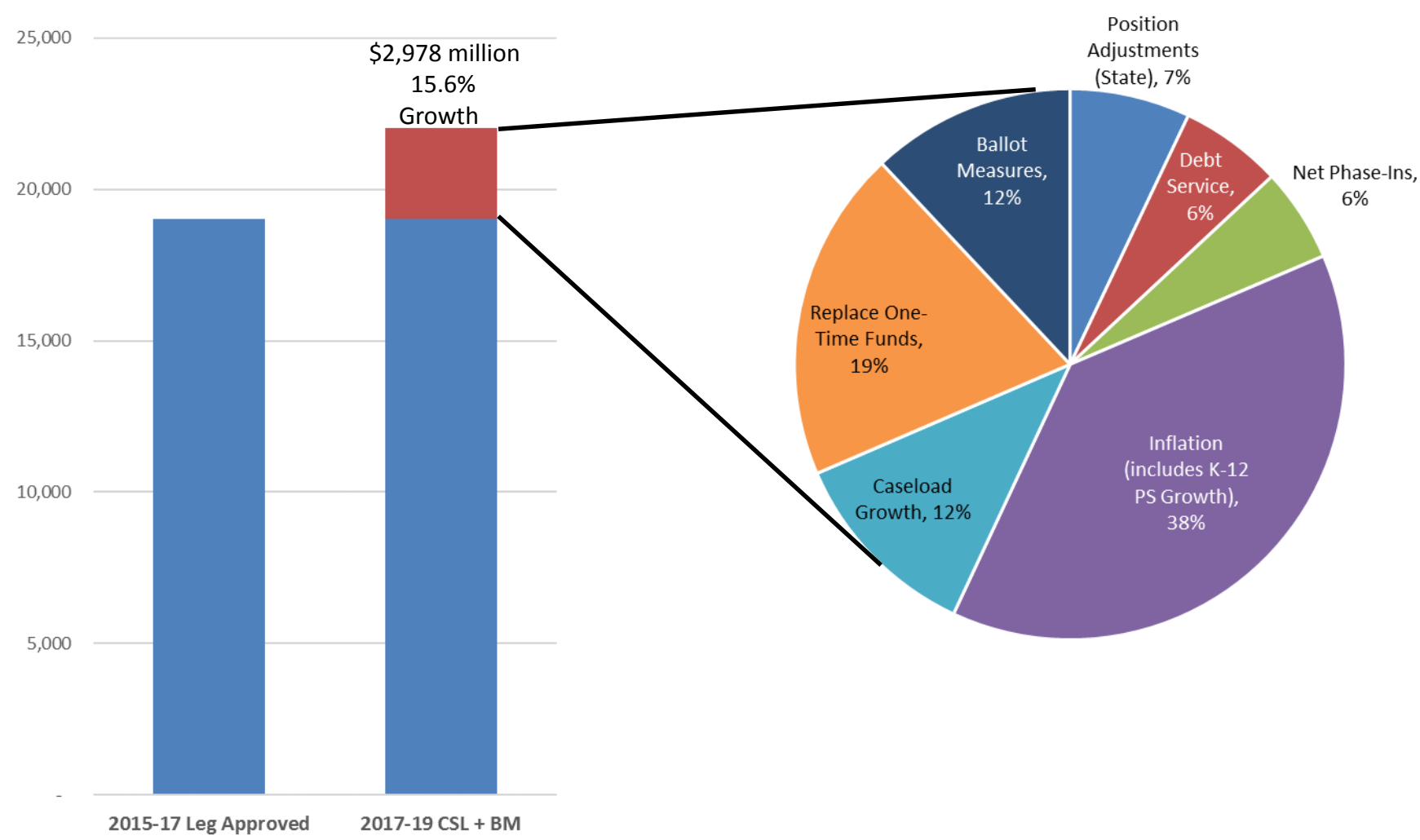
- Rebalancing the 2015-17 budget
- Revenue Forecast Changes
- Potential difficulty continuing current General Fund programs and services
- Governor and other stakeholder budget proposals
- Potential Issues (e.g., lawsuits, decreased federal funding)
- State employee and non-state employee compensation
- Responding to successful ballot initiatives
- 2019-21 tentative budget and revenue forecast

Current Service Level Budget - Adjustments

- Personal Services adjustments for 2017-19
- Debt Service adjustments
- Program phase-in costs for new programs that did not operate for the entire biennium
- Program phase-out savings for programs that will be discontinued or were one-time
- Inflation (3.7% general, 4.1% medical, exceptions)
- Mandated caseload increases or decreases
- Fund shifts – replace one-time funds

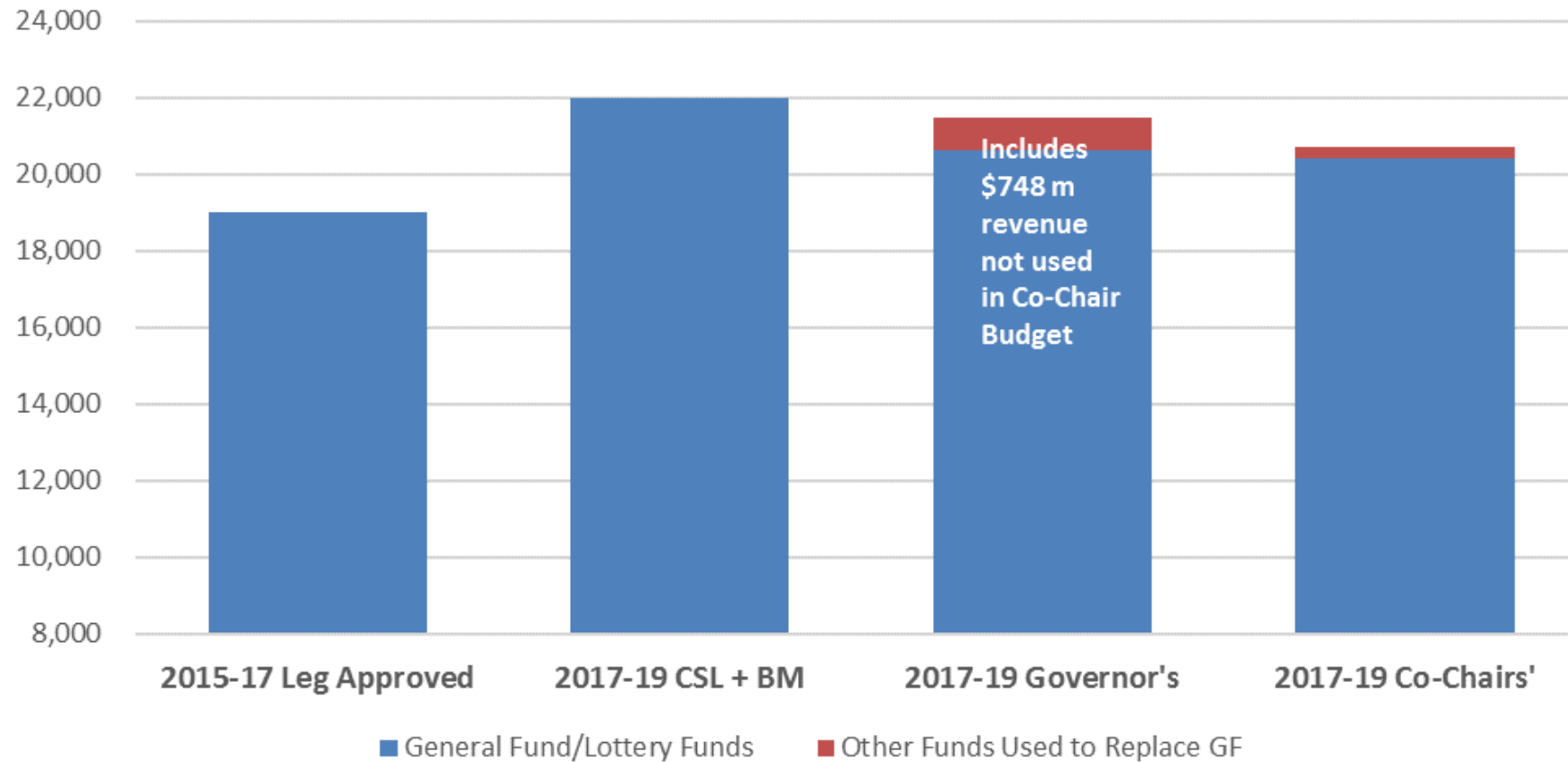
2017-19 Budget Growth – General Fund/Lottery Funds

Current Service Level



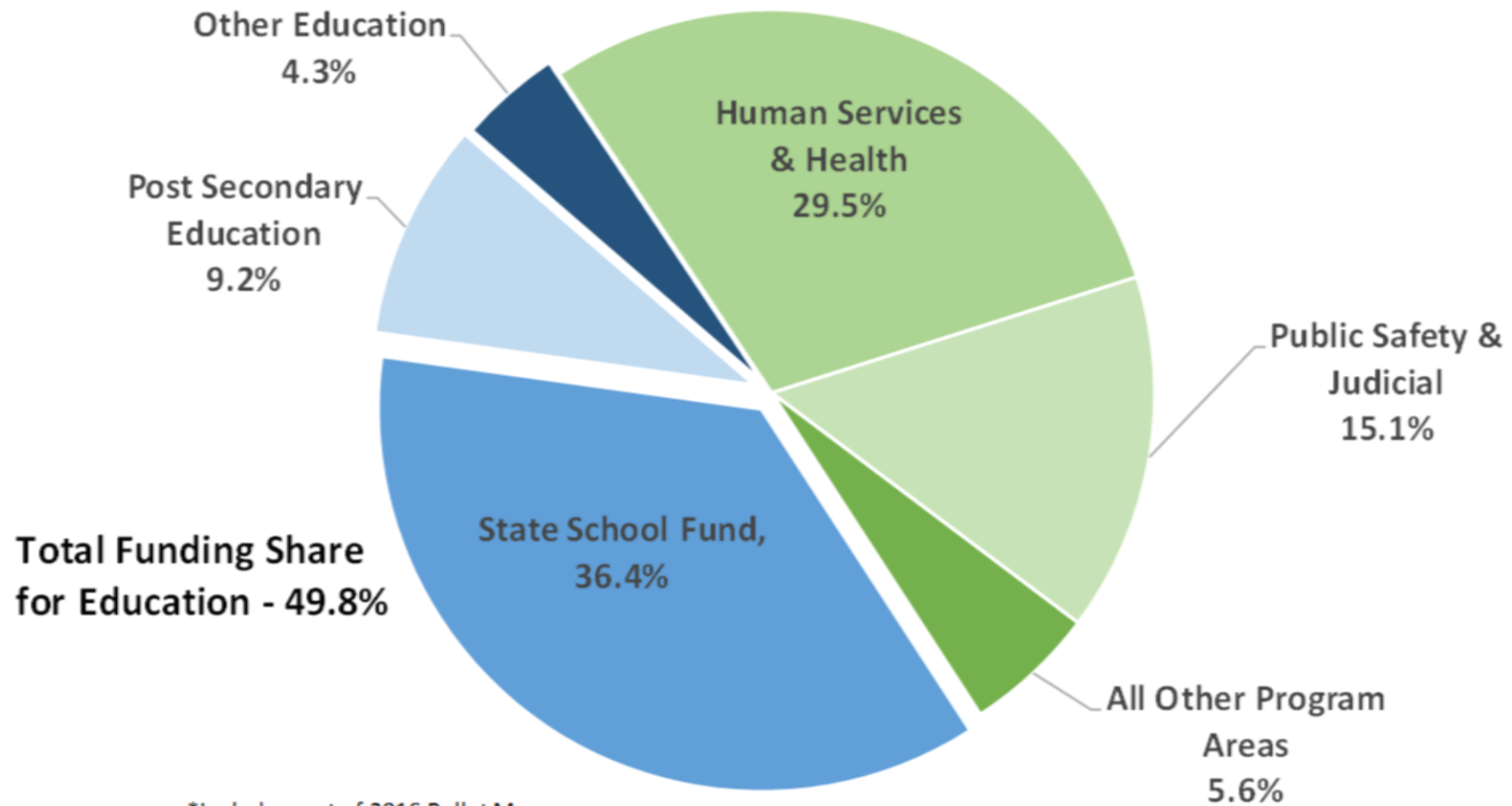
Statewide General Fund/Lottery Funds Budget

Millions of Dollars



Education Program Area Budget Information

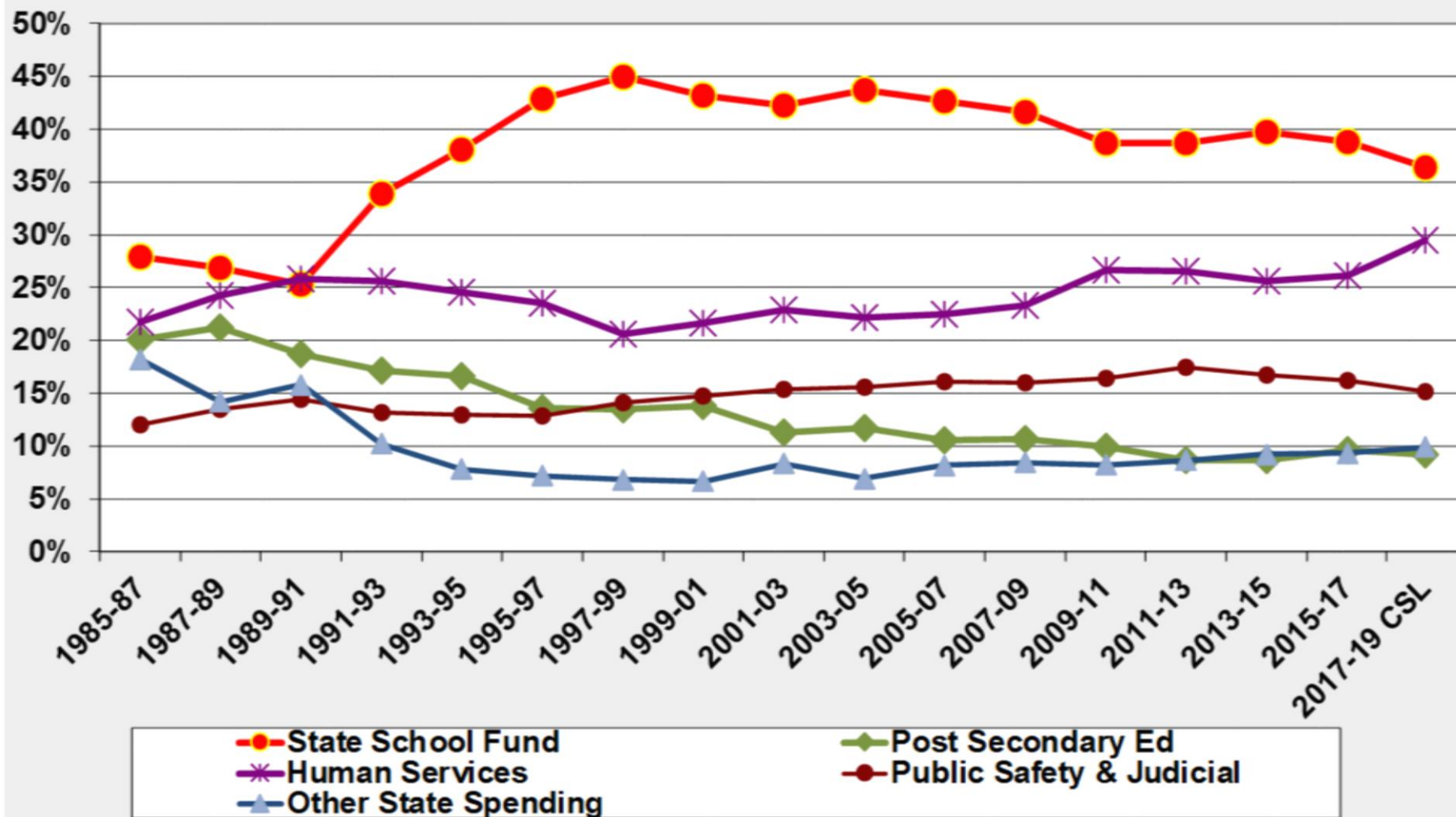
**Total State Budget
2017-19 Current Service Level*
General Fund and Lottery Funds
\$22,035 Million**



*Includes cost of 2016 Ballot Measures

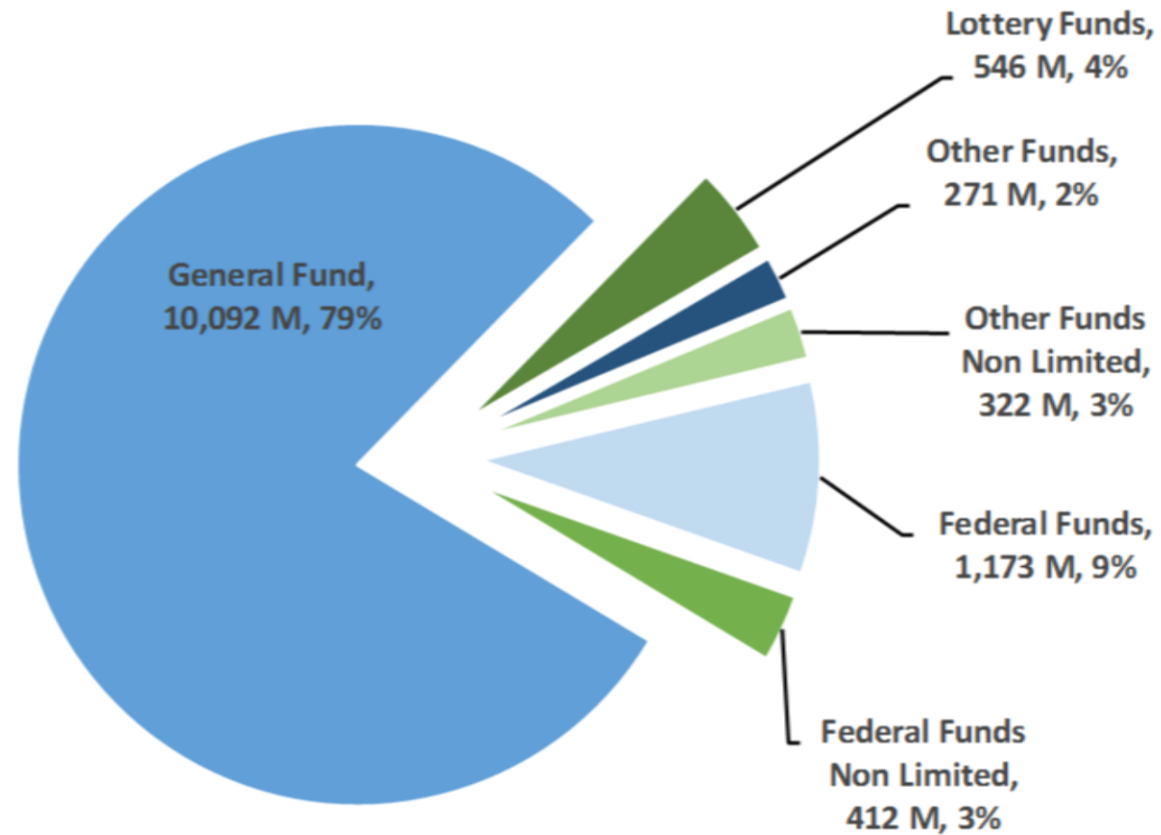
General and Lottery Funds by Spending Area as % of Total Spending

Includes Stimulus Funds That Replaced GF

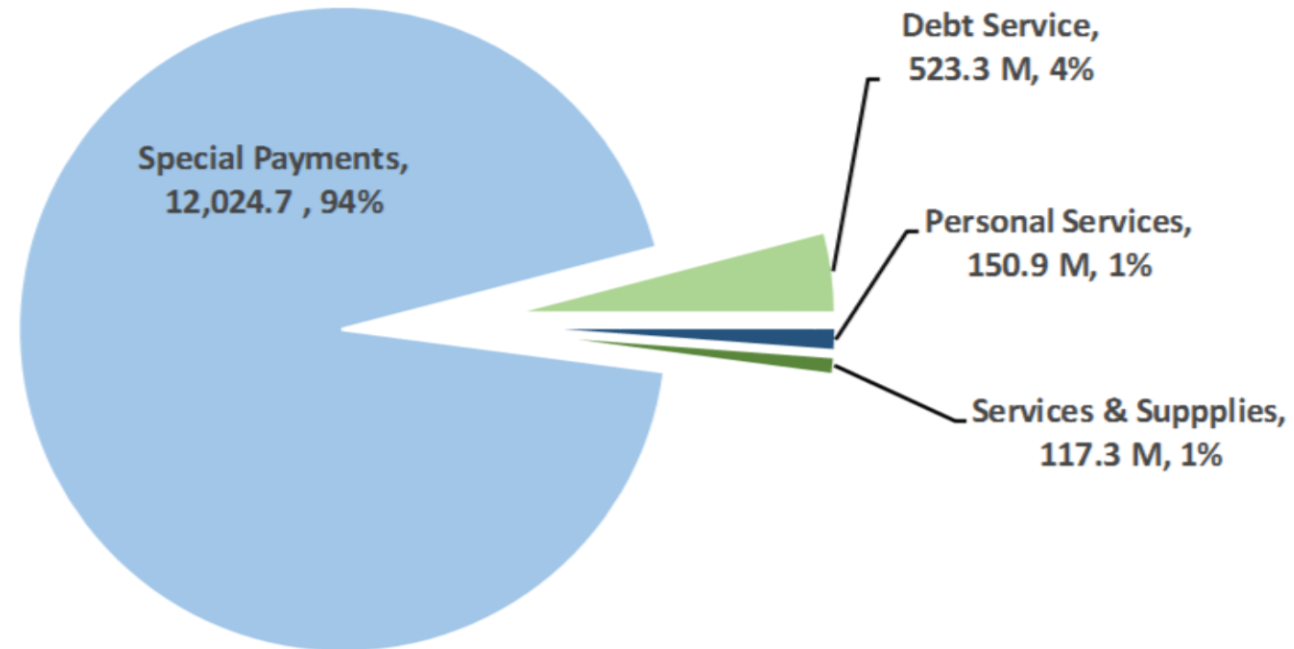


2017-19 CSL Includes Impact From Passed Ballot Measures

Education Program Area
Total Expenditures by Fund Type
2017-19 Current Service Level
\$12,816 Million Total Funds

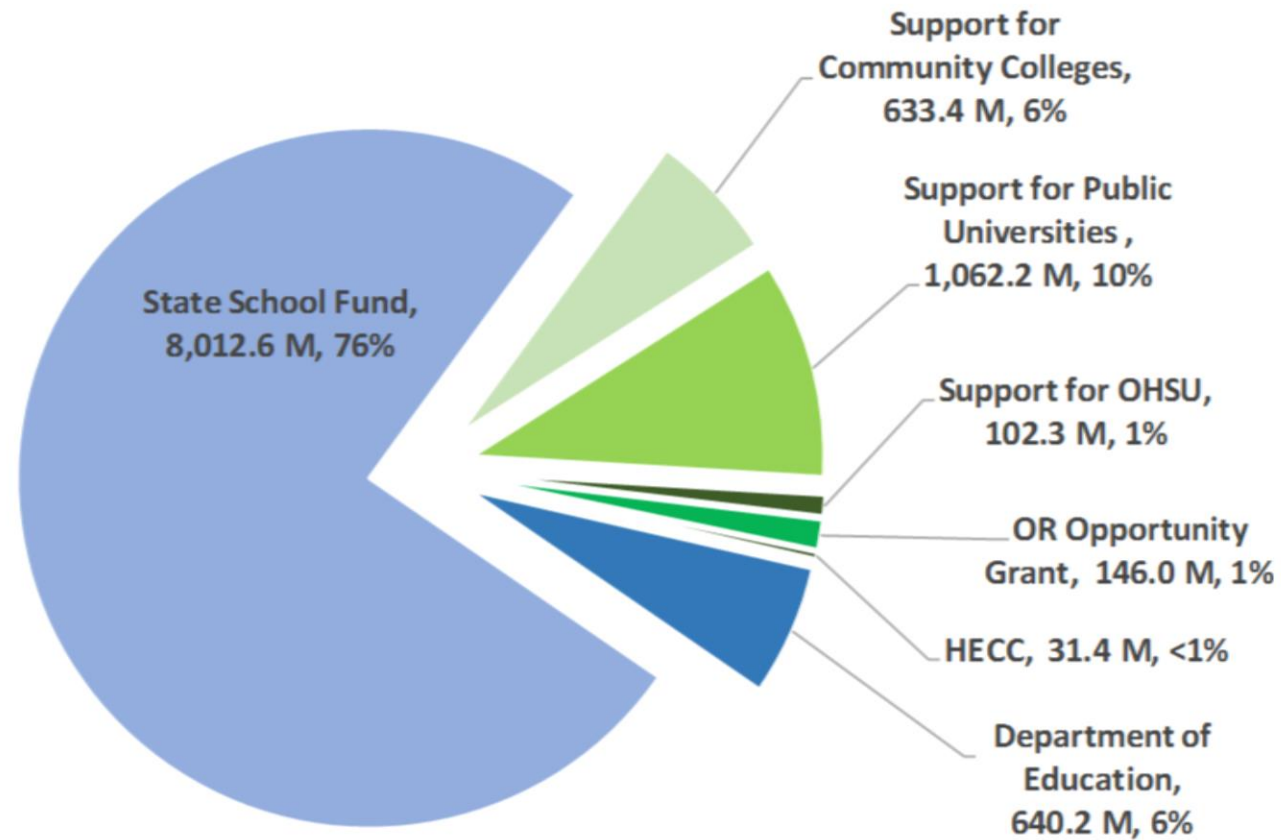


Education Program Area
Total Expenditures by Category
2017-19 Current Service Level
\$12,816 Million Total Funds



Does not include Capital Outlay which
represents less than 0.001%

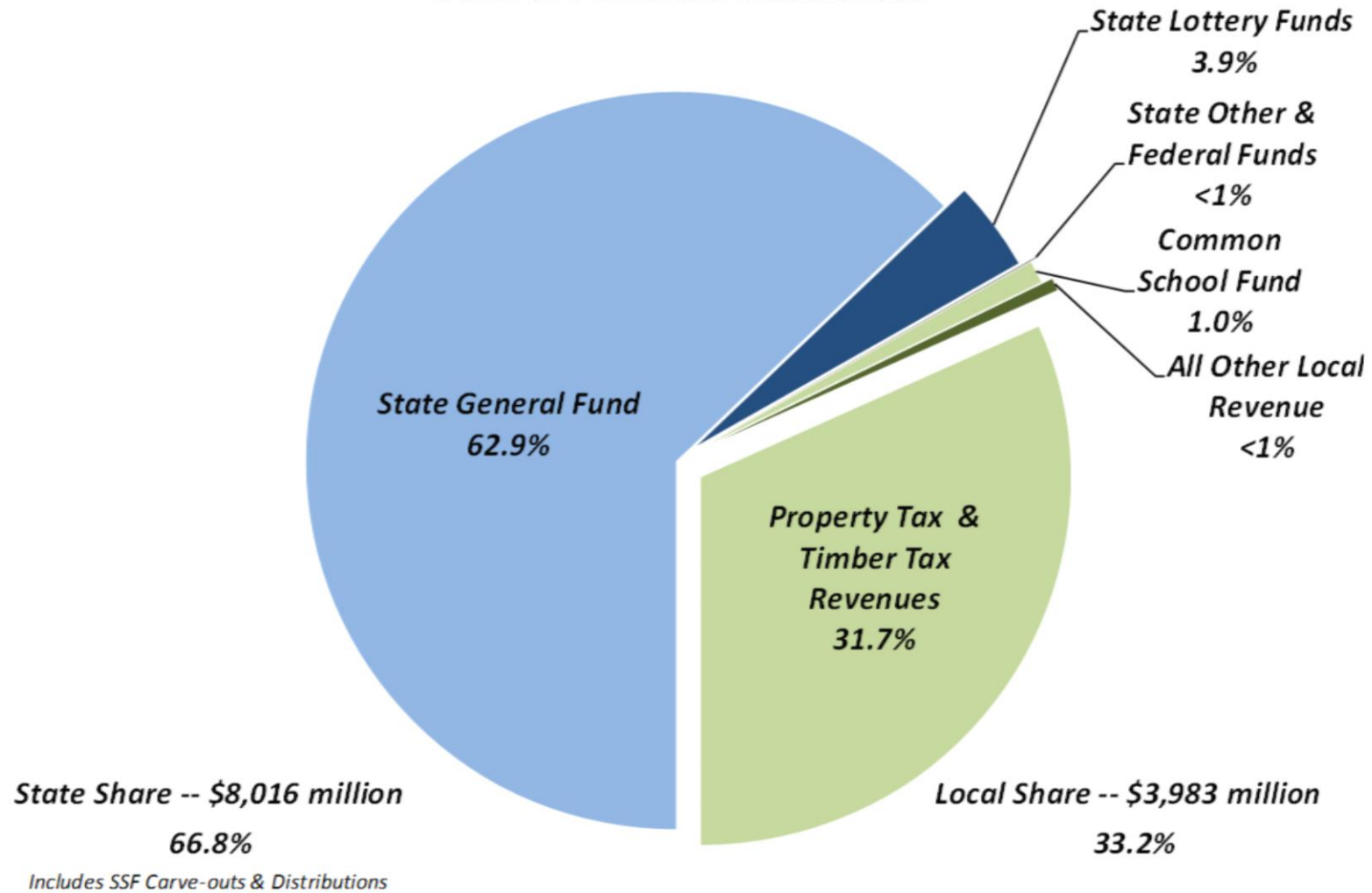
**Education Program Area
General & Lottery Funds
2017-19 Current Service Level
\$10,612 Million**

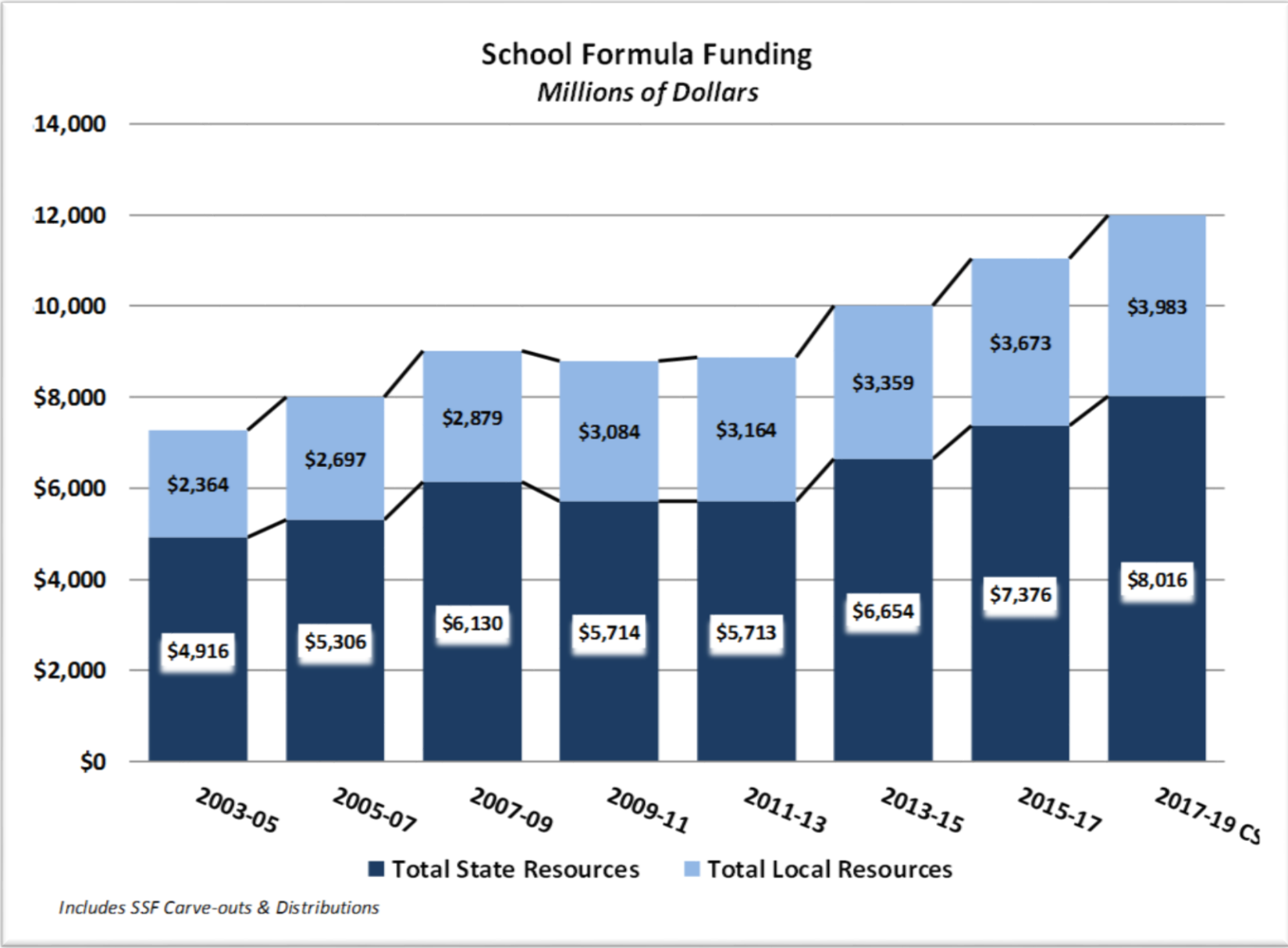


Does not include the Chief Education Office or Teachers Standards and Practices Commission which combined represent less than 0.1% of GF & LF

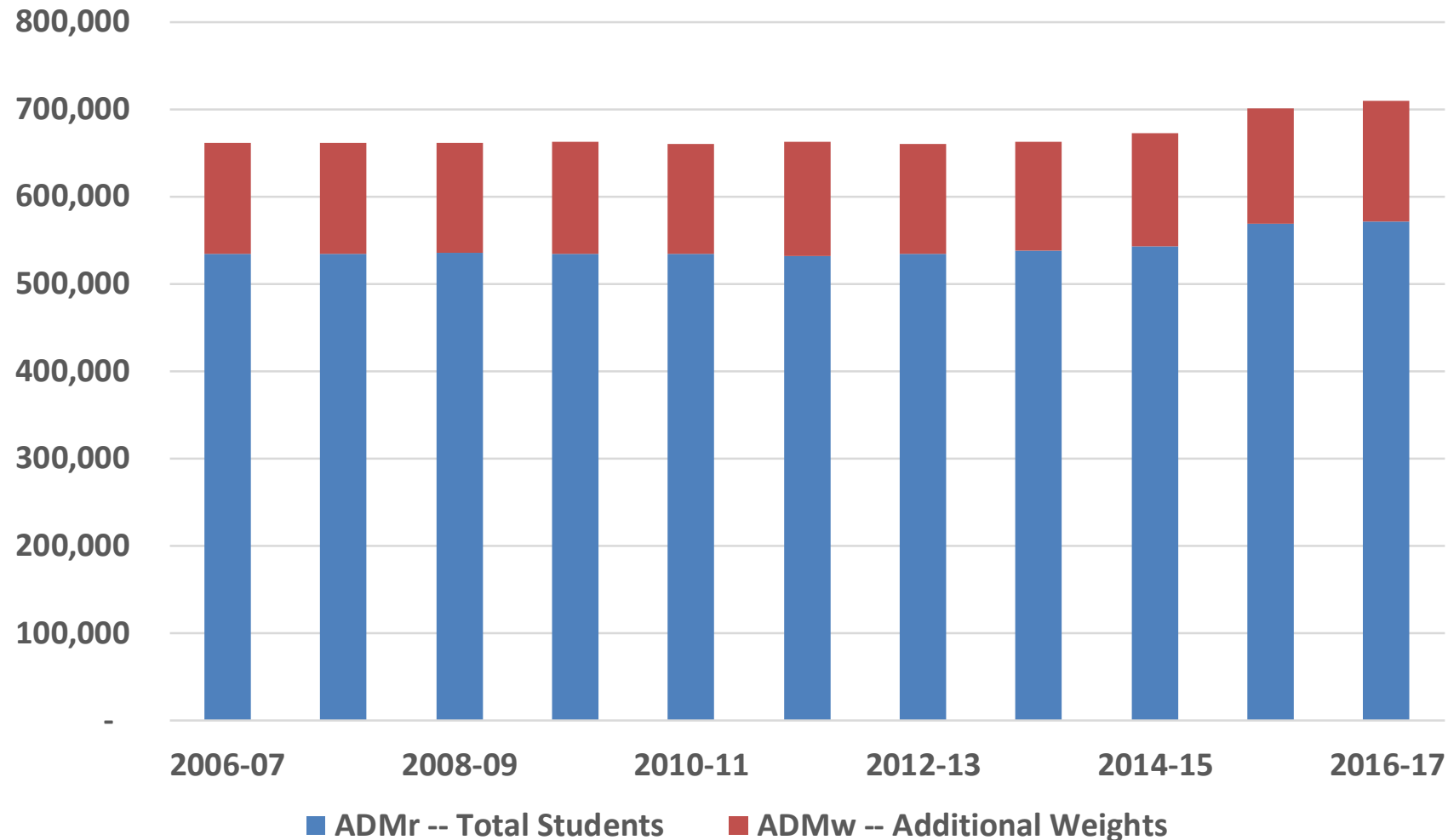
State School Fund

2017-19 Current Service Level School Formula Resources

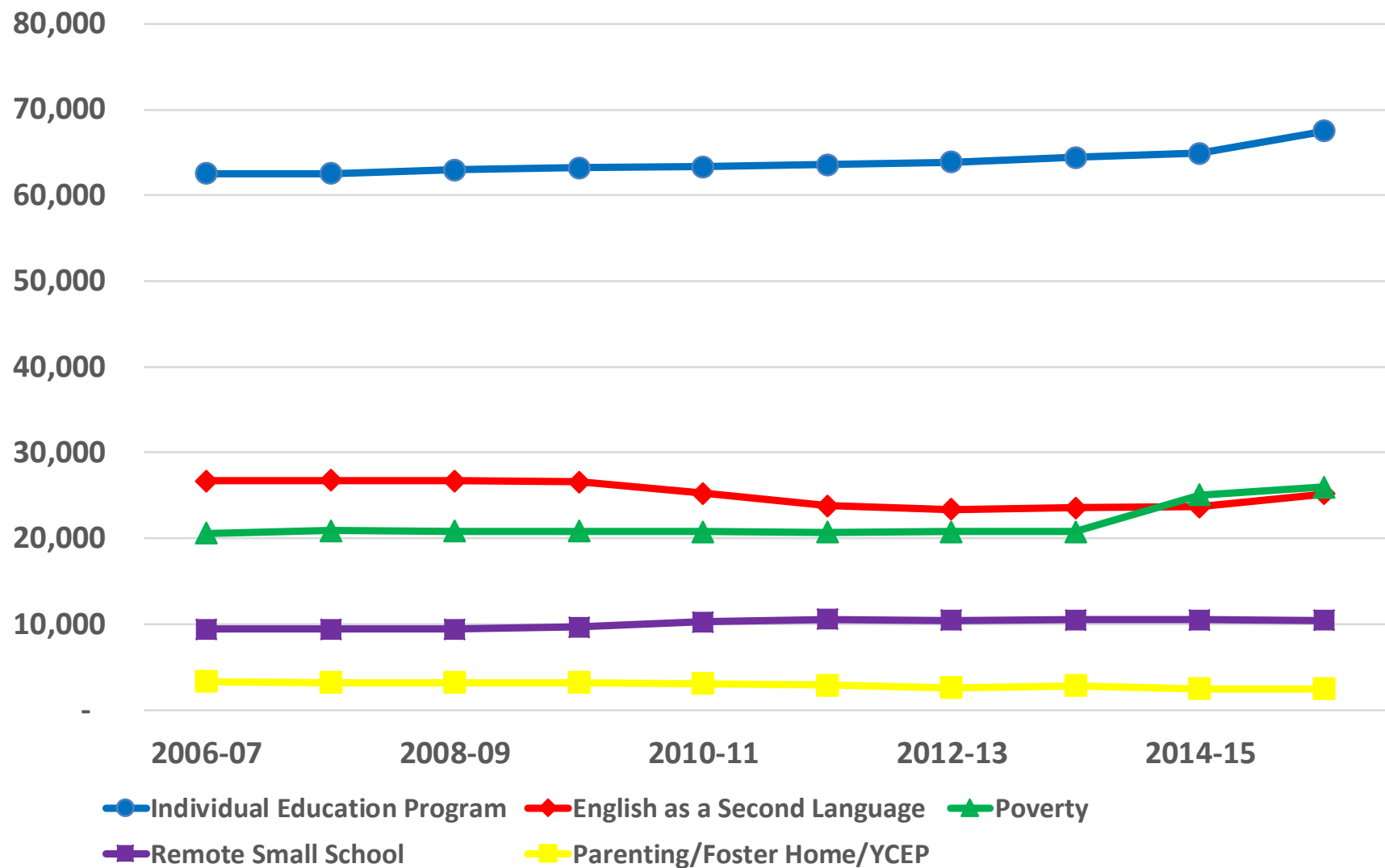




Average Daily Membership (ADM) History
Number of Students (ADMr) With Additional Weights (ADMw)
2006-07 to 2015-16



Additional Weights for School Funding Formula 2006-07 to 2015-16

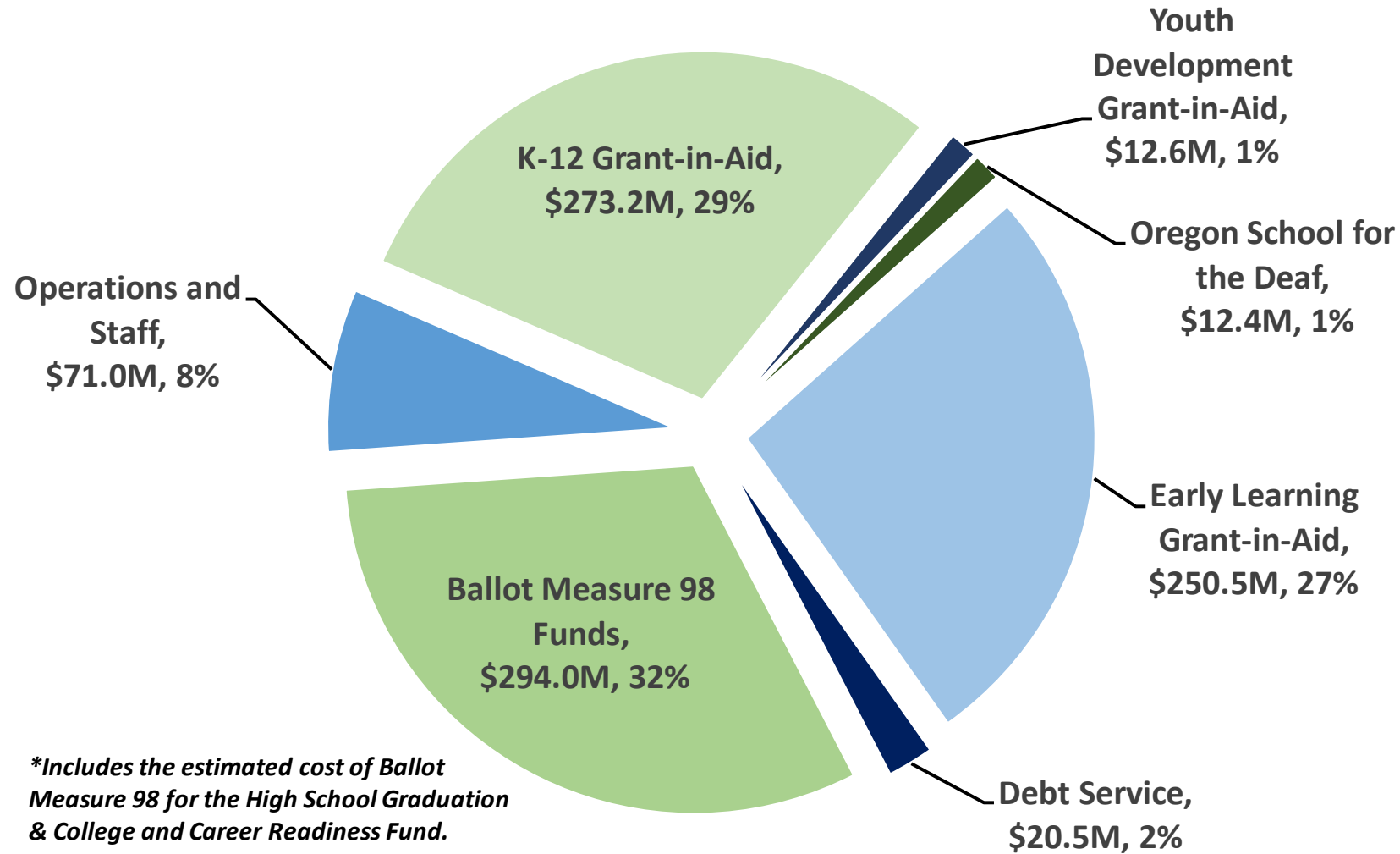


Elementary and Secondary Education Spending Per Pupil by State – 2014 Data

• 1. New York	\$20,610	• U.S. Average	\$11,009
• 2. District of Columbia	\$18,485	• 28. Washington	\$10,202
• 3. Alaska	\$18,416	• 30. Oregon	\$9,945
• 4. New Jersey	\$17,907	• 35. California	\$9,595
• 8. Connecticut	\$17,745	• 46. Nevada	\$8,414
• 15. Massachusetts	\$15,087	• 49. Arizona	\$7,528
• 18. Nebraska	\$11,726	• 50. Idaho	\$6,621
• 19. Minnesota	\$11,646	• 51. Utah	\$6,500

Oregon Department of Education

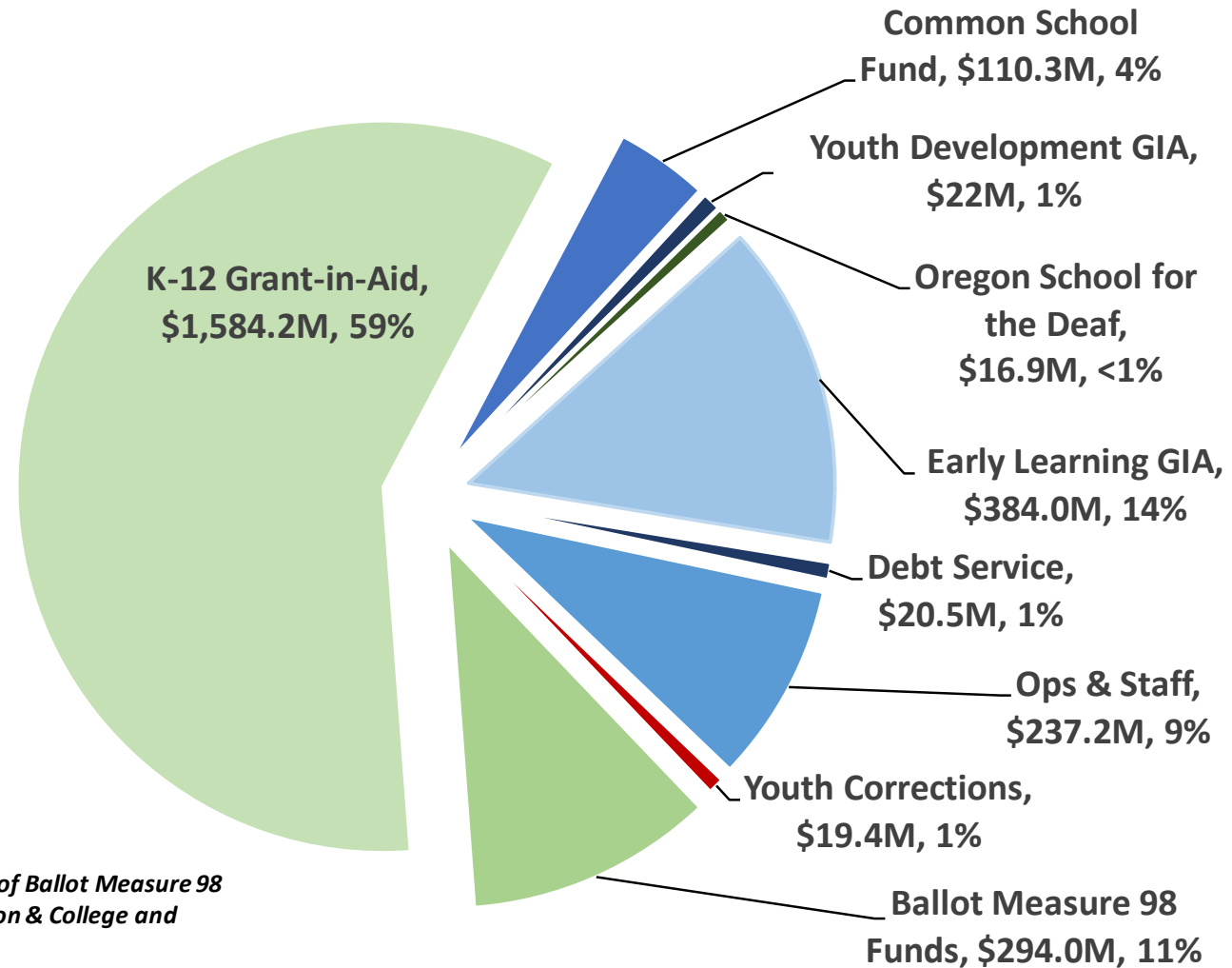
**Oregon Department of Education 2017-19 CSL Budget
Does Not Include State School Fund
General & Lottery Funds -- \$934.2 Millions of Dollars***



Oregon Department of Education 2017-19 CSL Budget

Does Not Include State School Fund

Total Funds -- \$2,688.6 Millions of Dollars*



**Includes the estimated cost of Ballot Measure 98 for the High School Graduation & College and Career Readiness Fund.*

Grant-in-Aid Programs

K-12 Grant-in-Aid

- Early Literacy Related Programs
- Post-Secondary Aspirations & Accelerated Credits
- STEM & CTE Related Programs
- Nutritional Programs
- Educator Effectiveness & Professional Development
- Closing the Achievement Gap
- Early Intervention/Early Childhood Special Ed
- Blind & Visually Impaired
- Regional Programs
- Hospital Programs
- Long Term Care & Treatment
- Individuals with Disabilities Act (IDEA)
- Physical Education Grants

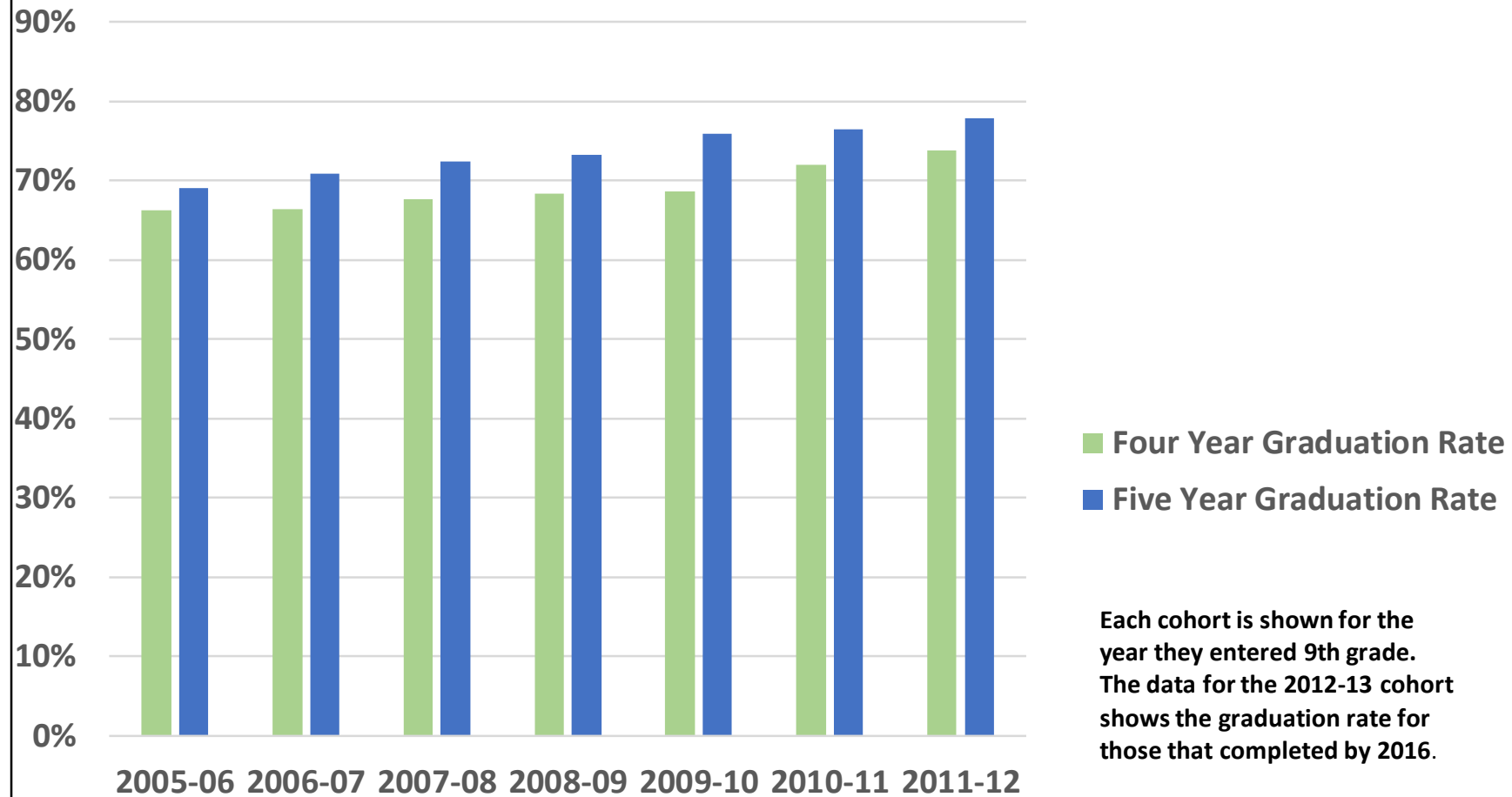
Early Learning Grant-in-Aid

- Oregon Prekindergarten & Early Head Start
- Health Families
- Relief Nurseries
- Kindergarten Readiness
- Early Learning Hubs
- Preschool Promise

Youth Development Grant-in-Aid

- Juvenile Crime Prevention
- Youth & Community
- Youth Innovation
- Community Schools

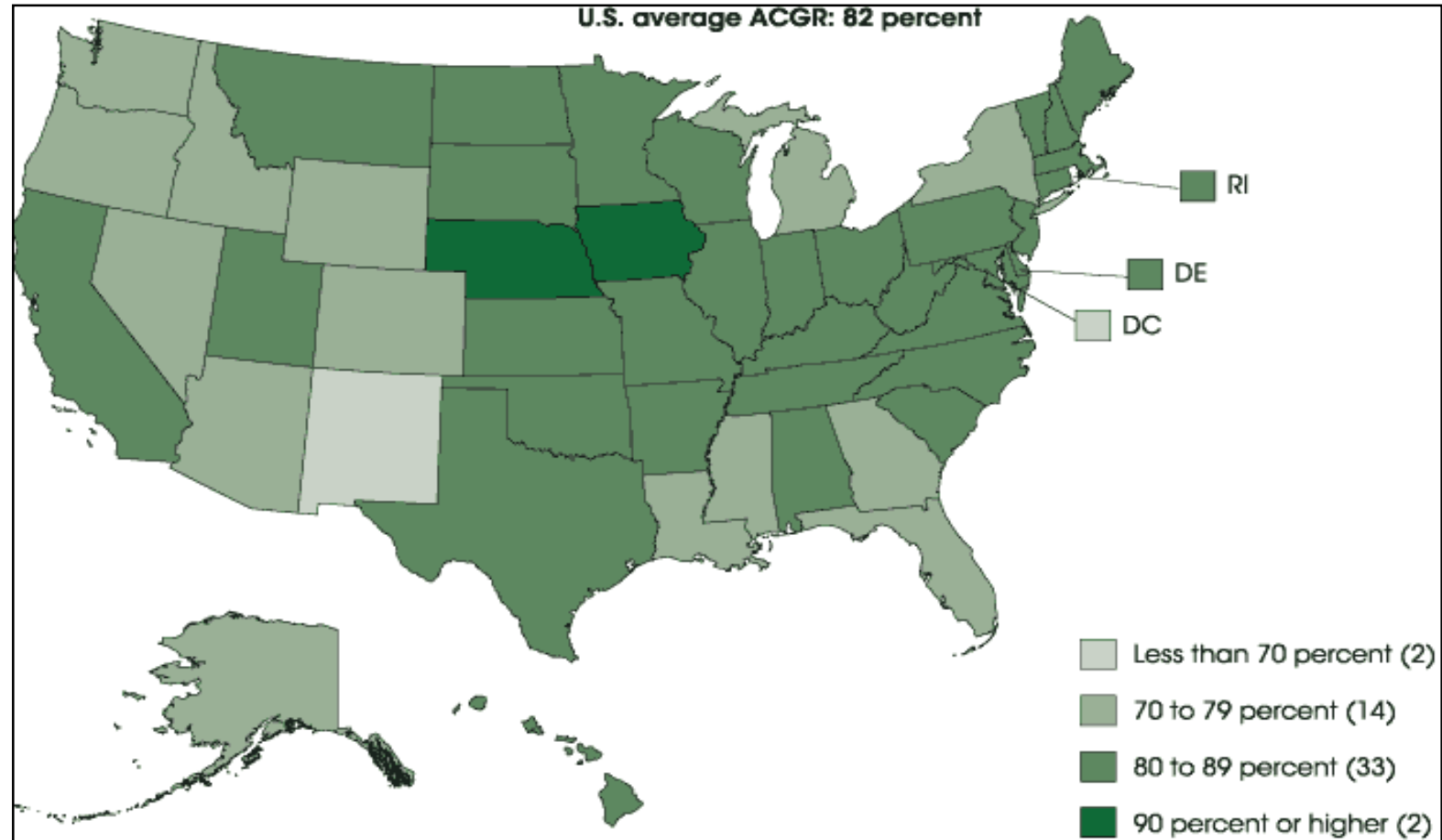
Oregon's Graduation Rates by Cohort All Students



Each cohort is shown for the year they entered 9th grade. The data for the 2012-13 cohort shows the graduation rate for those that completed by 2016.

Source: Oregon Department of Education

2016 State Graduation Rates – 4 Year

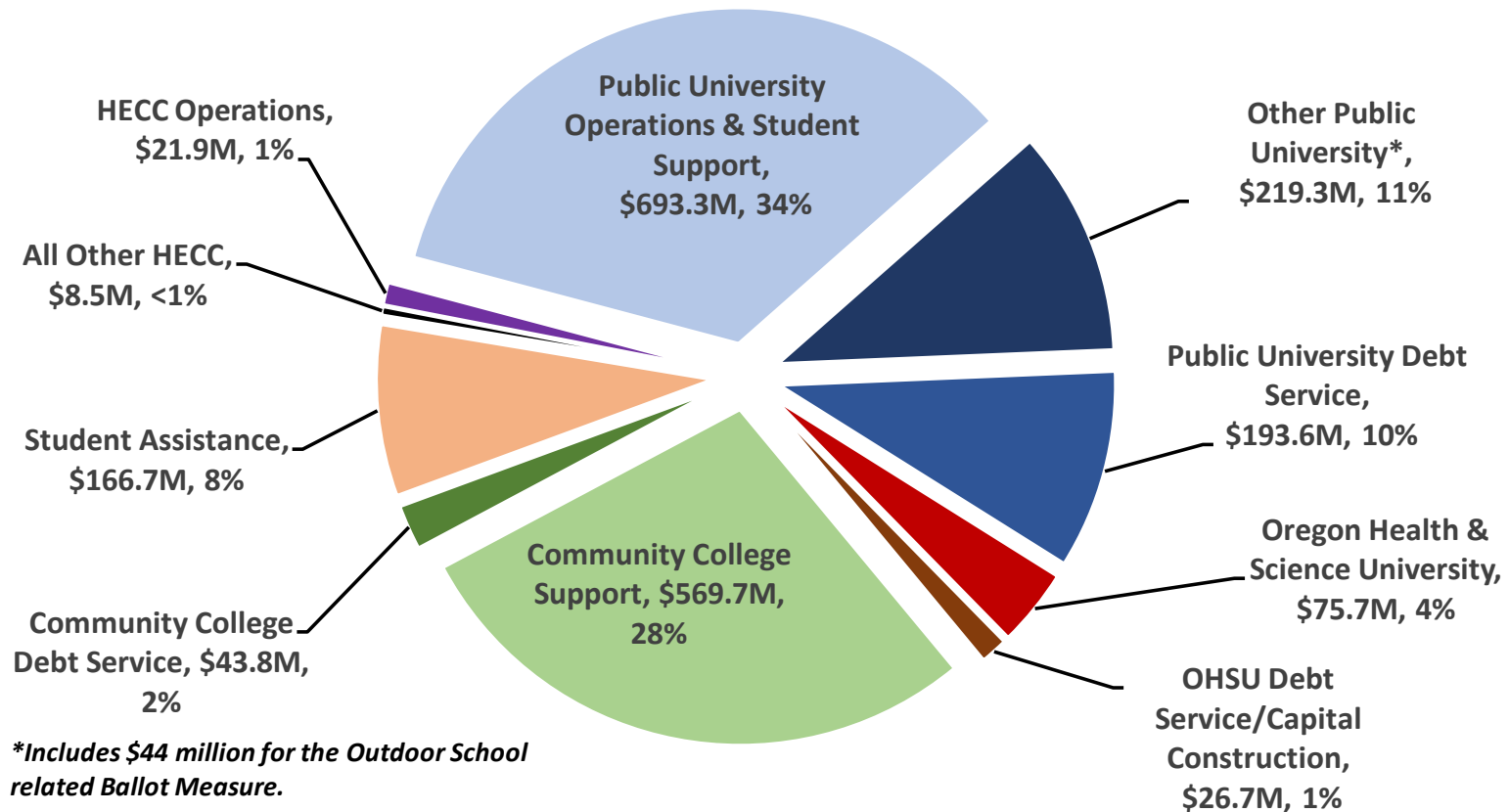


Early Learning to Grade 12 Issues -- A Sample

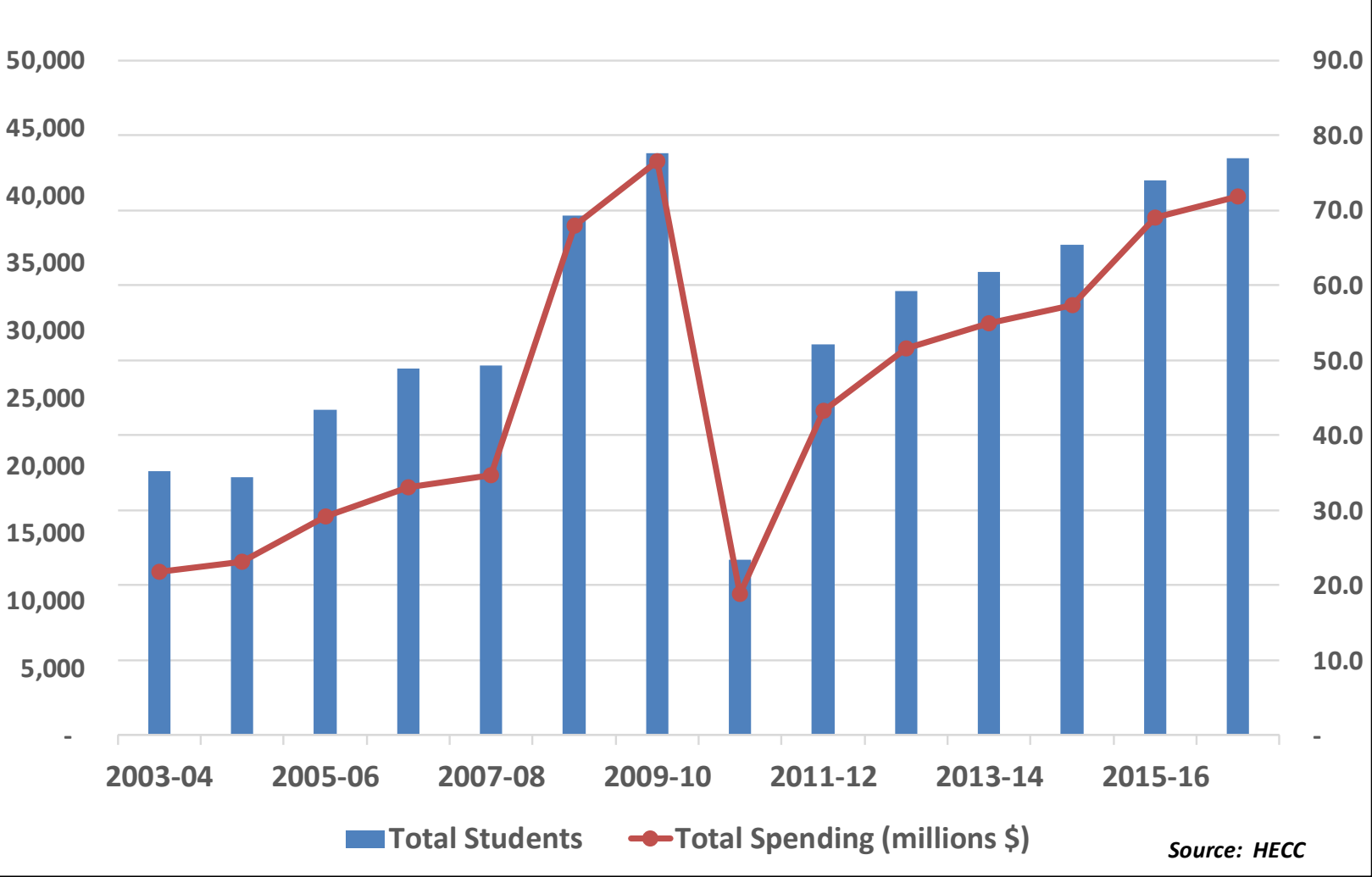
- PERs impact on school districts and other education providers like post-secondary institutions
- Implementation of Ballot Measure 98 -- High School Graduation and College and Career Readiness Fund
- Dual credits and accelerated learning -- transition from high school to post-secondary education
- Federal maintenance of effort requirements
- Educator professional development -- Educator Advancement Council
- Sunset of Chief Education Office
- Success of Early Learning Hubs
- Preschool Promise program -- mixed delivery quality preschool
- Increased federal child care quality requirements

Post-Secondary Education & the Higher Education Coordinating Commission (HECC)

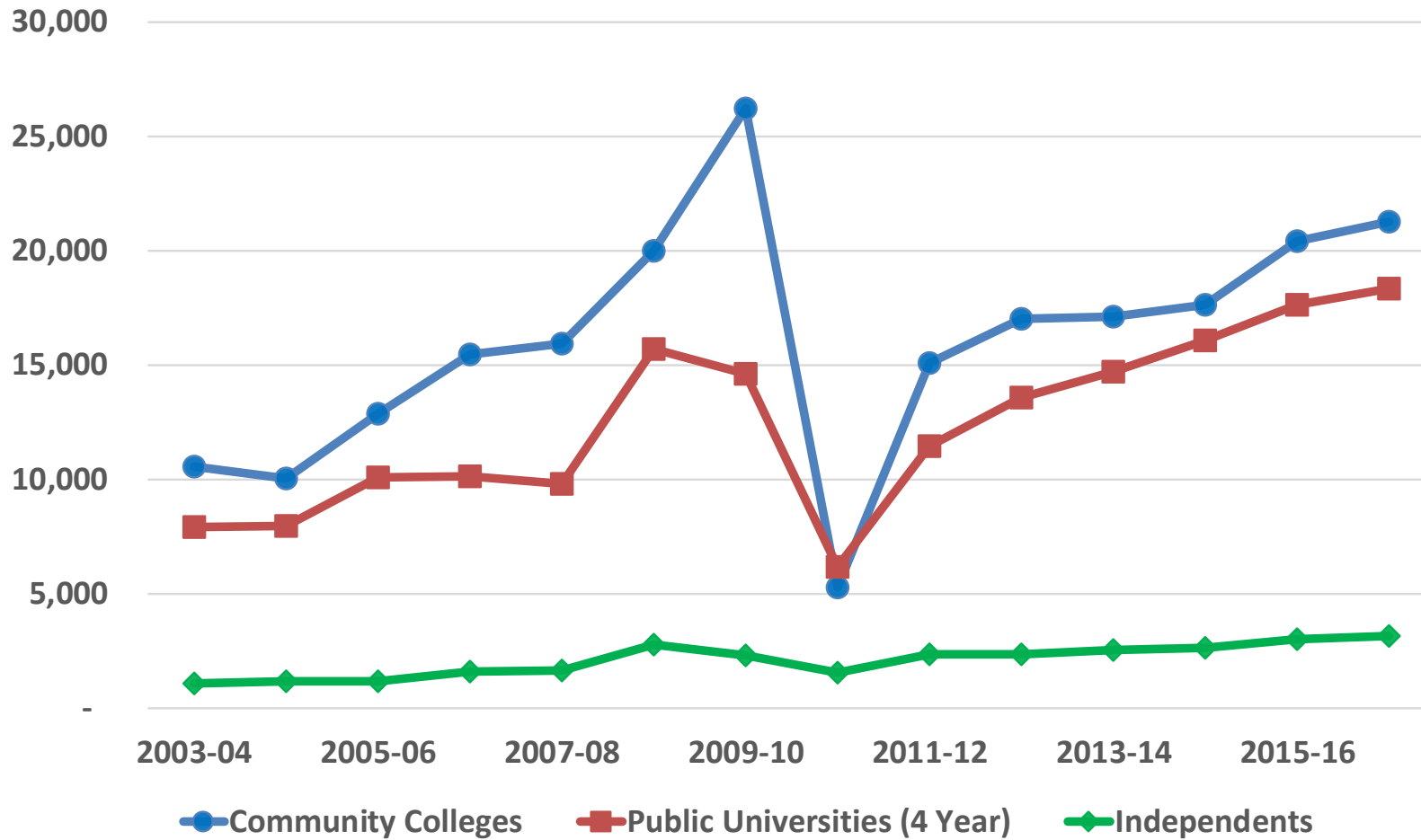
Post Secondary Education 2017-19 CSL Budget*
General Fund & Lottery Funds
\$2,019.2 Millions of Dollars



Oregon Opportunity Grant
Annual Number of Students and Annual State Funding

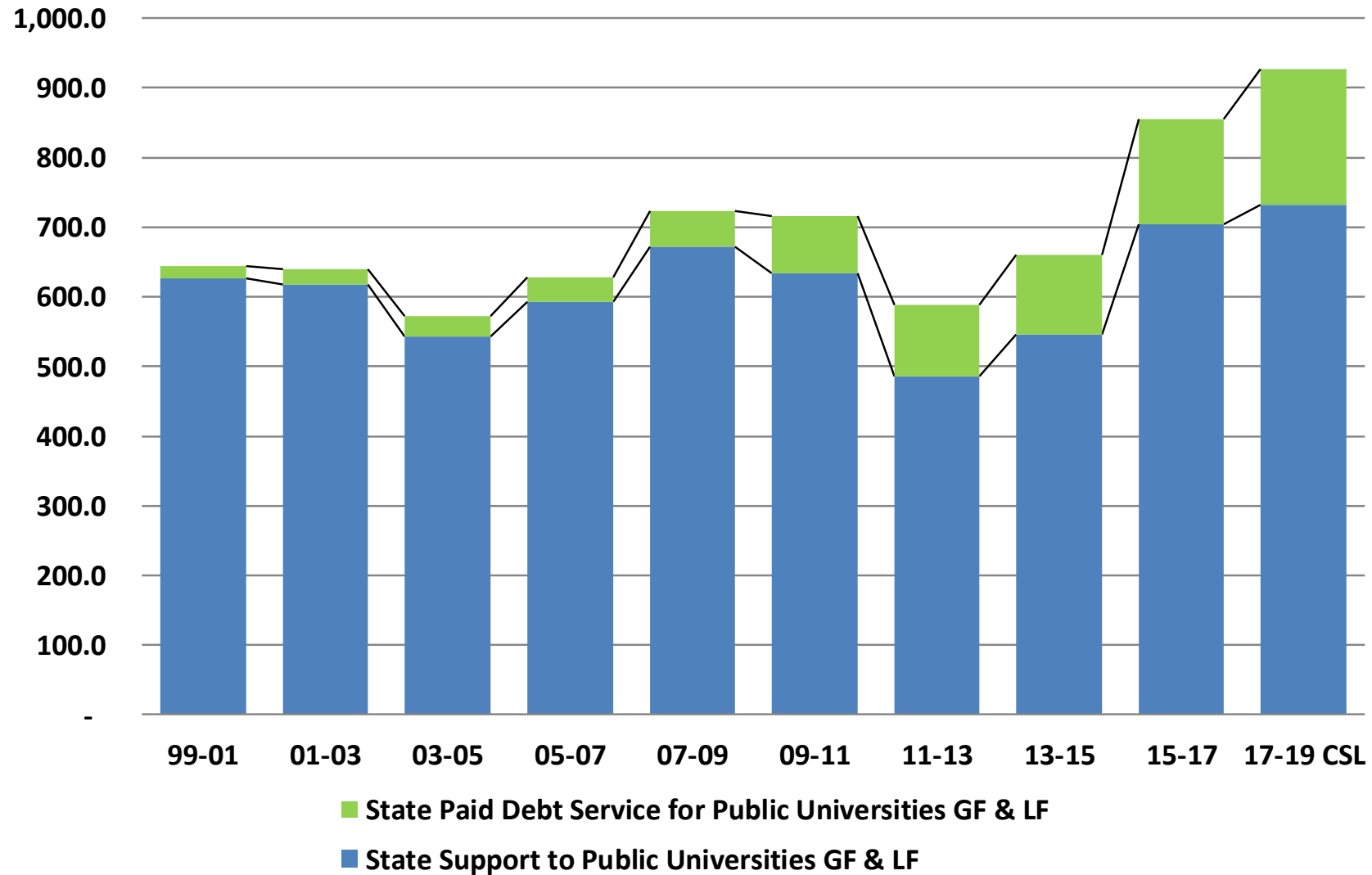


Oregon Opportunity Grant Number of Recipients by School Type

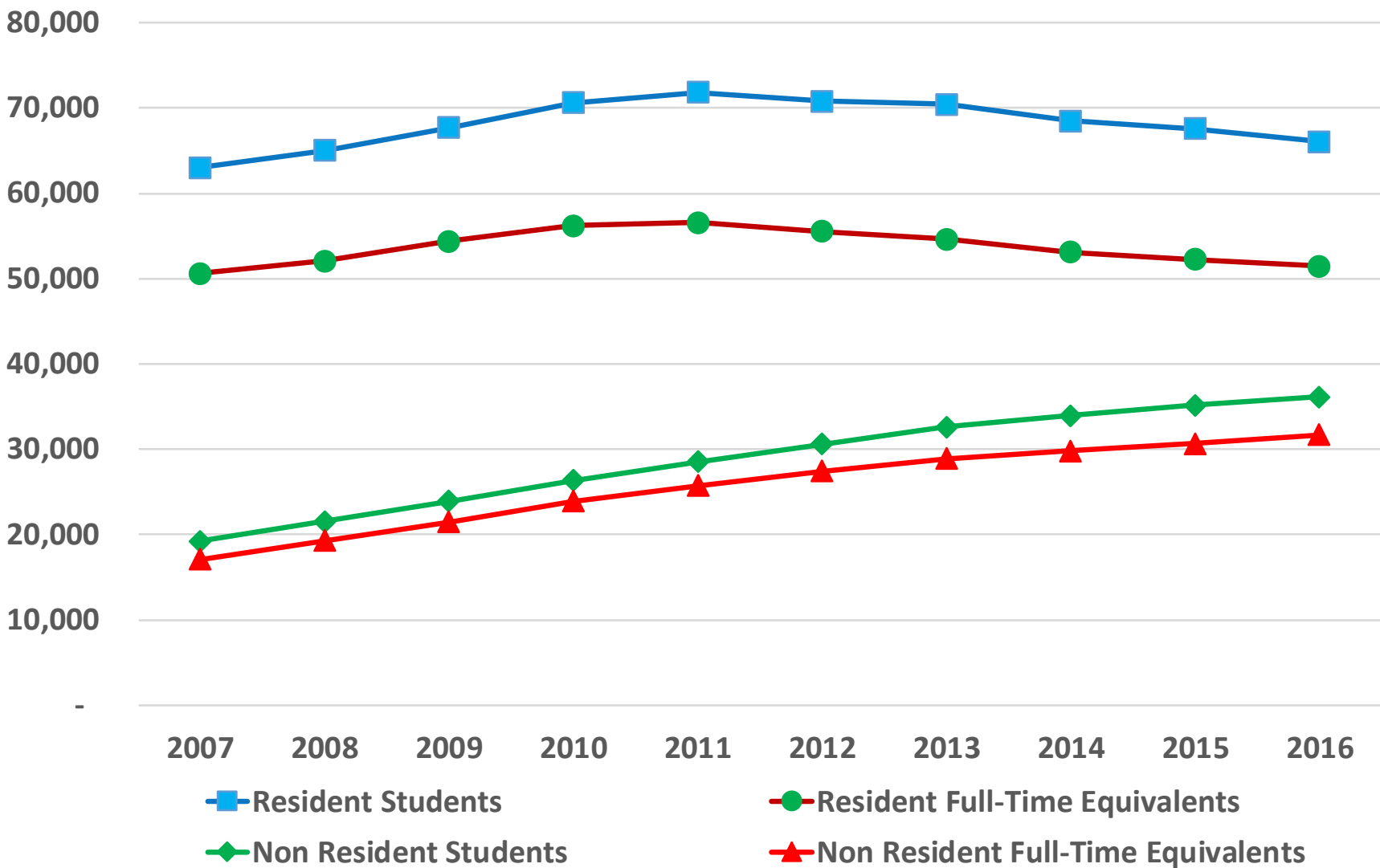


Source: HECC

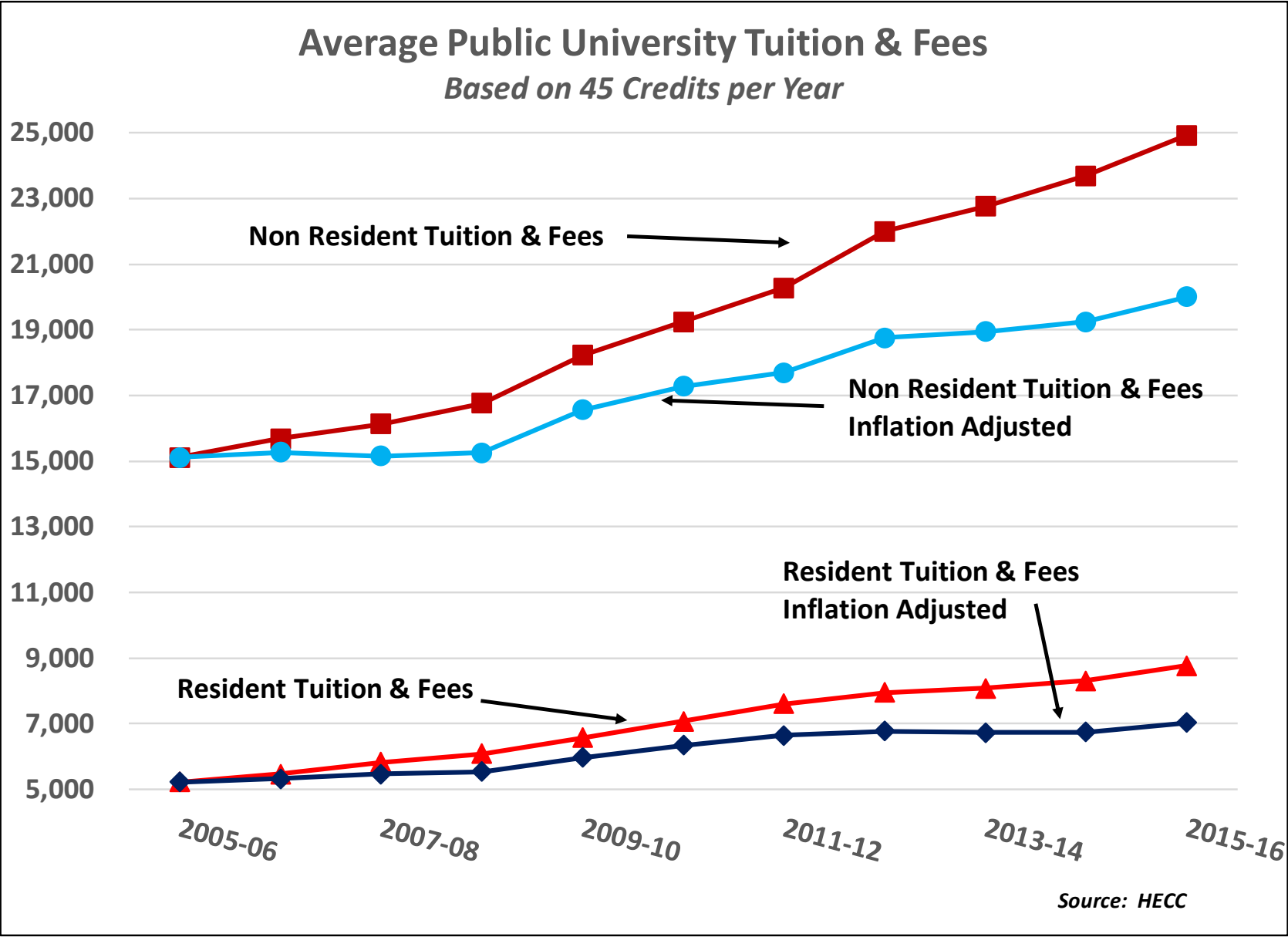
State Support to Public Universities 1999-01 to 2017-19
General Fund and Lottery Funds -- Millions of Dollars



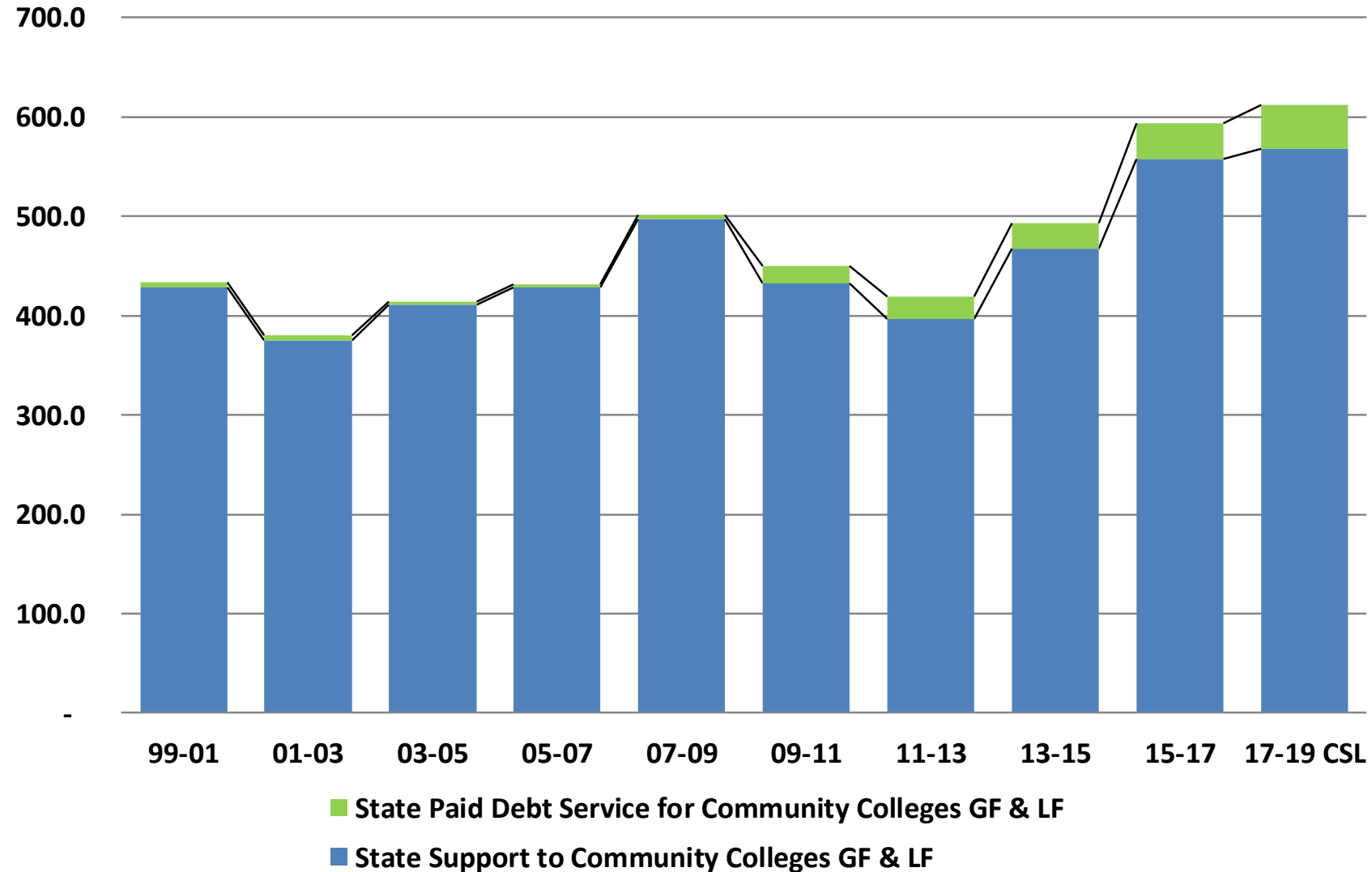
Resident & Non Resident Public University Students



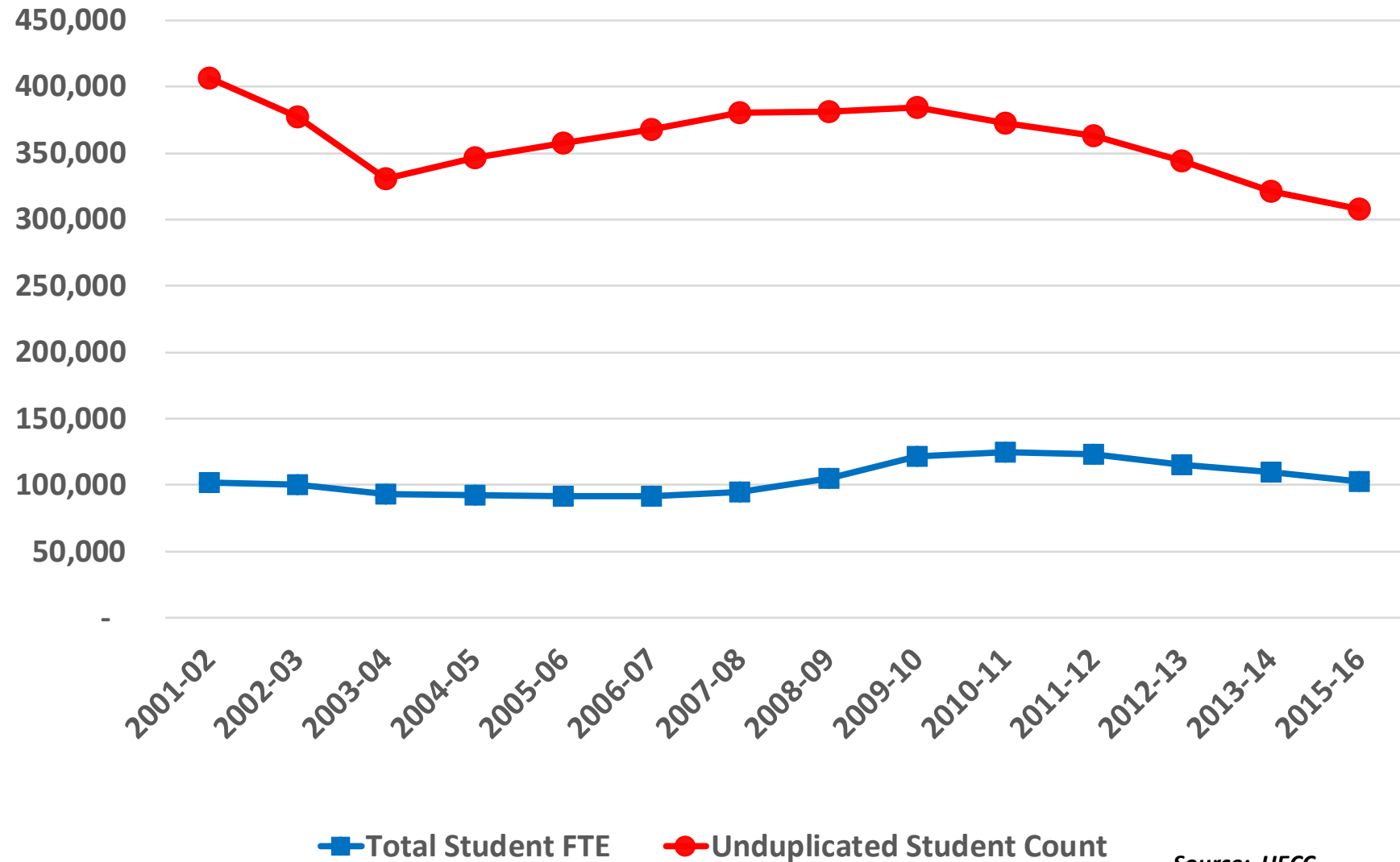
Source: HECC



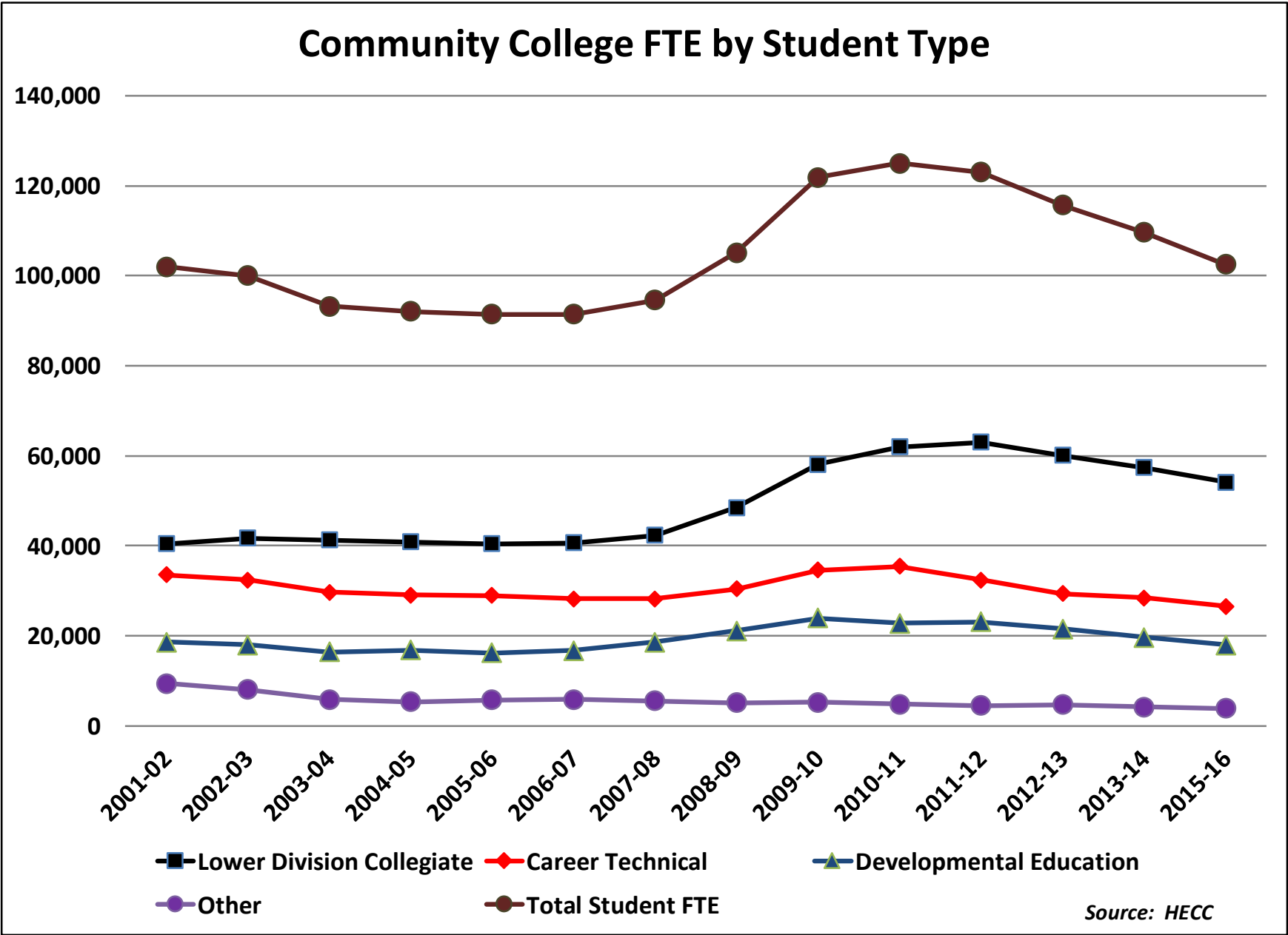
State Support to Community Colleges 1999-01 to 2017-19
General Fund and Lottery Funds -- Millions of Dollars



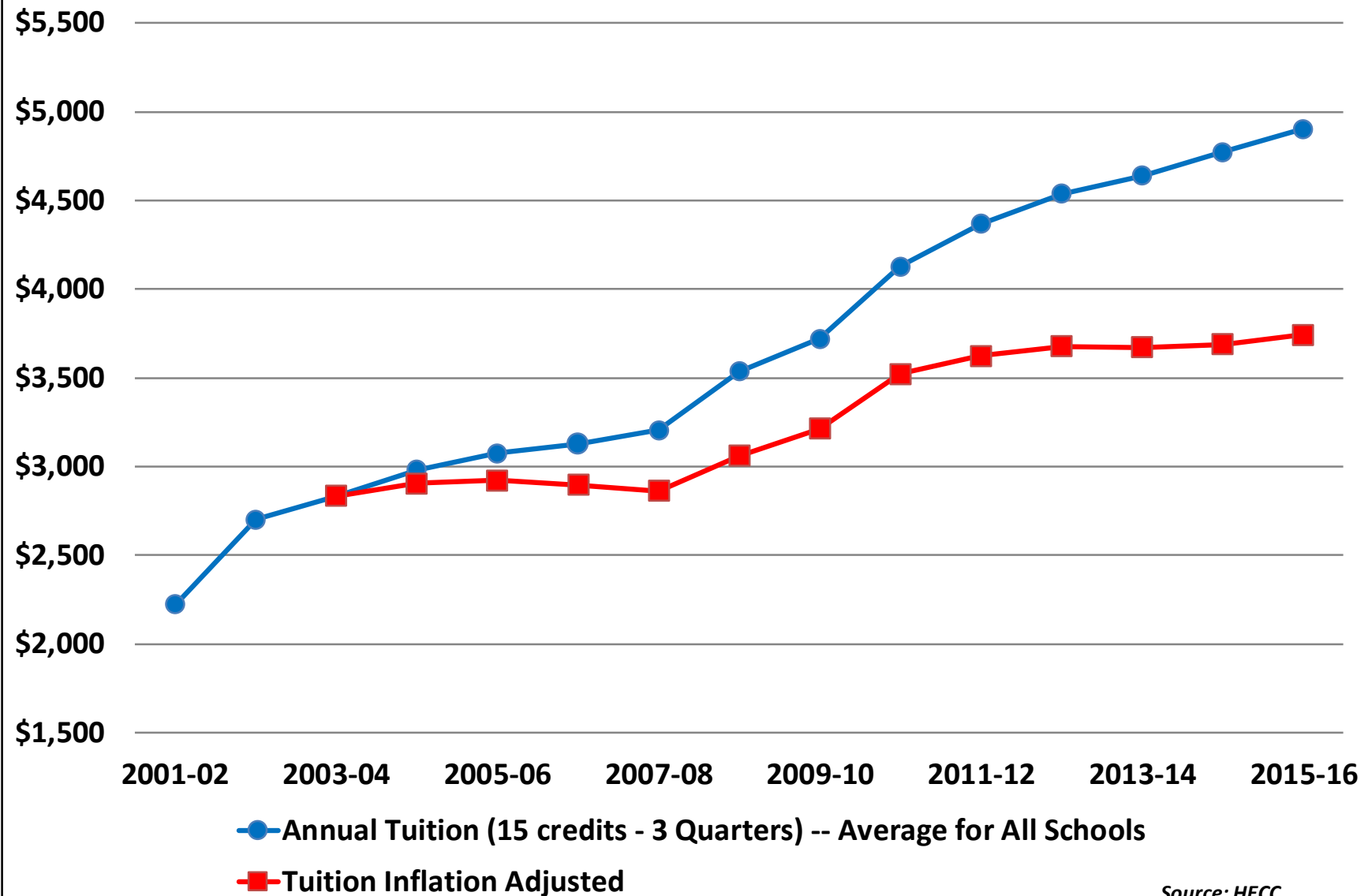
Community College Unduplicated Student Count & Student FTE Equivalent



Source: HECC



Community College Tuition Increases



Post-Secondary Issues -- A Sample

- State support for Community Colleges and Public Universities and the impact on tuition
- Funding need for security and deferred maintenance at Community Colleges and Public Universities
- Performance based distribution of Community College Support Fund (e.g., completion rates, number of diplomas and certificates)
- Oregon Promise program
- Reliance on out-of-state tuition for Public Universities
- Availability of student financial aid -- Oregon Opportunity Grant
- Outdoor School Implementation -- Ballot Measure 99